

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

May 1, 1929

#### Money Market in April

Some reduction during April in the total of brokers loans and a slight easing of rates for bankers acceptances and time money in the latter half of the month make it desirable to examine the credit position with a view to discovering what, if any, fundamental changes have occurred.

Brokers loans as reported to this bank by the New York City banks have declined 301 million dollars since the highest point on March 20, and 177 million dollars since February 6, when the Federal Reserve Board made its public statement regarding speculative use of credit. Loans to brokers are, however, only a part of the credit employed in carrying securities. Large sums are lent for this purpose by banks directly to their customers. The recent decrease in brokers loans has reflected in part a transfer of loans from brokers to banks, as the accompanying diagram indicates. High call rates have induced many holders of securities on margin to seek funds directly from their banks and reduce their borrowing from brokers. While the statistics do not allow a complete analysis of this transfer, the following table shows a computation based upon the figures of the reporting member banks in 101 leading cities and is only approximate as to loans of banks direct to customers.

(In millions of dollars)

1929	Bank loans to brokers*	Loans by "others" to brokers	Bank security loans directly to customers**	Total security loans†
Feb. 6 . . . . .	3,047	2,621	4,511	10,179
Mar. 20 . . . . .	2,859	2,934	4,783	10,576
Apr. 24 . . . . .	2,576	2,916	4,759	10,251
Change from Feb. 6 . . . . .	-471	+295	+248	+72
Change from Mar. 20 . . . . .	-283	-18	-24	-325

\*Brokers loans reported by New York City banks for own account and for out-of-town banks; figures probably include some loans for customers of out-of-town banks.

\*\*Estimated figures computed by deducting "bank loans to brokers" from total security loans of reporting member banks; actual figures probably are somewhat larger.

†Total security loans of reporting banks (these banks have about 40 per cent of the country's banking resources) plus brokers loans for "others"; this does not include the security loans of non-reporting banks, which if available would increase this total at least 50 per cent.

From these figures it is clear that the total amount of credit employed in carrying securities remains slightly larger than early in February, but is reduced from the high point of March 20. Meantime the total loans and investments of the reporting member banks have followed a somewhat similar course as an increase in "all other loans," largely commercial, has been partly offset by a slight reduction in investments. There has thus

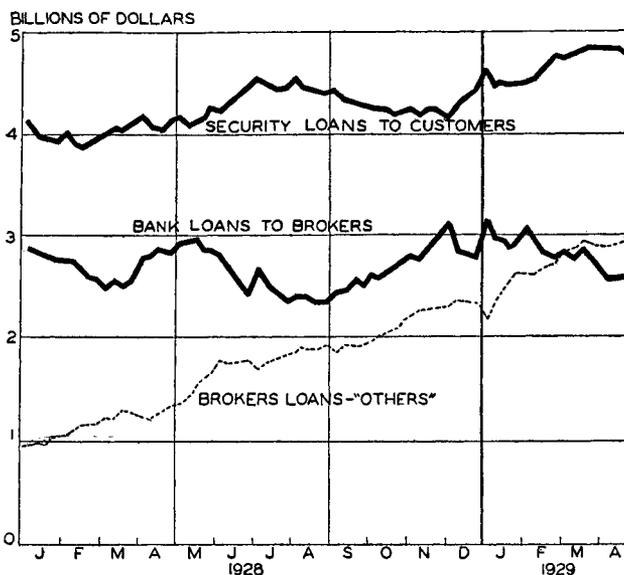
been some reduction since March 20 in the total demand for credit though not sufficient to release any considerable amount of funds.

The gains and losses of reserve funds, which are the determinants of money conditions, may be summarized as follows:

(Weekly averages of daily figures, in millions of dollars)

	Week ended April 26 compared with Week ended March 29,
<i>Gains of reserve funds:</i>	
Net gain of gold . . . . .	60
Reduction in currency circulation . . . . .	31
Reduction in member bank reserves . . . . .	10
Miscellaneous . . . . .	16
<b>Total gains . . . . .</b>	<b>117</b>
<i>Losses of reserve funds:</i>	
Reduction in Federal Reserve acceptances . . . . .	80
Reduction in Federal Reserve securities . . . . .	13
Treasury credit and miscellaneous . . . . .	20
<b>Total losses . . . . .</b>	<b>113</b>
<b>Net gain of reserve funds . . . . .</b>	<b>4</b>
<b>Decrease in Federal Reserve discounts . . . . .</b>	<b>4</b>

It will thus be seen that gains to the market from gold imports and releases of gold from earmark early in the



Estimated Security Loans of Reporting Member Banks to Customers, Brokers Loans Placed by New York City Banks for Own Account and for Out-of-Town Banks, and Brokers Loans Placed for Others

month together with some reduction in currency circulation were offset by decreases in Federal Reserve holdings of bankers acceptances and Government securities. There was little net gain or loss of funds to the market. A measure of the relation of the supply of and demand for funds is to be found in the borrowings of the New York City banks from the Federal Reserve Bank. In order to keep their reserves in balance the city banks continued to find it necessary to borrow about 200 million dollars or about 30 per cent of their total reserves. There has thus been no essential change during the month in the position of the money market.

