

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

June 1, 1929

Money Market in May

A most interesting feature of the money market during the month of May was a decline in the call loan rate from a very firm position in the first half of the month to a comparatively easy position in the second half of the month, without any accompanying basic change in the credit position which appeared fully to justify the change. After the third week of the month the renewal rate was 6 per cent for 6 successive days, the lowest renewal rate which has been touched since early in February, and money was reported as available outside of the Exchange at rates even lower than 6 per cent. This relatively low call rate was reached despite the fact that there was no considerable gain of funds to the banks of the country from gold imports or any other quarter, and the total borrowings of member banks at the Reserve Banks remained in excess of \$900,000,000. Moreover, other money rates remained firm with the exception of a slight easing in time money in the last day or two of the month. The average rate charged by leading New York City banks for commercial loans to customers continued to move gradually upward towards the legal maximum of 6 per cent, while rates on commercial paper in the open market and on bankers acceptances showed no material change. The general level of money rates is shown in the following table.

Money Rates at New York

	May 31, 1928	Apr. 30, 1929	May 29, 1929
Stock Exchange call loans.....	*5 1/4-6 1/2	*8-16	*6
Stock Exchange 90 day loans.....	5 1/2	8 1/2	8 3/4
Prime commercial paper.....	4 1/2-3/4	6	6
Bills—90 day unindorsed.....	4-4 1/8	5 1/2	5 1/2
Customers' rates on commercial loans..	†4.53	†5.73	†5.78
Treasury certificates			
Maturing September 15.....		4.94	5.10
Maturing December 15.....	3.89	4.92	5.07
Federal Reserve Bank of New York			
rediscount rate.....	4 1/2	5	5
Federal Reserve Bank of New York			
buying rate for 90 day bills.....	4	5 1/2	5 1/2

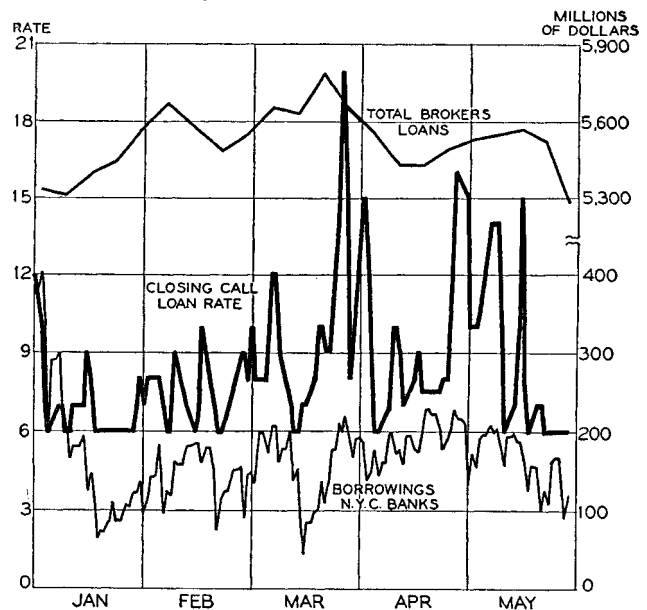
* Range for preceding week

† Average rate of leading banks at middle of month

The accompanying diagram shows the two factors which ordinarily are the principal influences upon call money rates. They are representative of the two aspects of the call money market, demand and supply. The amount of brokers loans outstanding at any time may be taken as representative of the demand. When brokers loans are rising the demand for such loans is increasing and additional funds are being called for; and conversely, when the volume of loans is decreasing funds are being released and the demand is decreasing.

Similarly, the borrowings of New York City banks may be taken as an index, though not a direct increase, of the supply of funds available to the call loan market. The New York banks are relatively less important as lenders in the call loan market than in the past. At present the loans to brokers and dealers by New York City banks total less than \$775,000,000, or less than one-sixth of the total loans to brokers and dealers, whereas as recently as two years ago New York City bank loans have been as high as one-third of the total. Nevertheless, New York City banks continue to be so closely concerned with the movement of funds into and out of the call loan market that the amount of the borrowings of these banks at the Reserve Bank constitutes a very fair index of the supply of funds to the call market.

The explanation is to be found not so much in the amounts of funds that the New York City banks have available to invest for their own account in the call market, but in the fact that transfers of funds to and from this Federal Reserve District for the purpose of employment in or withdrawal from the call loan market affect directly the reserves of the New York City banks. If a bank or business house in Chicago sends \$1,000,000 to New York for employment in the call market, one of the consequences is a transfer of reserves from the account of a Chicago bank at the Federal Reserve Bank



Movement of Call Loan Rates Compared with Fluctuations in Borrowings of New York City Banks from Federal Reserve Bank and in Total Brokers Loans Placed by Reporting New York City Member Banks.

of Chicago to the account of a New York bank at the Federal Reserve Bank of New York, and thus \$1,000,000 becomes available for some New York bank to reduce its indebtedness at the Reserve Bank. Thus the amount of borrowing of the New York City banks reflects directly and immediately transfers of funds to and from the New York district. There is also a more direct connection between the New York City banks and the call market in that in all periods of acute stringency due to withdrawals of funds by other lenders, the New York banks find themselves called upon by their broker customers to supply funds.

