MONTHLY REVIEW
of Credit and Business Conditions
Second Federal Reserve District

Federal Reserve Agent *Federal Reserve Bank, New York* *July 1, 1929*

Money Market in June

For the greater part of June money rates were more stable and relatively easier than for some months previous. From the first to the 22nd of the month call money hardly varied from 7 per cent. Time money declined from 8½ to 7½ per cent, and towards the end of the month offering rates for bankers acceptances were generally reduced by ⅛ of one per cent. This easier tendency reflected some release of bank reserves as a result of the liquidation of bank credit since the end of March, a temporary release of funds through Treasury tax day operations, a renewed gold import movement, and somewhat greater willingness on the part of the banks to supply the market with funds.

These tendencies were interrupted in the last week of the month. While gold imports continued, their effect was more than offset by a reversal of the trend in bank credit. Between May 29 and June 26 the total loans and investments of reporting member banks increased 400 million dollars to the highest level since April 3, and reached a level 400 million dollars higher than a year ago. A large part of this increase was in loans on securities and reflected a renewed rapid increase in security prices, together with the unusually large volume of new security issues.

Mid-year movements of funds and holiday currency demands coming on top of this large increase in the demand for credit from other causes placed unusual pressure on the money market. New York City banks increased their borrowings at the Reserve Bank to 333 million on June 29, and to 425 million on July 1, a figure 21 million above the high point of January 2, and the highest in recent years. Rates for call money rose to 10 per cent on June 24 and stayed at that level until Monday, July 1, when the rate rose to 15 per cent, with loans reported outside the Exchange at even higher figures.

Money Rates at New York

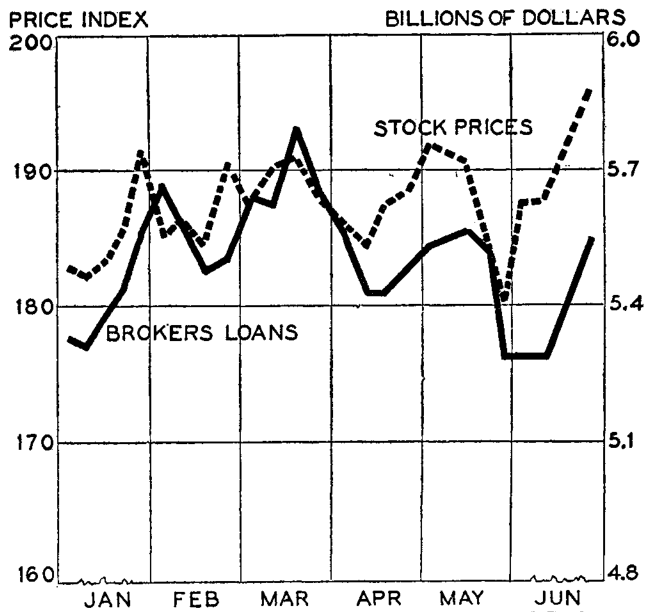
	June 29, 1928	May 31, 1929	June 28, 1929
Stock Exchange call loans	*6½–8	*6	*7–10
Stock Exchange 90 day loans	5¾–⅞	8½	7½–¾
Prime commercial paper	4¾–5	6	6
Bills—90 day unindorsed	4⅛	5½	5⅜
Customers' rates on commercial loans	†4.84	†5.78	†5.79
Treasury certificates			
Maturing September 15	....	5.06	4.59
Maturing December 15	3.99	5.02	4.66
Federal Reserve Bank of New York rediscount rate	4½	5	5
Federal Reserve Bank of New York buying rate for 90 day bills	4	5½	5½

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

Effect of Subscriptions Through Rights

From June 14 to 21, payments fell due for about 500 million dollars of corporation capital stock issues against rights. Additional payments of over 300 million dollars were due July 1. A study of the effect of these large new issues, payment for which was made during June, indicates that, while these payments were probably a factor in the increase in the demand for loans during the latter half of the month, a part of the proceeds of new issues were loaned temporarily at least in the call loan market by the corporations receiving funds, and so constituted a supply of funds which partly offset the increased demand for loans. In this way corporations issuing new stock in effect lent buyers part of the funds with which to buy the stock. To this extent the transaction was a bookkeeping operation involving simply an exchange of obligations, though it appears in the statistics on the one hand as an increase in corporation capital and on the other hand as an increase in brokers loans for account of others.