The following table shows the general level of money rates in New York at the end of April compared with a month previous. While rates for bankers acceptances showed some ease, rates for commercial paper and for bank loans to customers were slightly firmer. Time money advanced further in the early part of the month but subsequently eased slightly, and at the close of April was practically the same as a month ago. The change in rates for bankers acceptances was due to conditions peculiar to that market, which will be described later.

Money Rates at New York

	Apr. 30, 1928	Mar. 28, 1929	Apr. 29, 1929
Stock Exchange call loans.....	*5-6	*8-20	*7 1/2-16
Stock Exchange 90 day loans.....	5	**8 3/4	8 1/2
Prime commercial paper.....	4 1/2	5 3/4-6	6
Bills—90 day unindorsed.....	3 1/8	5 1/2	5 3/8
Customers' rates on commercial loans.	14.47	15.60	15.73
Treasury certificates and notes			
Maturing June 15.....	3.65	4.89	4.90
Maturing September 15.....	.....	4.88	4.94
Federal Reserve Bank of New York rediscount rate.....	4	5	5
Federal Reserve Bank of New York buying rate for 90 day bills.....	3 3/4	5 1/2	5 1/2

\* Range for preceding week

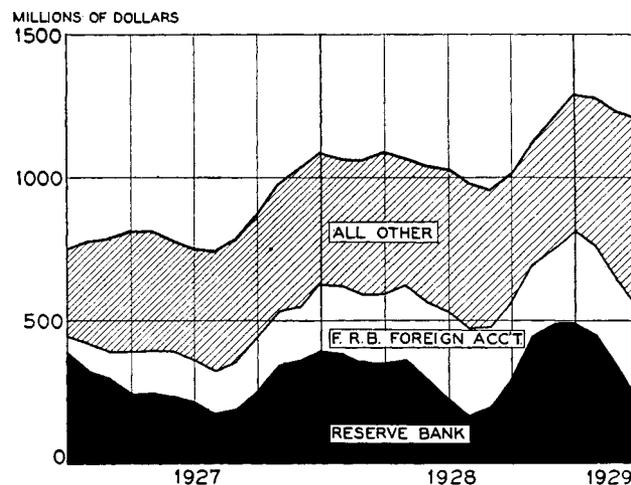
† Average rate of leading banks at middle of month

\*\* Nominal quotation

In the call loan market the chief event of importance beyond the firming of rates in the first week of the month was a distinct tightening of the market in the last week of the month following a recovery in stock prices and the approach of the month end. On Friday, April 26, the rate for new loans rose to 16 per cent—the highest rate in recent years except for the 20 per cent rate on March 26. The causes of this high rate were similar to those operating on March 26—an increasing demand for funds at the time of month-end demands upon the banks. The New York banks, with their heavy borrowing at the Reserve Bank, were reluctant to put out funds except in case of extreme necessity to avoid a breakdown of the market. Under such circumstances very tight money and high rates are from time to time inevitable.

## BILL MARKET

Both the supply of and demand for bills were rather large during the early part of April, but after the first week a substantial decrease occurred in offerings of new bills to the market while the investment demand continued active. Due to the resulting depletion of their portfolios, both as to volume and maturities, the dealers had difficulty in filling the demand and their sales consequently were sharply curtailed. As a result, the deal-



Volume of Bankers Acceptances, Showing Proportion Held by Federal Reserve Banks, by Foreign Accounts of Federal Reserve Banks, and by Other Investors

ers on April 22 lowered their bid and offered rates 1/8 per cent on all maturities, except 30 day bills. After this rate reduction there was a moderate increase in the supply of bills, and due to this and other causes the portfolios of the dealers were increased somewhat.

A further decline of \$23,000,000 occurred during March in the total volume of dollar acceptances outstanding in this country, according to the survey of the American Acceptance Council. At \$1,205,000,000 on March 30, the outstandings were \$79,000,000 smaller than at the end of 1928, which was the high point of acceptance outstandings, but were \$120,000,000 larger than in March of last year. Meanwhile the Reserve Banks' holdings of bills for their own account were reduced \$289,000,000 during the first quarter of this year, and at the end of March were \$150,000,000 smaller than on the corresponding date of last year. They were also somewhat smaller than in March 1927, when the total amount of bills outstanding was approximately \$400,000,000 below the current level. A small increase occurred in the Reserve Banks' holdings of bills for foreign correspondents between the end of December and the end of March, but the decline in the Reserve Banks' own portfolio of bills was offset principally by an increase of nearly \$200,000,000 in the holdings of bills by other investors. These other holdings are composed of bills purchased by banks for their own account and for foreign institutions, and of bills purchased by other domestic corporations and individuals; and the increase undoubtedly was induced by the higher yield offered on bills during the past few months. The accompanying diagram indicates that these holdings are larger, and the market less dependent upon the Reserve Banks, than at any other time in recent years.

Between the end of March and April 24, the Reserve Banks' portfolio of bills showed a further decline of \$59,000,000 to \$141,000,000, a figure \$225,000,000 below the total of a year ago, and the smallest since October 1924.

## COMMERCIAL PAPER MARKET

The prevailing rate for the usual grade of prime commercial paper advanced to 6 per cent early in April and remained at that level throughout the month. Despite the higher rates, the banks throughout the country showed no increased interest in dealers' offerings. Due to the difficulty in disposing of paper, commercial paper firms limited their purchases for the most part to providing for the borrowing requirements of their old customers, and were little disposed to seek additional amounts of paper from new borrowers.