It is for these reasons that the position of the New York City banks may be taken as an index of the supply of funds to the call market. The accompanying chart shows that the movement of call money rates is closely related to changes in the position of the New York City banks and to changes in the demand for loans as indicated by the movement of the total volume of loans. In the second half of May low rates in the call market may be ascribed to a lessened demand for brokers loans due to a decline of \$275,000,000 in the volume, and to a large flow of funds from other districts to New York City, which is reflected in a decline of the borrowings at the New York City banks from around \$200,000,000 to between \$100,000,000 and \$150,000,000.

It is difficult to explain fully this flow of funds from other districts. It does not reflect any general easing of the situation, for it was accompanied by increases in the borrowings of banks in other districts at the Reserve Banks.

MEMBER BANK CREDIT

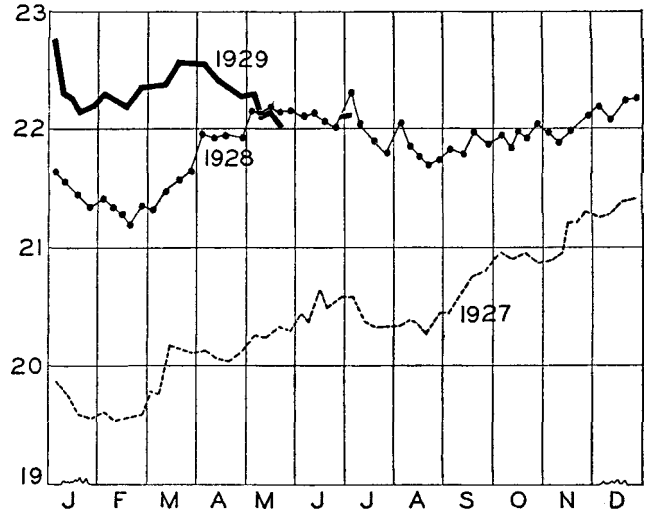
The security loans of reporting member banks have been reduced further during the past month, and the total loans and investments of these banks have declined slightly below the volume of a year previous for the first time in several years. As the accompanying diagram indicates, however, it is desirable in making comparisons with a year previous to note that May 1928 marked the culmination of a period of unusually rapid expansion of credit which carried the total loans and investments of reporting banks to a level more than 9 per cent above a year previous. The following table shows the changes in the loans and investments of the reporting banks compared with a year ago, and with two years ago.

(In millions of dollars)

	May 25, 1927	May 29, 1928	May 29, 1929	Change from	
				May 25, 1927	May 29, 1928
Loans:					
On securities.....	6,003	7,097	7,102	+ 1,099	+ 5
All other.....	8,636	8,857	9,100	+ 464	+ 243
Investments:					
U. S. Gov't securities.....	2,640	2,994	2,897	+ 257	- 97
Other securities.....	3,020	3,212	2,902	- 118	- 310
Total.....	20,298	22,160	22,001	+ 1,703	- 159

The table shows that the growth in the principal types of member bank credit over the two-year period has been very uneven; security loans, notwithstanding the decline in the past two months, remain over 18 per cent larger than in May 1927; other loans, largely commercial, have increased only about 5 per cent; U. S. security

BILLIONS OF DOLLARS



Total Loans and Investments of All Reporting Member Banks.

holdings have increased about 10 per cent, due to large purchases in 1927; and other security holdings have shown a small net reduction, due to substantial sales during the past year.

BROKERS LOANS FOR "OTHERS"

During the recent period of contraction in member bank loans, the volume of funds loaned to brokers and dealers in securities by other lenders has increased to new high levels. The changes in brokers loans during the past two years are reviewed in the following table.

(In millions of dollars)

	May 25, 1927	May 29, 1928	May 29, 1929	Change from	
				May 25, 1927	May 29, 1928
Total Brokers Loans as reported by N. Y. City banks:					
For own account.....	932	1,219	773	- 159	- 446
For out-of-town correspondents.....	1,173	1,608	1,540	+ 367	- 68
For others.....	860	1,642	2,975	+ 2,115	+ 1,333
Borrowings of Stock Exchange members from private bankers and others*.....	476	662	1,194	+ 718	+ 532
Total.....	3,441	5,131	6,482	+ 3,041	+ 1,351

*April 30 of each year

From these figures it is evident that brokers' borrowings have practically doubled during the period in which member bank loans and investments have increased less than 9 per cent. Further, it is apparent that most of the brokers loans have come from sources other than member banks; in fact, the actual increase in loans from the funds of New York banks and their correspondent banks is probably smaller than that shown above, as the indicated loans placed for out-of-town banks probably include a considerable proportion of loans for customers of those banks.

COMMERCIAL PAPER MARKET

The volume of open market commercial paper outstanding through 23 firms declined 9 per cent further during April, and, at \$351,000,000 on the 30th, was 38½ per cent smaller than the amount outstanding a

year ago. During May, there was little indication of an increase in the amount of new paper coming into the market. High borrowing costs to the user of the open market and the difficulty experienced by the dealers in disposing of paper to investors have resulted in a continued curtailment of this form of business financing. Dealers' quoted offering rates for the usual grade of prime paper generally remained at 6 per cent but there were some sales of the paper of smaller concerns reported at $6\frac{1}{4}$ per cent, on bids from the banks.