A part of the increase in brokers loans during June apparently reflected, as in previous periods, the effect of a rise in stock prices. The day-to-day demand for loans has followed closely one day behind the movement of average stock prices, and has shown substantial increases on a number of days when there were no subscriptions



Stock Prices (Standard Statistics Co. weekly index) and Brokers Loans Placed by Reporting New York City Banks.

payable in sufficient amount to account for the increases in borrowings. The accompanying diagram indicates that the rise in brokers loans in June has been in general proportionate to the rise in stock prices. The increase in brokers loans was accompanied by some increase in bank deposits and consequently an increase in the reserve requirements of the New York City banks.

Treasury Operations

For a few days around the June 15 tax period, Treasury operations tended to create a condition of ease in the money market. As usual, the Treasury paid out on June 15 a larger amount through interest payments and the redemption of maturing securities than it received through tax payments and other receipts on that day. In New York alone the excess of Treasury disbursements over receipts on June 15 amounted to over 150 million dollars. This gain of funds to the market enabled the New York banks to reduce their indebtedness at the Reserve Bank and several banks acquired substantial surplus reserves for a few days.

Such conditions ordinarily would tend to cause heavy offerings of funds in the call loan market, with a consequent decline in rates, but the day of the largest surplus of funds was Saturday when there was no market for loans, and by Monday, June 17, extraordinarily heavy income tax collections more than absorbed the surplus funds. Consequently, Stock Exchange call loans remained at the 7 per cent rate which had prevailed during the greater part of the first half of June. On the following days the continued collection of tax checks and resulting withdrawals of funds by out-of-town banks led to a rapid increase in the indebtedness of New York City banks, and with other causes led to firm money conditions.

Strength in Government Securities

Yields on short-term Government securities showed a notable decline during the month. The new issue of nine months Treasury certificates of indebtedness, carrying a coupon rate of 5⅛ per cent was heavily oversubscribed and advanced immediately to a premium in the open market; so that the yield at the market price near the end of the month had declined by about ½ per cent. Long-term Government issues also were strong. This strength in Government securities is ascribable in part to purchases by corporations seeking employment for the proceeds of new stock issues.

Apparently due in part to the strong demand for the new Treasury issue, holdings of Government securities by reporting member banks showed an unusually small increase on the report date following June 15. Usually the Government security holdings of these banks are increased by about 100 million dollars or more after a new issue is sold, and subsequently decline as the securities are distributed to other investors. On June 19 of this year, however, the holdings of these banks increased only 29 million dollars.

Bill Market

During most of June, the investment demand was well in excess of the supply of acceptances coming into the market, with the result that dealers' portfolios of bills declined substantially and toward the end of the month were unusually small. The principal source of the demand for bills was foreign investors. Open market offering rates were unchanged at 5½ per cent for unendorsed bills until near the end of June, when there was a reduction of ⅛ per cent.

In May the volume of bills outstanding showed a decline of less than $4,000,000, the smallest decrease so far this year. Outstandings of $1,107,000,000 on May 31 were $66,000,000 larger than a year ago, according to the American Acceptance Council survey.

Commercial Paper Market

Although the country bank investment demand for paper showed signs of increasing, the commercial paper market in general remained inactive in June. Supplies of new paper coming into the market were, if anything, smaller than in May. On May 31, outstandings through 23 firms were $305,000,000, compared with $351,000,000 at the end of April and $541,000,000 on May 31, 1928. In June, the generally quoted rate for prime names continued to be 6 per cent, the rate that has prevailed since early in April; notes of the less well known concerns continued to bear 6¼ per cent interest.

Treasury Tax Period Operations

Transactions conducted by the Reserve Banks for the United States Treasury during the June tax period included for the country as a whole the redemption of about $529,000,000 of 4½ per cent Treasury certificates of indebtedness, the payment of approximately $98,000,000 of interest due on the public debt on June 15, the collection of close to $550,000,000 of income taxes, covering the second quarterly payments on 1928 income, the sale and issuance of $404,000,000 of new Treasury certificates bearing 5⅛ per cent interest and maturing March 1930, and the receipt of $80,000,000 of interest from foreign governments on their funded indebtedness to the United States.