The amount of commercial paper outstanding showed a decline of 6 per cent in March, following slight increases in the two previous months. The outstandings of \$387,000,000 reported to this bank by 23 firms on March 30 were 32 per cent smaller than a year ago.

**Central Bank Rate Changes**

Five European central banks raised their discount rates during the month of April. On the 19th the Bank of Poland rate, which had stood at 8 per cent since May 1927, was raised to 9 per cent. A "prolonged and acute shortage of ready money" was reported from Poland throughout the winter and early spring, and the central bank bill portfolio expanded to 703,900,000 zlotys on March 31 as against 495,800,000 zlotys one year earlier and 623,500,000 zlotys at the end of November 1928. The technical position of the bank is still strong, however, with a gold and exchange reserve ratio of 62.5 per cent against notes and demand liabilities.

On the 24th the Austrian National Bank increased its rate from 6½ to 7½ per cent, and the Hungarian National Bank from 7 to 8 per cent. Both banks had already raised their rates during the latter half of last year, and the present increases were effected in order to arrest a further loss of foreign exchange reserves occasioned by the attraction of high interest rates in other centers. Between the end of June 1928 and April 7, 1929 the Austrian bank's reserve declined by 29,000,000 schillings or over 7 per cent. As against one year earlier, its bill portfolio has expanded by 74 per cent, while the reserve ratio was last reported at 41.3 per cent as against 52.8 one year before. The Hungarian National Bank shows a loss of 58,400,000 pengös or 21 per cent in gold and foreign exchange reserve between June 30, 1928 and April 7, 1929. Its bills discounted were 15 per cent greater on April 7 than one year before, the reserve ratio meanwhile declining from 49 to 43.2 per cent.

On April 25 the Reichsbank increased its rate from 6½ to 7½ per cent. The last previous change in the discount rate of this bank was a reduction of one-half per cent made in January 1929, after a considerable inflow of gold and foreign short-term funds had eased the Berlin money market to a point where the official rate was losing contact with the private rates. Since then stringency has reappeared. As a result, the Reichsbank statements show a decline of 550,000,000 reichsmarks in gold between the end of 1928 and April 23, and a simultaneous decrease of 115,000,000 reichsmarks in foreign exchange reserve. The statutory reserve ratio of gold and exchange to notes in circulation was 56.6 per cent on April 23 as against 58.8 per cent on the corresponding

date in 1928. The slight drop in this ratio in the face of such a substantial loss of reserves is due to the fact that large additional reserves were acquired in the second half of 1928, and the recent losses bring the bank practically back to its situation of one year ago.

Presumably in response to the higher rates of its neighbors, Germany and Poland, the Bank of Danzig increased its discount rate from 6 to 7 per cent on April 30. The earlier rate had been in force since June 1927.

Official discount rates of the European central banks are as follows:

Below 5 per cent: France (3½%), Switzerland (3½%), Belgium (4%), Sweden (4½%).

5 per cent (New York bank rate): Czechoslovakia, Denmark.

5½ per cent: England, Netherlands, Norway, Spain.

6 per cent: Yugoslavia, Latvia, Rumania.

7 per cent: Danzig, Finland, Italy, Lithuania.

7½ per cent: Austria, Estonia, Germany.

8 per cent: Hungary, Portugal, Soviet Russia.

9 per cent: Bulgaria, Greece, Poland.

On April 11 the Imperial Bank of India lowered its discount rate from 8 to 7 per cent. The higher rate had been in force since February of this year.

**Foreign Exchange**

Probably reflecting the effect of higher central bank rates abroad, a number of European exchanges gained strength in April. Sterling remained steadily at or above \$4.85¼, rising to \$4.85 17/32 on the 8th and closing on the 27th at \$4.85 11/32. The Dutch guilder, which had been slow to recover following the rise in the Netherlands Bank rate on March 25, firmed consistently from \$0.4006½ at the beginning of April to \$0.4020⅜ or ⅜ above par, on the 27th. The French franc was maintained above the outgoing gold point from Paris to New York, and the Swiss franc rose to \$0.1926¼, a level not previously reached since December. For the first time in several months the Italian lira crossed \$.0524, standing on the 27th at only 1⅝ points below its parity of \$.0526. It will be recalled that the discount rate of the Bank of Italy was raised on March 14 without immediate effect. The increase in the Hungarian National Bank rate on the 24th was followed by a firming of the pengö to \$0.1744¼ on the 27th. Among the Scandinavian exchanges, the Danish crown showed an appreciation of three and one-half points to \$0.2668.