BILL MARKET

The amount of dollar acceptances outstanding in this market declined \$94,000,000 further during April, but remained \$40,000,000 larger than on April 30, 1928. The reduction during the first four months of this year totaled \$173,000,000, or $13\frac{1}{2}$ per cent, whereas there were much smaller decreases in three of the previous four years, and a moderate increase in the fourth.

Early in May, there was an advance of about $\frac{1}{8}$ per cent in open market bill rates, which brought the rates back to levels approximately the same as those prevailing before the temporary reduction of the latter part of April. For the balance of the month, unendorsed bills up to 4 months maturity were offered at $5\frac{1}{2}$ per cent, and 5 and 6 months bills at $5\frac{1}{2}$ - $5\frac{5}{8}$ per cent. At these levels, investment demand was about equal to the supply of bills.

New Financing

New security issues by domestic corporations were somewhat smaller in April than in the preceding month, but were about \$125,000,000 larger than in April 1928. A considerable part of this increase over last year was accounted for by a larger amount of issues by investment trusts, and other financial and holding companies.

Stock issues by domestic companies were again much heavier than a year ago, with the increase largely concentrated in common stock flotations. Financing by domestic municipalities and States continued in smaller amount than a year ago.

Foreign financing was in very small volume in April, and the total amount of funds raised in this country, including flotations of domestic corporations for employment in foreign countries, has been about \$200,000,000, or 45 per cent, smaller in the first four months of this year than in the corresponding period of 1928.

In May, the larger domestic corporate flotations continued to take the form chiefly of stock issues. Preliminary figures indicate that the total was somewhat larger than in April, but smaller than a year ago.

Security Markets

Stock prices during the first few days of May continued the upward movement of the latter part of April, with the result that price averages, representative of the market as a whole, again reached slightly higher levels than ever before. Thereafter, however, the broad trend of the market turned irregularly downward; substantial reactions on a number of days were followed by lesser recoveries. From the level of early May the general

average of stocks had declined toward the end of the month by about 7 per cent. The net declines for the period were most pronounced in the industrial issues, which generally receded somewhat below the previous low levels of the year reached on the February reaction. Public utility stocks continued to advance during the first half of the month, but in the latter half showed a decline from their highest level about one-half as large as that in industrial shares; the railroad stocks strengthened temporarily, following the decision of the Supreme Court in the O'Fallon case, and subsequently showed only a small net decline. The turnover of stocks on the Exchange was somewhat heavier than in April, but did not approach that of the extremely active markets of March.

Bond prices again turned downward in May following a temporary recovery in April. Domestic corporate bond averages generally receded over $1\frac{1}{4}$ points, more than canceling the April recovery, and consequently reached new low levels since early in 1926. An average of 40 foreign bond issues likewise lost more than the $\frac{3}{4}$ point rise during April, and an average of the prices of the eight United States Government bond issues now outstanding declined about $2\frac{1}{4}$ points from the highest prices reached on the April recovery to a level approximately as low as that of mid-March, but subsequently recovered about $\frac{1}{2}$ point.

Gold Movement

The only gold movements worthy of note during May were the receipt of \$15,683,000 in two shipments from Germany, and \$4,000,000 in four lots from Argentina. Other imports were negligible, as were exports of gold. In addition there was a further gain of \$16,000,000 to this country's gold stock through the release of gold which had been held under earmark for foreign account.

According to a preliminary calculation, the gold movement during May was as follows: Imports, \$20,196,000; exports, \$201,000; net decrease in gold earmarked for foreign account, \$16,127,000; net gain to country, \$36,122,000. The net gain in the first five months of the present year was \$147,814,000, as against a net loss in January-May 1928 of \$229,105,000.

Central Bank Rate Changes

The National Bank of Rumania raised its rediscount rate twice during May, first from 6 to 8 per cent on the 3d and again to $9\frac{1}{2}$ per cent on the 14th. The 6 per cent rate had been in force since September 1920. These increases follow upon the stabilization of the leu in February of the present year. Until these increases were made, the official rate was out of line with private rates ruling at Bucharest. On April 27 the ratio of total reserves (gold and foreign exchange) to notes and demand liabilities at the central bank was 42.1 per cent, the gold ratio alone being 32.6 per cent. The statutory minima are 35 per cent total cover and 25 per cent gold cover. Gold held on April 27 was equivalent to \$51,700,000; exchange was \$15,100,000, and total cover was \$66,800,000. Liabilities covered by these reserves totaled \$158,600,000.

On May 9 the Imperial Bank of India reduced its

rediscount rate from 7 to 6 per cent, after a reduction from 8 to 7 per cent in April. The successful weathering of the winter monsoon, and the end of the credit demand stimulated by the export season, made possible these rate reductions. Last year the seasonal lowering to 6 per cent was not effected until June 21.

Foreign Exchange

The exchanges watched with most interest during May were the pound sterling and the reichsmark. A movement of funds from London to New York was reported in the early part of the month, stimulated by the recurrence of high call money rates in this market. Sterling weakened after May 10, and dropped from the level of \$4.85 $\frac{3}{8}$, around which it had hovered during the previous month, to a new low of \$4.84 $\frac{13}{16}$ on the 23d. It was last reported at \$4.84 $\frac{31}{32}$, which is about the gold import point from London to New York.