As usual a substantial part of these transactions occurred in New York. As a result the turnover of funds at the Federal Reserve Bank of New York, including operations for the Treasury as well as the ordinary banking transactions, reached a total on Saturday, June 15, of nearly 1¼ billion dollars. This amount included only a small part of the income tax collections, as most of the tax checks were cleared on June 17 and on the following days; also the usual banking operations were in smaller volume than would have been the case on a full business day.

The principal operations for the Treasury and also ordinary banking operations on June 15 are summarized as follows:

Fiscal Agency Operations:	
Securities redeemed	$174,000,000
Allotments to new issue	90,000,000
Interest paid	31,000,000
Foreign debt payments received	80,000,000
Income taxes collected	16,000,000
Total	$391,000,000
Banking Operations:	
Checks and other collections	$585,000,000
Wire transfers	151,000,000
Currency payments and receipts	14,000,000
New loans to member banks	22,000,000
Member bank loans paid	63,000,000
Total	$835,000,000
Total, all operations	$1,226,000,000

Production of Monetary Gold

Estimates of world gold production and the net amount available for monetary purposes in 1928 and preceding years, published recently by Joseph Kitchin,* are of particular interest as bearing on the question of the probable future adequacy of the supply of gold as the basis for the world's money and credit. These latest figures indicate that total world production has increased noticeably above the estimates made by Mr. Kitchin a few years ago, and that the amount available for monetary purposes has considerably exceeded expectations, especially during the past three years. Mr. Kitchin's figures for the past ten years, converted from sterling into dollar amounts, are as follows:

(In millions of dollars)

	Total production	Consumed in arts and Orient	Balance available for money
1919	365	304	61
1920	336	110	226
1921	331	66	265
1922	319	218	101
1923	367	188	179
1924	394	334	60
1925	394	216	178
1926	399	154	245
1927	401	148	253
1928	409	163	246

During the first few years of this period there was a steady decline in gold production, which, however, was probably continued in 1922 only because of a strike in the Rand in that year. Mr. Kitchin in 1921 estimated that world production would rise from about 325 million dollars in 1921 to about 350 million in 1930. At that time it appeared that the Rand had passed its maximum output, and that any increase in other producing areas would tend to be largely offset by a decline in this largest of producing gold fields.

It has developed, however, that the "New Rand" has increased its output considerably beyond expectations. and that the "Old Rand" has maintained its output at approximately the level of 1919-1920. In addition, gold production has been resumed in Russia, and has been materially increased in Canada. Consequently, world production rose in 1928 to above 400 million dollars. Mr. Kitchin now estimates that the annual production of gold will remain around 400 million dollars until 1940, after which he expects a marked decline.

Estimates of the net amount of new gold likely to be available for monetary uses have been even more difficult, due chiefly to the uncertainty as to the purchases of gold by the Orient. Chiefly because these purchases have been less than estimated, Mr. Kitchin's estimates of new gold to be added to the world stock of monetary gold have been materially exceeded. In the past ten years the average annual addition to the monetary gold stock has amounted to over 180 million dollars or about 1.8 per cent of the total stock, and in the past three years, the annual average has been close to 250 million dollars or about 2.3 per cent. For the next five years Mr. Kitchin estimates an average annual additon to the monetary gold stock of about 2 per cent.

* Harvard Review of Economic Statistics, May 1929.

While it has been estimated by various economists that an annual increase of 3 per cent in the gold stock was required before the War to provide the gold base for the increasing currency and credit requirements of the world's trade, without a decline in the price level, there have been several developments during recent years which would tend to reduce the need for gold. These include the partial substitution in several countries of deposits in gold standard countries for actual gold holdings, following the heavy movement of gold to the United States during and after the War; the withdrawal of gold currency from circulation in many countries; and a reduction in legal gold reserve requirements, especially in the United States, accompanying the establishment of the Federal Reserve System.