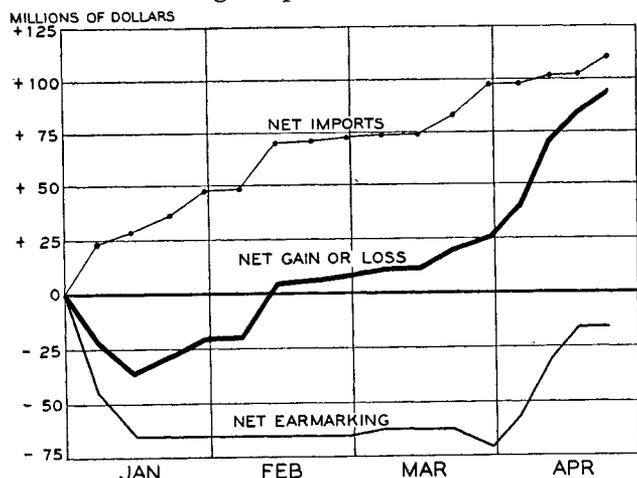
The European currencies which weakened in April were the reichsmark and the peseta. From \$0.2372 on the 1st, the reichsmark dropped to \$.02370 on the 19th and then touched a new low of \$.02359 on the 26th, recovering on the 27th to \$.02370. The sharp drop in German exchange to the lowest point since the new reichsmark was established followed an advance of 1 per cent in the Reichsbank rate, and was generally believed to be due to the psychological effect of the reported *impasse* in the reparation negotiations in Paris. A new low of \$0.1422 was touched by the peseta on the 24th, this exchange opening the month at \$0.1515 and closing on the 27th at \$0.1440.

The Canadian dollar lost  $\frac{1}{8}$  in the period surveyed, closing at a discount of  $\frac{3}{4}$ . It is now about five months since this exchange has touched par and it has been well below the gold import point during the entire month. This is the season of the year when Canadian exchange is generally at a premium. Moving within a range for the month of  $\$0.9551\frac{1}{4}$  to  $\$0.9569\frac{3}{8}$ , the Argentine peso closed almost daily at  $\$0.9560\frac{1}{4}$ , which is still 18 points below the gold export point for New York and considerably under the parity of  $\$0.9648$ . The Brazilian milreis appreciated from  $\$0.1178$  to  $\$0.1190$  during the month.

Among the Far Eastern exchanges, the rupee declined from  $\$0.3642$  to  $\$0.3632$ , while both the Hong Kong and Shanghai exchanges were weaker in accordance with the downward tendency of Far Eastern exchanges begun last autumn. The Japanese yen fluctuated widely, but was last quoted at  $\$0.4500$ , some 50 points above the market quotation at the close of April 1st. The strength in yen exchange is probably due to renewed rumors that the gold embargo is to be lifted.

### Gold Movement

There was a further gain of gold to this country through net imports and earmarking transactions during April. As in March the gold imports were largely from Germany and Argentina; shipments from Germany amounted to about  $\$14,500,000$ , and shipments from Argentina to  $\$6,425,000$ . Substantial amounts of gold were released from earmark for foreign account during April, and although there were additional earmarkings in the latter part of the month, the reduction for the month in gold held under earmark here amounted to approximately  $\$48,600,000$ . These preliminary figures indicate a net gain of about  $\$69,800,000$  of gold to this country during April through the release of gold from earmark and through imports.



Gold Movements Since Beginning of 1929, Showing Steady Gain through Imports, Largely Offset by Earmarking of Gold until April when Earmarked Gold was Released.

The accompanying diagram reviews the gold movements since the beginning of the year, as shown by the weekly statements issued by this bank, with minor adjustments based on final figures reported by the Department of Commerce for the first three months of the year. This shows that this country has gained steadily through

an excess of imports over exports of gold since the beginning of the year, but that a substantial earmarking caused a loss of gold early in January which more than offset imports until the second week of February. The net gain of gold remained comparatively small until April, when the release of earmarked gold, combined with further imports, raised the net gain of gold since the beginning of the year to about  $\$110,000,000$ . The figures in the diagram cover the period through April 24, and transactions between that date and April 30, while included in the aforementioned totals, are not shown in the diagram.

As concerns gold movements abroad, the principal events have been: (1) The drain of some  $\$131,000,000$  in gold out of the Reichsbank since the first of the year, of which over  $\$120,000,000$  was lost in the first three weeks of April; and (2) the gradual acquisition of nearly  $\$33,000,000$  in gold by the Bank of England since the increase of its discount rate on February 7 to  $5\frac{1}{2}$  per cent.

### Foreign Balances in the United States

Each year for some years past the Department of Commerce, in connection with its computation of this country's balance of payments, has sent a questionnaire to each of the principal banks and banking houses to ascertain the amounts of foreign funds in our money market, and also the amounts of American funds employed at short term abroad. The figures for December 31, 1928 have just been compiled and show foreign funds in this market amounting to  $\$2,900,000,000$ , compared with  $\$3,000,000,000$  on December 31, 1927. The principal items in this total are shown in the following table.

Due to Foreigners  
(In millions of dollars)

	Dec. 31, 1927	Dec. 31, 1928
Foreign deposits . . . . .	1,938	1,751
Borrowings from foreigners . . . . .	109	201
Employed in bankers acceptances . . . . .	406	570
Employed in brokers loans . . . . .	101	208
Employed in treasury certificates . . . . .	445	174
Employed in other short-term loans . . . . .	13	8
Total . . . . .	3,012	2,912

The changes shown above are accounted for in part by the fact that the high money rates in the New York market during 1928 attracted a considerable amount of funds of foreigners. On the other hand the movement of funds from foreign countries to this market, together with the reduction in new foreign financing here, placed pressure upon the exchanges which made it necessary for foreign banks of issue to liquidate some of their deposits and holdings of short-term securities in this market in order to support the exchanges of those countries. There was also a tendency for foreign funds to be transferred from employment in Treasury certificates to employment in bankers acceptances because of the higher relative yield from acceptances and the change in the tax provision, by which foreign central banks no longer were required to pay taxes on income received from investments in bankers acceptances.