The reichsmark was quiet and weak in the vicinity of \$.2371 until the 15th, when it rose to \$.2376. Following this, it moved to \$.2378 $\frac{1}{2}$ on the 20th, \$.2380 on the 23d, and then to a new high of \$.2385 in the course of trading on the 28th. A simultaneous firming in London to 20.35 reichsmarks to the pound sterling from a low of 20.47 reichsmarks (20.43 being parity with the pound), gave rise to a report that Germany might be in a position to take gold in London.

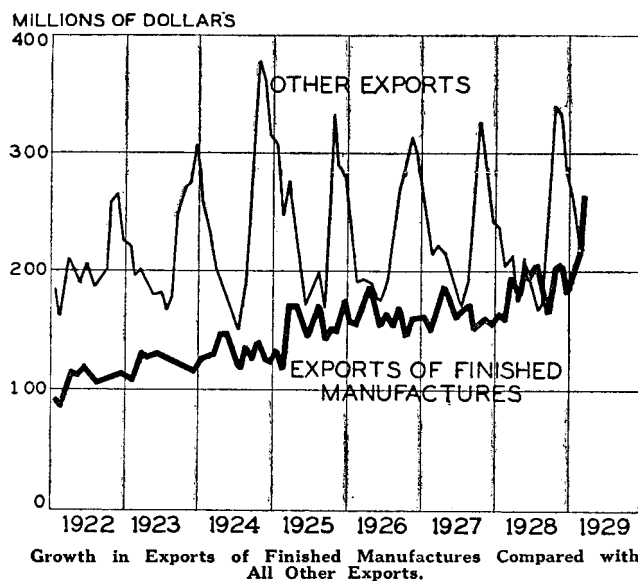
In contrast with the general firmness which they displayed in April, most of the other European exchanges were weak during May. The Dutch guilder opened the month at \$.4021, and declined to a low of \$.4017 on the 23d, but closed the month well above its April average of \$.4014 $\frac{5}{8}$. Other European exchanges which fell off slightly during May were the Danish and Norwegian crowns, the Italian lira, and the Swiss franc. The Spanish peseta continued its decline, dropping in the course of the month from \$.1431 on the 1st to \$.1416 on the 28th.

Canadian exchange showed no tendency to recover and fluctuated only slightly around a discount of $\frac{3}{4}$ per cent. The Argentine peso and the Brazilian milreis moved in a relatively wide range during the month, the former closing below the April average of \$.9560 $\frac{1}{2}$ and the latter with a loss of four points at \$.1188. The Far Eastern exchanges continued weak: Japan slid off 43 points to \$.4452 and the rupee was down from \$.3628 to \$.3617.

Foreign Trade

Exports of merchandise, valued at \$427,000,000 in April, showed more than the usual seasonal decline from the high figure of March, but continued to compare favorably with the corresponding month of previous years. Imports, valued at \$409,000,000, showed a considerable increase over the previous month, contrary to the usual tendency, and were also larger than in April of any year since 1920.

Shipments abroad of raw cotton and grains were seasonally less than in March, and together were valued at less than the shipments made last year. The value of the exports of refined petroleum products also declined from the previous month, but showed an increase over



a year ago. Quantity receipts of raw silk and crude rubber were 30 and 45 per cent, respectively, larger than in April 1928.

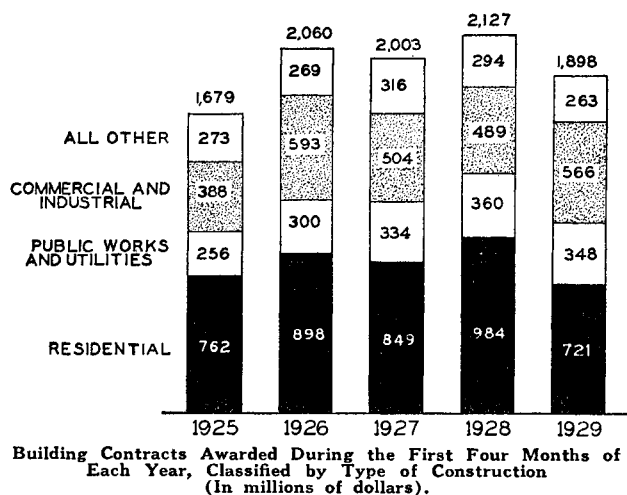
Since 1922, there has been a gradual change in the composition of our exports, as the accompanying diagram shows. A steady gain in the value of exports of "finished manufactures" has occurred, while, except for wide seasonal fluctuations, the value of exports of all other products has remained practically constant. The group of finished manufactures consists chiefly of automobiles, gasoline, and machinery. Exports of these products in the early months of 1929 have considerably exceeded those of the corresponding period in any recent year. Important elements in other exports are cotton, tobacco, raw and manufactured food products, lumber, and metals, the total of which is strongly dominated in its seasonal movements by shipments of farm products.

Building

A sharp rise in building contracts during April carried the total awarded in the 37 States from which reports are received by the F. W. Dodge Corporation to a level practically as high as a year ago, following substantial declines during the preceding months of 1929. There were large increases over March in contracts for residential buildings and for public works and utilities, but the only type of construction to show an increase over April 1928 was public works and utilities. The increase in this group was 30 per cent.

The recovery in April does not appear to have continued in May; there was a drop of about 22 per cent from a year ago in the daily average amount of contracts awarded during the first 24 days of the month.