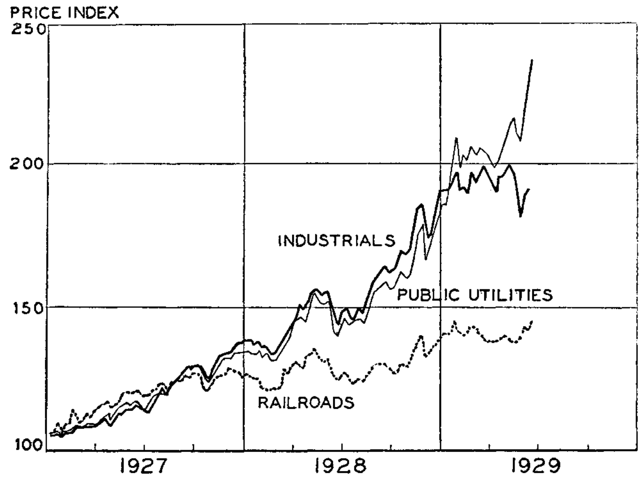
New Financing

Security offerings in May, reported by the Commercial and Financial Chronicle, reached a total of $1,500,000,000, of which $1,100,000,000 represented new capital, the largest total ever reported for any month. This very large volume was chiefly the result of an unusual amount of direct offerings by corporations to their stockholders in the form of rights to subscribe to new securities. Stock offerings by domestic corporations totaled $863,000,000, as compared with $294,000,000 a year ago, and bond offerings amounted to $426,000,000, as against $320,000,000 in May 1928.

Financing through the issuance of rights included an offering of $142,000,000 of common stock by the United States Steel Corporation; $119,000,000 of Anaconda Copper Mining Company stock; $219,000,000 of American Telephone and Telegraph convertible debentures; $87,000,000 of common stock of the Pennroad Corporation offered to Pennsylvania Railroad stockholders; $51,000,000 of Bethlehem Steel Corporation stock; and a number of other issues, individually somewhat smaller, but at the same time totaling a substantial amount. While these issues were announced in May, actual payments for the bulk of the securities fell due between the middle of June and the fifth of July, and consequently had no effect upon the money market until that time. The proceeds of several of the offerings to stockholders, notably the Anaconda Copper, United States Steel, and American Telephone and Telegraph issues, will be used in part to retire outstanding obligations of these companies on maturity or call dates in the near future.

May municipal and State financing was larger than a year ago for the first time in a number of months, due to the inclusion of $52,000,000 of corporate stock of the City of New York which was taken for private account at a 4.81 per cent interest cost to the city. New foreign financing in this country, including flotations by domestic corporations for employment in foreign countries, was considerably heavier than in April, but still was less than half of the volume of May 1928.

In June, there was some decline in security offerings —both bond and stock issues—of domestic industrial, public utility, and railroad corporations; also a marked decrease in flotations by investment trusts and other financial companies.



Prices of Industrial, Public Utility, and Railroad Stocks (Standard Statistics Company indexes; 1926 average = 100 per cent).

Security Markets

During June the general level of stock prices made a net advance of about 14 per cent from the low point of late May, and reached a new high level for all time on June 29. The principal element in this rise was an advance of 29 per cent in the prices of public utility shares to higher levels than ever before, but there was an advance also of 11 per cent in representative industrial and railroad stocks. The advance in the rail issues carried average prices to new high levels, slightly above their previous high point of February, and industrial stocks advanced to a level close to their high average reached early in May. The volume of trading on the New York Stock Exchange was not as large as in previous months; the daily turnover declined in the second week of June to a little over 2 million shares, and for the month the average was around 3 million shares, notwithstanding a few 4 million share days towards the end of the month.

Bond prices fluctuated without any discernible trend during June. There was a slight advance in domestic corporation and foreign bonds in the first part of the month, but subsequently prices declined again and toward the end of June were at approximately the lowest level of the past three years. The average price of the eight long-term United States Government bonds now outstanding, after holding steady during the first part of the month, advanced more than ½ point after midmonth.

Foreign Exchange

During June the pound sterling continued to display marked weakness. It remained throughout most of the month below \$4.85, and fell on the 15th to \$4.84¾, at which point gold could be brought with a small profit from London to New York. About \$9,300,000 was so imported, with but slight effect; apart from a temporary recovery to \$4.85 3/32 on the 27th, sterling was quoted during most of the second half of the month at \$4.84 13/16, a level at which gold might still be taken for shipment here.