It seems likely that the amount of foreign funds reported as employed in brokers loans would have been considerably larger if some other date were reported than December 31, for a number of foreign lenders in

the call market withdrew funds on December 31, probably for "window dressing" purposes.

While the report includes returns from practically all of the important banks and banking houses, it was not, of course, possible to secure returns from every concern doing some foreign banking business. It seems probable that if the returns had been entirely complete there would be even less difference between the figures for December 31, 1928 and those for December 31, 1927, because of the nature of the shift of funds during the year from the account of central banks of issue to private account.

The data for American balances abroad are probably somewhat less completely satisfactory, but show in general a further increase.

### Security Markets

The volume of stock trading on the New York Exchange was much reduced in April, following the very heavy turnover of March. Stock prices generally fluctuated without definite direction until the third week of the month, when the market developed a moderate upward tendency, as a result of which a general average of stock prices at the end of the month reached a level within 1 per cent of the mid-March peak.

A moderate recovery in bond prices occurred during April, following the declines of March and previous months. The average price of the 8 United States Government bond issues now outstanding rose 2 full points from the lowest level of March, while the average price of a list of 40 representative domestic corporation bonds advanced nearly 1 point, and an average of the prices of 40 foreign bonds rose about  $\frac{3}{4}$  of a point.

### New Financing

Offerings of new domestic securities, other than for refunding purposes, were somewhat smaller in March than in February, but showed a 60 per cent increase over a year ago, approximately the same increase as occurred in February. The increase over last year again was entirely confined to domestic corporate issues; State and municipal flotations were about one-fourth smaller than in March 1928. Refunding issues continued to be offered in much smaller volume than a year ago. As in other recent months, it appears that the increase in domestic corporate issues largely represented increased borrowing by investment trusts, holding companies, and other financial corporations for the purpose of engaging in financial operations, rather than increased borrowing by commercial and industrial enterprises.

This bank's compilation of new foreign security offerings in this market showed a total for March that was somewhat larger than a year ago. This was entirely due to a large offering of stock direct to stockholders by a domestic corporation, the proceeds of which were to be used in furthering the development of power facilities in foreign countries. Security flotations for foreign borrowers continued in much smaller volume than a year ago. For the first quarter of this year, the total of foreign borrowings, excluding issues to refund loans originally placed in this market, but including flotations to refund securities originally sold abroad, and also

funds borrowed by domestic corporations for employment abroad, has been 29 per cent smaller than during the corresponding period of last year, following declines in the last two quarters of 1928 of 45 and 41 per cent, respectively, compared with the corresponding periods of the previous year. Six out of the last nine months have shown reduced volumes of foreign financing as compared with the preceding year.

New Foreign Capital Flotations Offered in the United States  
(In millions of dollars)

	1927	1928	1929 <sup>p</sup>
January .....	127	115	31
February .....	78	98	35
March .....	107	114	167
<b>Total 1st quarter .....</b>	<b>312</b>	<b>327</b>	<b>233</b>
April .....	217	113	
May .....	43	216	
June .....	124	193	
<b>Total 2nd quarter .....</b>	<b>384</b>	<b>522</b>	
July .....	70	48	
August .....	109	1	
September .....	85	95	
<b>Total 3rd quarter .....</b>	<b>264</b>	<b>144</b>	
October .....	234	71	
November .....	107	70	
December .....	81	110	
<b>Total 4th quarter .....</b>	<b>422</b>	<b>251</b>	

<sup>p</sup> Preliminary

In April, there appears to have been a somewhat larger volume of issues offered to provide capital directly to industrial undertakings, but as public utility and railroad issues have been smaller, total domestic corporate security offerings declined below the March volume. A \$50,000,000 loan by the City of Chicago and a \$28,000,000 issue of the State of Arkansas, however, resulted in making the total of State and municipal financing for April the largest in a number of months. Foreign financing in this market was extremely small; there were no important issues, either corporate or governmental.

### Foreign Trade

Exports of merchandise, valued at \$486,000,000 in March, showed considerably more than the usual increase over February, and were larger than in March of any year since 1920 when the peak of commodity prices was reached. Imports, on the other hand, valued at \$383,000,000, showed less than the usual seasonal increase, but were slightly larger than in March 1927, despite a decline during the year in the average of import prices.

The continued large gains in exports of finished products accounted for the entire increase in total exports, compared either with February or with a year ago. Other groups of exports did not change materially. Shipments abroad of grain and raw cotton were both seasonally smaller than in the previous month; as compared with a year ago, the volume of cotton exports declined somewhat, while exports of grains increased.

Compared with a year ago, imports of partly and wholly manufactured products increased in March, while imports of crude materials and crude foodstuffs declined. The volume of crude rubber imports was smaller than the record volume of the previous month,

but remained larger than last year. Quantity receipts of raw silk and coffee, however, were smaller than a year ago.