As a result of the large contract volume of April, the decline from a year ago for the period from January 1 to April 30 was reduced to 11 per cent. The accompanying diagram of building contracts awarded during the first four months of each of the past five years indicates that the total this year was the smallest since 1925, due principally to the 27 per cent decline in residential con-



tracts from the high level of last year. Public works and utilities contracts were 3 per cent smaller than in the corresponding period of 1928, but were larger than in any previous year. Commercial and industrial building contracts combined were 16 per cent above the first four months of 1928, and were the largest since 1926.

Bank Earnings and Expenses in 1928

This bank's annual study of operating ratios of representative member banks in this district, which has just been completed for the year 1928, shows some interesting changes compared with other recent years*. Gross earnings of these banks expressed as percentages of total available funds were the highest in recent years, but the ratio of net earnings was approximately the same as in the previous six years.

The increase in gross earnings was due partly to a slightly higher average ratio of loans and investments to total available funds, and partly to a somewhat higher rate of return on loans and investments, especially in the large New York City banks, which adjust their lending rates to money market conditions more rapidly than do country banks. The average rate charged by a number of representative New York City banks on loans to customers advanced from 4.38 per cent in December 1927 to 5.50 per cent in December 1928, whereas rates charged on customers loans by banks outside of New York, especially in the smaller localities, have shown but little increase. The proportion of gross earnings derived from the sale of securities was reduced in 1928, accompanying a declining bond market, but miscellaneous income increased somewhat.

A rise in expense ratios offset the increase in gross earnings, however, so that the ratio of net earnings to total available funds was no larger in 1928 than in 1927 or in several preceding years. The principal increases in the ratios of expenses to gross earnings were in interest paid on deposits, due to a continued increase in the proportion of time deposits, and in interest paid on borrowed money, due to the increased indebtedness of member banks at the Reserve Bank during the past year. In

* Circular No. 914 containing these ratios for the selected banks, grouped according to size and according to the proportion of time deposits, will be mailed on request.

addition, losses charged off on loans and discounts and on securities increased in 1928; consequently, the ratio of net profits to gross earnings was smaller than in 1927.

Business Profits

Reflecting the high level of business activity during the first quarter of this year, net earnings of 235 industrial and mercantile companies were 33 per cent larger than in the corresponding period of 1928, and were 42 per cent larger than in the first quarter of 1927, according to a compilation made by this bank. The concerns making quarterly statements, which are included in this tabulation, comprise only a small proportion of all corporations in this country, and while it is probable that the returns for all companies, if available, would present a less favorable condition than do the reports for the limited number of corporations, it is still evident that the first quarter of 1929 was a period of unusually large corporate profits.

The copper and steel companies showed the largest increases in net profits over a year ago; the former reported net earnings two and one-half times as large, and the latter more than double the profits of the first quarter of 1928. These large increases were followed closely by the reported earnings of the oil concerns, and of the motor parts and accessories companies, but in the case of the oil companies the increase represented chiefly a recovery from the small earnings of a year ago. A number of other groups showed net profits from 10 to 50 per cent higher than a year ago. The only types of companies making less favorable showings in the first quarter of 1929 than a year ago were the building supplies companies, and the leather and shoe concerns, the latter probably reflecting the effects of the decline in hide prices.

The increase in earnings of telephone and other public utility companies was about twice as large as occurred in the first quarter of 1928. Net operating income of Class I railroads was 19 per cent larger than a year ago, and 15 per cent above that of the first quarter of 1927.

(Net profits in thousands of dollars)

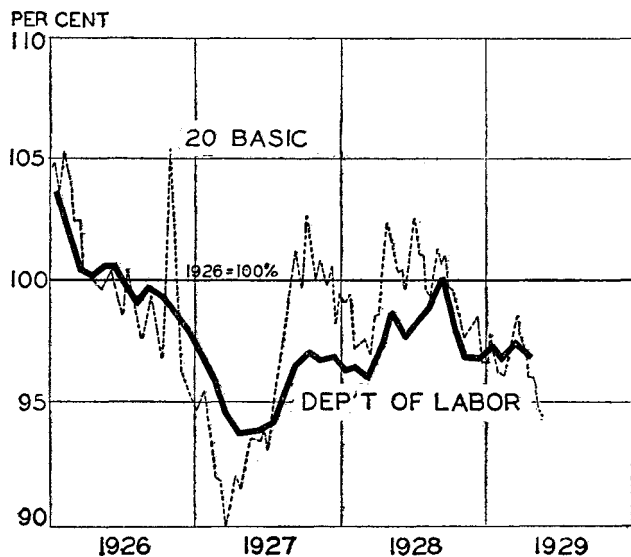
Corporation groups	Number	First quarter		
		1927	1928	1929
Motors.....	16	75,121	94,736	98,948
Motor parts and accessories..... (excl. tires)	16	6,580	6,775	12,816
Oil.....	24	21,727	12,081	23,524
Steel.....	15	44,911	36,276	73,835
Food and food products.....	31	32,338	33,662	38,075
Machine and machine mfg.....	17	9,630	9,656	12,586
Copper.....	7	6,770	8,684	21,724
Coal and coke.....	6	3,186	1,383	2,329
Other mining and smelting.....	12	6,835	7,032	11,892
Chemicals.....	11	12,996	14,729	19,269
Building supplies.....	11	4,592	3,936	3,381
Railroad equipment.....	5	5,502	5,371	6,004
Amusement.....	6	9,032	11,393	14,315
Tobacco.....	4	1,994	1,701	1,965
Leather and shoe.....	5	703	1,471	Def. 1,375
Textiles.....	6	1,042	678	1,053
Miscellaneous.....	43	44,707	57,159	68,839
Total 17 groups.....	235	287,666	306,723	409,180
Telephone (net operating income).....	88	58,700	62,700	69,600
Other Public Utilities.....	95	206,100	226,100	263,000
Total Public Utilities.....	183	264,800	288,800	332,600
Class I Railroads..... (Net operating income)	183	225,500	217,400	259,500