Other major European exchanges were generally featureless. Guilders, which had strengthened in April and lost 3¼ points in May, weakened further in June, standing at \$0.4016½ on the 27th, or three and one-half points below par. The reichsmark maintained itself easily above its parity of \$0.2382 with a high of \$0.2386¼ on the 19th and a closing quotation of \$0.2383 on the 27th. This strength reflected in part the reopening of the market to German borrowing, signalized by a number of short and long term loans. The French franc, which has generally been quoted below \$0.0391, crossed that level on the 17th and has firmed at around \$0.0391⅝. The return to Paris of funds needed for June-end balance purposes may account for this strength. The lira was quiet at \$0.0523⅛-¼. The Swedish crown was the only currency to display the decided strength which has in earlier years been normal at this season to most European exchanges. Aided by the close of its spring import season, it advanced from \$0.2673½ to one point over par at \$0.2681 on the 27th. The peseta fluctuated widely, reaching a high of \$0.1432 on the 11th, weakening later to \$0.1395, and closing the month around \$0.1416½.

In the Far East the yen continued its slow decline, sliding off from \$0.4416 on the 1st to \$0.4380 at last report. The Canadian dollar, ruling at a discount of about ⅞ per cent, derived no benefit from the shipment of \$2,000,000 in gold made in June. The Argentine peso, moving in a range of \$0.9560¼ to \$0.9487⅝, showed no marked recovery, despite the arrival of \$14,500,000 in gold from Buenos Aires.

Central Bank Rate Changes

With the exception of a decrease in the discount rate of the Imperial Bank of India from 6 to 5 per cent on June 6th, there were no changes in the official rates of the foreign central banks in June. Sixteen central banks have increased their rates since the New York bank rate was raised to 5 per cent in July 1928. Of thirty-six foreign central bank rates on record here, 28 are higher than the rate of the Federal Reserve Bank of New York, 3 are on a level with it, and 5 are lower.

Gold Movement

The decline of the pound sterling to \$4.84¾ in June brought about a resumption of the flow of gold from London to New York which was interrupted last February by the raising of the Bank of England discount rate from 4½ to 5½ per cent. During the month, \$9,278,000 in gold was received in New York from London and a further shipment of approximately \$5,000,000 was reported from London on the 27th. A Canadian shipment of \$2,000,000 was also received—the first since the \$4,000,000 shipped last March—and arrivals totaling \$14,522,000 reached New York from Buenos Aires in June. Earmarkings for foreign account increased by \$7,500,000, but exports were negligible.

The preliminary figures for the month are as follows: imports, \$26,348,000; exports, \$271,000; increase in gold earmarked, \$7,502,000; net gain of gold to country, \$18,575,000. The June inflow follows substantial gains of gold in each of the preceding four months. The net gain in the first six months of 1929 was approximately $170,000,000, compared with a net loss in January to June 1928 of $278,900,000.

The principal gold movement of interest abroad was the resumption, late in June, of German takings of gold in London which were reported to a total of about $29,000,000.

International Payments of the United States

The annual study of the balance of international payments of the United States, recently issued by the Department of Commerce, shows several substantial changes in 1928 compared with the previous year. The merchandise export balance of this country was over 250 million dollars larger in 1928 than in 1927, and was the largest in several years. Tourist expenditures showed a further moderate increase, and were larger than in any previous year.

Among the most interesting items were the estimated capital movements shown in the report. New investments abroad by Americans are estimated to have increased more than 350 million dollars over 1927, and new foreign investments in the United States are calculated at a figure nearly 325 million dollars higher. Public offerings of new foreign securities in this country declined somewhat in 1928, due to the fact that, following an exceptionally large volume of flotations during the first half of the year, rising money rates caused a substantial reduction in new issues in the latter half, but it is estimated that the decline in public offerings was more than offset by a substantial increase in purchases of securities from foreigners in small lots during the year.

The merchandise export balance of the United States in 1928 was so large as to require an amount in settlement more than equal to the net amount of new American investments abroad over foreign investments in the United States. The withdrawal of 272 million dollars of gold from this country was largely reflected in a reduction in foreign funds held by banks in the United States.

The following is a brief summary of the Department of Commerce estimates for 1928, with comparable figures for 1927.