### Building

Although building contracts in the New York and Northern New Jersey district showed a sharp increase from the previous month, the total for March, nevertheless, was 27 per cent smaller than a year ago. The F. W. Dodge Corporation figures of building activities in this district during each of the first three months of the year have been substantially smaller than those of the corresponding months of last year, and the total for the first quarter shows a reduction of nearly one-third from a year ago. Residential building declined 45 per cent from the first quarter of 1928, and was mainly responsible for the decrease in total contracts. Educational building contracts were slightly larger than last year, but other classes of construction work, including public works and utilities, and commercial and industrial building, were smaller.

Total building contracts awarded in the 37 States east of the Rockies likewise showed a large increase in March over the previous month, but were 18 per cent smaller than in March 1928. This decrease followed a decline of 4 per cent in January and of 22 per cent in February, so that the first quarter total of building contracts awarded was 15 per cent below the first quarter of 1928. Declines of 34 per cent in residential building, and of 19 per cent in public works and utilities, were only partly offset by increases of 22 per cent in commercial building, and of 44 per cent in industrial projects, and a slight increase in educational building work.

During the first two weeks of April there appeared to be somewhat more than the usual seasonal expansion in building activities, especially in the New York district, but in the third week of the month contracts again dropped below the level of a year ago, and the total increase for the first three weeks over last year was 9 per cent.

### Employment and Wages

Factory employment, both in New York State and in the country as a whole, showed a further increase of more than seasonal proportions in March. In addition to the improvement in factory employment during recent months, the usual spring increase is being shown in out-of-door labor, such as for agricultural work, building, and road construction.

A considerable increase in employment opportunities is shown also by the rate of voluntary labor turnover reported by the Metropolitan Life Insurance Company, and by the ratio of orders for workers to applications for employment at New York State Employment Offices. Voluntary labor turnover was the largest for any March since 1924, which indicates that workers are finding conditions more favorable for changing jobs. The employment office figures during March were substantially above a year ago, and equaled the corresponding period in 1927.

An equally favorable picture is presented by wage payments. In New York State, average weekly earnings of factory employees reached the highest level ever reported, and total wage payments were the largest since March 1926.

### Production

Productive activity in leading industries continued at a high level in March. New records for all time were established in production of steel ingots, passenger automobiles, and motor trucks. After allowance for the usual seasonal increase, however, production of passenger automobiles and of steel ingots showed little change from the high levels of February, and production of motor trucks declined substantially. Pig iron production increased more than usual in March to the second largest monthly total on record, and after seasonal and growth allowance was the largest since February 1925. Consumption of silk increased slightly, but declines occurred in mill consumption of cotton, and in production of petroleum, copper, leather, zinc, and cement, after allowance has been made for the usual seasonal variations. Output of both bituminous and anthracite coal declined sharply.

Steel mill activity remained at a high level during April, and the present indications are that there was no substantial change in activity in other industries.

This bank's indexes of production, adjusted for seasonal variations and growth, are shown below.

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

	1928	1929		
	Mar.	Jan.	Feb.	Mar.
<i>Producers' Goods</i>				
Pig iron.....	104	113	116	120
Steel ingots.....	109	113	122	120
Cotton consumption.....	95	106	107	102
Woolen mill activity*.....	86	96	95	94 <sup>p</sup>
Silk consumption*.....	140	127	109	113
Petroleum.....	110	116	119	111 <sup>p</sup>
Bituminous coal.....	87	92	99	79
Coke.....	100	112	110	114
Lumber.....	101	89	79	
Copper, U. S. mines.....	96	120	130	126
Lead.....	100	104 <sup>r</sup>	91	85
Zinc.....	98	83	111	94
Tin deliveries.....	114	141	100	114
Leather, sole.....	109	104	102	94
Cement.....	106	136	106	100
Paper, total.....	107	108	108	
Wood pulp.....	100	109	107	
<i>Consumers' Goods</i>				
Hogs slaughtered.....	128	106	96	89
Cattle slaughtered.....	94	91	85	89
Sheep slaughtered.....	106	108	103	104
Calves slaughtered.....	83	87	77	79
Farm produce shipped.....	95	109	103	98
Wheat flour.....	103	103	103	98
Sugar meltings, U. S. ports.....	88	113	90	91
Gasoline.....	97	101	102	
Anthracite coal.....	76	106	107	73
Paper, newsprint.....	91	91	86	86
Printing activity.....	104	115		
Tobacco products.....	105	117	107	104
Boots and shoes.....	101	96	96	94 <sup>p</sup>
Tires.....	116	129	130	120 <sup>p</sup>
Automobile, passenger.....	132	171	179 <sup>r</sup>	178
Automobile, truck.....	87	164	155	136

\* Seasonal variation not allowed for    <sup>p</sup> Preliminary    <sup>r</sup> Revised

### Indexes of Business Activity

Average daily car loadings of merchandise and miscellaneous freight in March showed about the usual seasonal increase, and in the early part of April showed a more rapid increase. Loadings of bulk freight, however, especially coal, declined sharply in March. Retail trade appears to have been considerably more active than in February, as increases were shown, after seasonal allowance, in average daily sales of department stores and mail order houses; there were increases also in sales of life insurance companies and in advertising.