Commodity Prices

In recent weeks there have been rather severe declines in the prices of several commodities. The most pronounced weakness has been in wheat prices which, apparently due to a large carry-over and good prospects for the new crop, have declined to around 95 cents a bushel, as compared with \$1.25 near the end of February. Cotton has declined sharply since March from above 21 cents to below 19 cents, and there have been substantial declines also in wool and other farm products. Livestock prices, however, have remained moderately high.

Among the non-agricultural commodities, price movements have been mixed. There have been reactions in the non-ferrous metals which in March had reached the highest levels since 1920. The largest decline has been in copper, which, after advancing from around 14 cents a year ago to 24 cents last March, has subsequently declined slightly below 18 cents; zinc and lead prices also have lost part of their recent advance. The most consistent strength has been in prices of pig iron and finished steel. Crude petroleum, following a decline in January, was advanced sharply in the latter part of May to the highest level since early in 1927.

This bank's index of basic commodity prices, which is strongly influenced by the movement of the few commodities which have recently fluctuated most widely, declined steadily during the nine successive weeks ended May 18. As the accompanying diagram shows, however, a more inclusive index such as that of the United States Bureau of Labor Statistics, which comprises a large number of finished products as well as basic commodities, declined only slightly in April and in general has been relatively stable since last autumn.



The United States Bureau of Labor Statistics Index of Wholesale Prices and Federal Reserve Bank of New York Basic Commodity Price Index

Production

Productive activity in leading industries increased to new high levels in April. Automobile output for the third successive month was larger than ever before; in the case of motor trucks the increase over the March figure was considerably larger than the usual

seasonal increase, but production of passenger cars showed less than the usual increase. The average daily rate of pig iron production reached a level that has been exceeded only in May and June 1923. Production of steel ingots declined less than usual from the record level of March, and our index, which is adjusted for seasonal variations and for year-to-year growth, reached the highest level since 1918. In spite of this large output, however, new orders kept pace with shipments, and consequently production has been maintained close to peak levels in May. Production of copper increased further to a volume about one-third larger than a year ago, and our index advanced to the highest level since 1918. Increases occurred also in our indexes of mill consumption of cotton and of silk, and in production of lumber, cement, and a majority of other products. Output of coal, after seasonal allowance, recovered the major part of the large loss sustained in the preceding month, but production of petroleum was curtailed further.

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

	1928	1929		
	Apr.	Feb.	Mar.	Apr.
Producers' Goods				
Pig iron.....	107	116	120	122
Steel ingots.....	114	122	121 ^r	129
Cotton consumption.....	89	107	102	106
Woolen mill activity*.....	83	95	95	99 ^p
Silk consumption*.....	98	109	113	130
Petroleum.....	107	119	112	109 ^p
Bituminous coal.....	83	99	79	90
Coke.....	103	110	114	118
Lumber.....	98	81 ^r	84	93 ^p
Copper, U. S. mines.....	99	130	127 ^r	132
Lead.....	92	91	90 ^r	109
Zinc.....	101	111	94	99
Tin deliveries.....	105	100	114	123
Leather, sole.....	113	102	94	101
Cement.....	113	106	100	110
Paper, total.....	106	108	105	
Wood pulp.....	95	108 ^r	102	
Consumers' Goods				
Hogs slaughtered.....	96	96	89	102
Cattle slaughtered.....	91	85	89	96
Sheep slaughtered.....	102	103	104	124
Calves slaughtered.....	80	77	79	79
Farm produce shipped.....	87	103	98	113
Wheat flour.....	107	103	98	109
Sugar meltings, U. S. ports.....	77	90	91	91
Gasoline.....	95	102	100	
Anthracite coal.....	111	107	73	100
Paper, newsprint.....	88	86	86	87
Tobacco products.....	101	107	104	120
Boots and shoes.....	88	97 ^r	96	96 ^p
Tires.....	109	130	120	133 ^p
Automobile, passenger r.....	103 ^r	138 ^r	146 ^r	137 ^r
Automobile, truck.....	87	155	136	147

* Seasonal variation not allowed for p Preliminary r Revised

Indexes of Business Activity

Business activity, in spite of some irregularity, continued at a high level in April. Merchandise and miscellaneous car loadings increased more than usual, and this bank's index reached the highest level since June 1927; other car loadings also increased, whereas usually there is an 11 per cent decline from March. Exports declined more than usual, but imports, instead of showing the decline which generally occurs, increased, and this bank's index rose sharply. Department store sales declined somewhat from the high level of March, partly due to unfavorable weather conditions, and partly to the early date of Easter this year, but remained above the level of a year ago. In 140 centers outside of New York City, bank debits declined more than usual from March to April.