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

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

	1928	1929		
	Mar.	Jan.	Feb.	Mar.
<b>Primary Distribution</b>				
Car loadings, merchandise and misc.....	103	101	103	103
Car loadings, other.....	92	98	104	87
Exports.....	97	99	105	109p
Imports.....	104	114	117	108p
Panama Canal traffic.....	86	95	91	90
Wholesale trade.....	98	104	100	101p
<b>Distribution to Consumer</b>				
Department store sales, 2nd Dist.....	98	96	101	107
Chain grocery sales.....	107	96	103	96
Other chain store sales.....	100	92	99	102
Mail order sales.....	89	96	102	106
Life insurance paid for.....	102	106	104	107
Advertising.....	95	95	98	99
<b>General Business Activity</b>				
Bank debits, outside of New York City.....	107	108	112	113
Bank debits, New York City.....	159	185	187	194
Velocity of bank deposits, outside of New York City.....	111	121	125	128
Velocity of bank deposits, New York City.....	162	202	210	216
Shares sold on N. Y. Stock Exchange.....	281	442	313	338
Postal receipts.....	90	85	87	84
Electric power.....	104	107r	106	106
Employment in the United States.....	95	98	99	100
Business failures.....	115	102	102	101
Building contracts, 36 States.....	125	123	108	91
New corporations formed in N. Y. State.....	115	120	119	109
General price level.....	174	179	179	180
Composite index of wages.....	223	224	225	227
Cost of living.....	169	172	170	171

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### Wholesale Trade

Wholesale trade, as reflected in reports received from dealers in this district, was very irregular in March, but in general showed a substantial seasonal increase over February, and was slightly larger than a year previous, although there was one less selling day than in March of last year. Diamond sales were substantially larger than a year ago, and sales of paper, men's clothing, jewelry, and hardware showed moderate increases. Sales of groceries, cotton goods, and stationery were smaller than in March 1928, and sales of shoes and drugs showed little change. Machine tool orders continued much larger than a year ago, and quantity sales of silk goods also were considerably larger.

Commodity	Percentage Change March 1929 compared with February 1929		Percentage Change March 1929 compared with March 1928		Per cent of Accounts Outstanding February 28 Collected in March	
	Net Sales	Stock end of month	Net Sales	Stock end of month	1928	1929
Groceries.....	+ 7.4	+ 1.6	- 8.9	+ 6.1	78.9	72.3
Men's clothing.....	+19.1	.....	+ 3.7	.....	38.9	45.3
Cotton goods.....	- 2.5	+ 2.2	- 2.2	- 6.5	.....	.....
Silk goods*.....	+14.4*	- 8.2*	+17.9*	+10.1*	48.7	49.3
Shoes.....	+43.8	-13.2	- 0.1	-21.8	34.0	32.3
Drugs.....	+19.7	- 1.1	+ 0.4	+19.5	42.4	42.5
Hardware.....	+29.7	+ 0.9	+ 1.0	-11.2	44.7	41.3
Machine tools**.....	- 0.5	.....	+50.8	.....	.....	.....
Stationery.....	+ 6.9	.....	- 9.3	.....	81.8	72.8
Paper.....	+12.3	.....	+ 5.4	.....	67.5	69.1
Diamonds.....	+12.8	.....	+13.9	.....	27.6	28.1
Jewelry.....	+11.6	- 1.9	+ 1.8	-11.8	.....	.....
Weighted Average.....	+15.7	.....	+ 3.0	.....	53.4	52.3

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

### Department Store Trade

Reporting department stores in this district showed in March the largest increase in sales, as compared with a year previous, since August 1926. The reported increase for the month was nearly 8 per cent, and, after allowance for one less business day than in March 1928, the daily rate of sales showed an increase of 12 per cent. While the early Easter this year undoubtedly was a factor in the large volume of sales in March, the increase was probably more than can be attributed to this factor alone. The sales in each locality throughout the district were larger than last year; especially large increases were reported from Newark, Southern New York State, and the Westchester District, and sales in New York City, Buffalo, Bridgeport, Central New York State, and the Capital District showed more than a 6 per cent increase. The increase in sales was even larger in apparel stores than in department stores.

Stocks of merchandise on hand in department stores at the end of March were slightly larger than a year previous, notwithstanding the large sales during the month, but the rate of stock turnover was considerably higher than a year ago.

Locality	Percentage Change March 1929 compared with March 1928		Per cent of Accounts Outstanding February 28 Collected in March	
	Net Sales	Stock on hand end of month	1928	1929
New York.....	+ 6.6	+ 1.4	47.2	47.1
Buffalo.....	+ 6.0	- 2.3	56.2	51.7
Rochester.....	+ 2.4	+ 1.3	38.6	38.4
Syracuse.....	+ 5.6	+ 2.8	34.3	36.3
Newark.....	+16.2	+ 4.5	45.1	46.1
Bridgeport.....	+ 8.3	+ 0.4	.....	.....
Elsewhere.....	+ 9.3	- 5.7	35.0	32.8
Northern New York State.....	+ 1.6	.....	.....	.....
Central New York State.....	+ 6.9	.....	.....	.....
Southern New York State.....	+17.3	.....	.....	.....
Hudson River Valley District.....	+ 4.4	.....	.....	.....
Capital District.....	+ 6.5	.....	.....	.....
Westchester District.....	+ 8.3	.....	.....	.....
All department stores.....	+ 7.9	+ 1.1	45.6	45.6
Apparel stores.....	+14.1	+ 3.4	49.5	47.2

Sales in the apparel departments showed the largest increases, but sales in nearly all principal classes of merchandise except yard goods showed moderate increases over a year ago.

Commodity	Net Sales Percentage Change March 1929 compared with March 1928		Stock on Hand Percentage Change March 31, 1929 compared with March 31, 1928	
	Net Sales	Stock on hand	1928	1929
Shoes.....	+26.7	.....	+ 2.8	.....
Toys and sporting goods.....	+26.3	.....	- 1.0	.....
Musical instruments and radio.....	+22.8	.....	-19.7	.....
Men's and Boys' wear.....	+21.0	.....	- 1.3	.....
Women's and Misses' ready-to-wear.....	+19.2	.....	- 2.4	.....
Luggage and other leather goods.....	+17.8	.....	- 2.6	.....
Women's ready-to-wear accessories.....	+15.6	.....	- 5.1	.....
Men's furnishings.....	+14.6	.....	- 7.9	.....
Linens and handkerchiefs.....	+ 5.3	.....	- 2.0	.....
Books and stationery.....	+ 4.9	.....	- 4.9	.....
Hosiery.....	+ 4.6	.....	- 6.5	.....
Toilet articles and drugs.....	+ 4.6	.....	+ 4.0	.....
Silverware and jewelry.....	+ 3.9	.....	-11.9	.....
Furniture.....	+ 1.3	.....	+ 7.6	.....
Home furnishings.....	- 2.9	.....	+ 6.9	.....
Cotton goods.....	- 5.9	.....	- 2.6	.....
Silks and velvets.....	-16.2	.....	- 9.8	.....
Woolen goods.....	-22.0	.....	-16.1	.....
Miscellaneous.....	- 5.8	.....	- 6.2	.....

## Business Conditions in the United States

(Summarized by the Federal Reserve Board)

**V**OLUME of industrial production and of trade increased in March and wholesale prices advanced somewhat. There was a growth of commercial loans of member banks in leading cities in March and the first half of April, while investments and loans on securities of these banks showed a reduction for the period.

### PRODUCTION

Output of manufactures reached a new high level in March. Automobile production was exceptionally large, and steel ingot output was reported to be above rated capacity. Output of refined copper, lumber, cotton and silk textiles, and sugar was also large for the season. There was some seasonal recession from February in the production of wool textiles and leather, and a further decline in production by meat-packing plants. The volume of factory employment and payrolls continued to increase during the month and was substantially above the level of March 1928.

Production of minerals as a group declined sharply, reflecting reduction in output of coal by more than the usual seasonal amount. Output of nonferrous metals continued large and petroleum production increased.

During the first part of April industrial activity continued at a high rate, although preliminary reports indicated a slight slowing down in certain branches of the steel industry, and a smaller output of coal and petroleum.

The value of building contracts awarded increased seasonally during March and the first two weeks in April, reflecting in part the award of a few large contracts, chiefly commercial and industrial. The total volume of building, however, continued smaller in March than a year ago. Contracts for residential building and public works and utilities were substantially below the level of March 1928, while industrial and commercial building was in larger volume.

### DISTRIBUTION

Railroad shipments of commodities declined somewhat in March but were larger than in the same period of the preceding year. The decline from February reflected smaller shipments of coal and coke, grain products, and livestock, all of which were also below March a year ago. Loadings of ore and miscellaneous freight increased substantially over February and continued above 1928.

Sales by wholesale firms in all lines of trade reporting to the Federal Reserve System were seasonally larger than in February. In comparison with the same month a year ago, however, sales in most lines of trade were smaller, except in the case of dry goods, men's clothing, and hardware. Department store sales showed a larger increase in March than is usual at this season, and were larger than in the same month in the preceding year, partly on account of the fact that Easter came in March this year.

### PRICES

Wholesale prices of commodities during March averaged slightly higher than in February, according to the index of the United States Bureau of Labor Statistics. There were marked increases in prices of copper and lead, and smaller advances in prices of iron and steel and cotton goods, as well as of certain agricultural products, particularly cotton, livestock, meats, and hides. Prices of grain and flour were lower during the month and the price of leather declined, reflecting an earlier decline in prices of hides. Silk and rayon textiles and raw wool were also somewhat lower in price.

In the middle of April prices of livestock and raw silk were higher than at the end of March, while cotton and wool had declined in price. Among the non-agricultural products there were marked declines in the prices of copper, lead, tin, and zinc; a further decline in rubber and increases in pig iron and finished steel.

### BANK CREDIT

Between March 20 and April 17 there was a considerable decline in the volume of member bank loans to brokers and in the banks' holdings of investments. Loans chiefly for commercial and agricultural purposes showed a rapid increase, and at the end of the period were near the high level of last autumn.

During the same period the volume of Reserve Bank credit in use declined further as a consequence of additions to the country's stock of monetary gold. A continued rapid reduction in holdings of acceptances carried the total to the lowest point since the autumn of 1924. Security holdings also decreased somewhat, while discounts for member banks increased.

Open-market rates on bankers acceptances and commercial paper increased further. Rates on collateral loans increased sharply in the latter part of March, but declined in April.