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

	1928	1929		
	Apr.	Feb.	Mar.	Apr.
Primary Distribution				
Car loadings, merchandise and misc.....	104	103	103	106
Car loadings, other.....	95	104	87	102
Exports.....	87	105	110	100 ^p
Imports.....	98	117	110	123 ^p
Panama Canal traffic.....	89	91	90	91
Wholesale trade.....	93	100	101	104
Distribution to Consumer				
Department store sales, 2nd Dist.....	99	101	107	101
Chain grocery sales.....	102	103	96	94
Other chain store sales.....	98	99	102	94
Mail order sales.....	96	102	106	119
Life insurance paid for.....	99	104	107	102
Advertising.....	97	98	99	97
General Business Activity				
Bank debits, outside of N. Y. City.....	112	112	113	109
Bank debits, New York City.....	162	187	194	170
Velocity of bank deposits, outside of New York City.....	116	125	128	121
Velocity of bank deposits, New York City.....	164	210	216	195
Shares sold on N. Y. Stock Exchange.....	306	313	338	304
Postal receipts.....	87	87	84	85
Electric power.....	104	106	106	106
Employment in the United States.....	96	99	100	101
Business failures.....	102	102	101	112
Building contracts, 36 States.....	133	108	91	121
New corporations formed in N. Y. State.....	110	119	109	112
General price level.....	175	179	180	179
Composite index of wages.....	221	225	227	226
Cost of living.....	169	170	171	171

^p Preliminary

Wholesale Trade

Although there were seasonal declines in several lines from March to April, wholesale trade in this district in general continued in substantial volume and was considerably larger than in April 1928. One more selling day in April this year than last was a factor in the increase, but after adjustment to a comparable basis there were substantial increases over a year ago in sales of men's clothing, cotton goods, shoes, hardware, paper and general stationery, and diamonds. Mill sales of silk goods showed an unusually large increase, and sales of machine tool manufacturers continued much larger than a year ago.

Stocks of merchandise held by dealers at the end of April showed no consistent change compared with a year ago; considerable decreases were reported in stocks of groceries, shoes, hardware, and jewelry and diamonds,

Commodity	Percentage change April 1929 compared with March 1929		Percentage change April 1929 compared with April 1928		Per cent of accounts outstanding March 31 collected in April	
	Net sales	Stock end of month	Net sales	Stock end of month	1928	1929
Groceries.....	+ 4.5	+ 5.8	+ 3.9	-10.7	73.9	77.2
Men's clothing.....	-36.9	.....	+14.8	.....	33.8	36.7
Cotton goods.....	- 3.8	+ 0.1	+10.4	+ 1.0	.....	.....
Silk goods*.....	-16.0*	- 3.2*	+31.2*	+ 6.7*	45.1	46.3
Shoes.....	-29.1	+ 3.5	+11.3	-14.1	44.7	45.2
Drugs.....	+ 0.8	+ 3.3	- 1.8	+26.9	53.4	49.3
Hardware.....	+17.3	+ 1.0	+ 7.2	- 9.2	45.4	47.6
Machine tools**.....	- 4.4	.....	+44.0	.....	.....	.....
Stationery.....	- 5.3	.....	+ 9.0	.....	67.0	74.1
Paper.....	+ 0.2	.....	+12.6	.....	65.4	68.4
Diamonds.....	+ 9.8	+ 9.6	+28.9	-10.6	26.9	27.3
Jewelry.....	-11.6	.....	- 4.2	.....	.....	.....
Weighted Average.....	- 9.4	.....	+12.4	.....	51.8	53.8

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

and increases of varying amount in stocks of cotton goods, silk goods, and drugs.

Department Store Trade

Following the substantial increase reported in March, the average daily sales of leading department stores in this district in April showed practically no change from a year ago, although, due to one more selling day than in April 1928, total sales for the month were about 4 per cent larger. The decline from the March volume apparently was due partly to the fact that Easter business was done in March this year, and partly to unfavorable weather conditions in April. The New York City and Newark stores reported moderately large increases in their total sales, but the majority of the remaining localities showed decreases. Following increases from a year ago in each month since August, the sales of the apparel stores showed a slight decline in April.

The percentage of outstanding charge accounts collected during the month was slightly lower than a year previous for the first time since August.

Locality	Percentage change April 1929 compared with April 1928		Per cent of accounts outstanding March 31 collected in April	
	Net sales	Stock on hand end of month	1928	1929
New York.....	+ 5.8	+ 1.1	52.8	50.7
Buffalo.....	- 1.5	- 2.2	51.3	52.1
Rochester.....	+ 1.1	+ 3.6	41.6	43.1
Syracuse.....	+ 0.1	+ 7.5	34.2	37.3
Newark.....	+ 5.6	+ 6.1	45.7	46.2
Bridgeport.....	- 1.3	+ 5.0	.....	.....
Elsewhere.....	- 5.3	- 5.6	32.2	35.7
Northern New York State.....	-14.1	.....	.....	.....
Central New York State.....	-11.7	.....	.....	.....
Southern New York State.....	- 3.7	.....	.....	.....
Hudson River Valley Dist.....	+ 3.9	.....	.....	.....
Capital District.....	- 4.6	.....	.....	.....
Westchester District.....	-13.5	.....	.....	.....
All department stores.....	+ 4.3	+ 1.4	48.8	48.1
Apparel stores.....	- 0.9	- 5.4	48.3	55.2

Musical instruments, furniture, and home furnishings were prominent among the departments which showed the principal increases in April. Comparisons of sales and stocks in major departments with those of a year ago are given in the following table.

Commodity	Net sales percentage change April 1929 compared with April 1928		Stock on hand percentage change April 30, 1929 compared with April 30, 1928	
	Net sales	Stock on hand	1928	1929
Musical instruments and radio.....	+319.4	+ 8.3	.....	.....
Furniture.....	+ 23.1	+ 2.0	.....	.....
Cotton goods.....	+ 16.9	- 3.8	.....	.....
Home furnishings.....	+ 14.9	+ 5.9	.....	.....
Linen and handkerchiefs.....	+ 11.4	+ 6.2	.....	.....
Toilet articles and drugs.....	+ 8.2	- 4.4	.....	.....
Women's and Misses' ready-to-wear.....	+ 4.1	+ 5.5	.....	.....
Silverware and jewelry.....	+ 3.8	- 8.6	.....	.....
Toys and sporting goods.....	+ 1.9	+ 6.9	.....	.....
Books and stationery.....	+ 1.8	+ 4.4	.....	.....
Women's ready-to-wear accessories.....	+ 1.2	- 1.6	.....	.....
Shoes.....	+ 0.3	+ 8.3	.....	.....
Hosiery.....	- 2.1	+ 7.0	.....	.....
Men's furnishings.....	- 5.0	- 1.9	.....	.....
Silks and velvets.....	- 5.2	- 8.8	.....	.....
Luggage and other leather goods.....	- 5.5	+ 3.6	.....	.....
Men's and Boys' wear.....	-18.0	+ 1.7	.....	.....
Woolen goods.....	-18.2	-14.3	.....	.....
Miscellaneous.....	- 2.5	- 4.4	.....	.....

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL activity continued at a high level in April, and the volume of factory employment and payrolls increased further. Loans and investments of member banks in leading cities continued to decline between the middle of April and the middle of May, and were at that time at approximately the same level as a year ago.

PRODUCTION

Industrial activity increased in April to the highest level on record. The iron and steel and automobile industries continued exceptionally active during April. Activity in copper refining, lumber, cement, silk and wool textiles, and the meat-packing industry increased, and production of cotton textiles showed a less than seasonal reduction. Factory employment and payrolls increased, contrary to the seasonal trend.

Output of mines was also larger in April. Copper and anthracite coal production increased and the seasonal decline in output of bituminous coal was smaller than usual. Petroleum production declined slightly.

Preliminary reports for the first half of May indicate a continued high rate of operation in the iron and steel industry. Output of lumber and bituminous coal was somewhat larger during the first part of May than at the end of April.

Building contracts awarded during the month of April increased sharply and for the first time in five months approximated the total for the corresponding month in the preceding year. The increase was not continued, however, in the first part of May when awards averaged 20 per cent below the same period in May 1928. During April most classes of building showed seasonal increases over March, the largest being in contracts for residential building and public works and utilities.

DISTRIBUTION

Shipments of commodities by rail increased during April and were the largest for this month in any recent year. The increase from March reflected larger loadings of miscellaneous freight, lumber, livestock, and ore. During the first half of May shipments of freight continued to increase.

Sales at wholesale declined seasonally in April, except in the case of grocery and hardware firms. In comparison with April 1928 all lines of trade reporting to the Federal Reserve System showed increases. Department store sales were also smaller in April than in March, but continued above the level of a year ago.

PRICES

Wholesale commodity prices averaged slightly lower in April than in March, according to the index of the United States Bureau of Labor Statistics, reflecting primarily declines in prices of farm products and their manufactures. Prices of mineral and forest products and their manufactures, on the average, showed little change. There were increases in the prices of iron and steel, and sharp declines in copper, lead, and tin. Seasonal declines occurred in prices of coal and coke, while gasoline prices advanced.

Prices of farm products and their manufactures averaged lower in April than in March. Prices of grain, especially wheat, moved downward more sharply and wool and cotton continued to decline. Livestock and meat prices continued the upward movement of the previous month, but at a slower rate; hides averaged slightly higher in price, and leather somewhat lower. Among imported raw materials, rubber, sugar, and coffee showed marked price recessions. Early in May cattle, hides, and wheat prices declined sharply and the price of rubber increased.

BANK CREDIT

During the four weeks ended May 15 loans and investments of member banks in leading cities showed a decrease of nearly \$200,000,000, largely in loans on securities together with some further decline in investments. All other loans, chiefly for commercial and agricultural purposes, remained unchanged at a relatively high level.

There was a further reduction in the average volume of Reserve Bank credit outstanding between the weeks ended April 24 and May 22, owing largely to additions to the country's monetary stock of gold. The decline was in discounts for member banks; holdings of acceptances and of United States securities showed practically no change.

Open-market rates for commercial paper remained unchanged as did rates on prime bankers acceptances, except for a temporary decline at the end of April and a recovery in the first week in May. In the first three weeks of May rates on collateral loans averaged considerably higher than in April.