(In millions of dollars)

	1927	1928
Commodity transactions:		
Net merchandise exports	+583	+837
Miscellaneous invisible items:		
Tourist expenditures	—444	—525
Interest on private investments abroad	+519	+523
War-debt receipts of U. S. Government	+206	+210
Immigrant remittances	—206	—189
Freight payments	— 66	— 84
Other items	— 4	— 42
Total commodity and invisible items	+588	+730
New American investments abroad, net	—853	—1217
New foreign investments in U. S., net	+158	+481
Reduction in net debt of U. S. banks to foreigners	*	—226
Total private capital items	—695	—962
Gold shipped or earmarked, net	+154	+272
Net discrepancy	47	40

* Not reported.

Foreign Trade

The foreign merchandise trade of the United States declined in May. Exports showed more than the usual seasonal reduction, and the total valuation of $387,000,000 was $36,000,000 smaller than in May 1928, the first decrease from a year previous since last September. Imports, valued at $401,000,000, declined less than usual from April and were $47,000,000 larger than a year ago. Consequently, there resulted an unfavorable balance of trade for the first time in three years.

Compared with the previous month, exports of finished manufactures showed the largest decline—the second successive heavy decline among these products from the very high level of March. Compared with a year ago, nearly the entire loss in the value of total exports is accounted for by a reduction in the value of crude materials exported, chiefly raw cotton.

Imports in May were again the largest in the corresponding month of any year since 1920. Increases over a year ago were quite general among the various groups. The largest gain of $27,000,000 was in the group of semimanufactures, which consisted mainly of copper, brass, tin, and paper stock. Imports of finished manufactures increased $9,000,000 in value. The volume of raw silk imports was somewhat smaller than a year ago, but quantity receipts of crude rubber, although considerably less than in the past few months, were about 50 per cent larger than in May 1928.

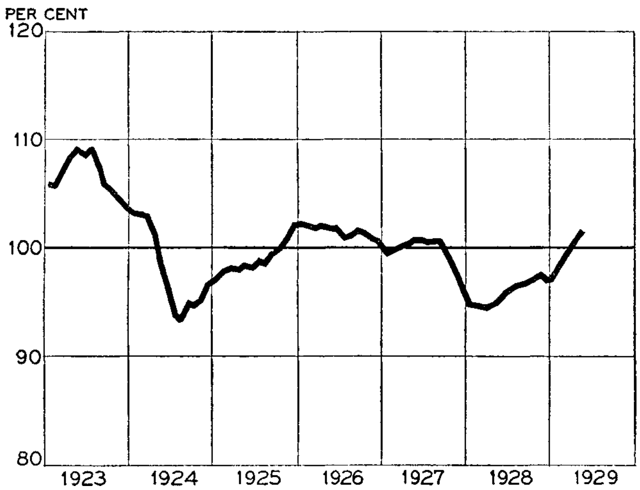
Building

Building contracts awarded in 37 States east of the Rockies, after increasing to a volume equal to that of a year ago in April, declined to 12 per cent below in May. This decline, reported by the F. W. Dodge Corporation, was principally the result of a 34 per cent reduction in the figures reported for the New York and Northern New Jersey district; other reporting districts combined had a loss of less than 4 per cent from a year ago. For all districts, total residential contracts in May were considerably below a year ago, and public works and utilities projects were somewhat smaller, but contracts for commercial and industrial buildings together were well above the level of May 1928. A continued decline in June is indicated by figures for the first three weeks, the daily average of which was 17 per cent smaller than a year ago. The decline again was chiefly in the New York district.

The decline from last year in total building contracts awarded during the first five months has amounted to 11 per cent in the case of the 37 reporting States, and to 24 per cent for the New York and Northern New Jersey district alone. Two districts—the Pittsburgh and the Northwestern—have shown increases over a year ago, and all of the remaining districts have had much smaller reductions than the New York territory.

Employment and Wages

Factory employment in New York State declined only 0.8 per cent in May, while the usual decline amounts to 1.7 per cent. This bank's index consequently advanced further, and reached the highest level since the autumn of 1926. The index, which is based on employment in representative factories, as reported by the State Department of Labor, but which has been adjusted to allow for the usual seasonal variations and to bring the general level into agreement with total factory employ-



Factory Employment in New York State, Adjusted for Seasonal Variations (1925-27 = 100 per cent).

ment as reflected by census data, is shown in the accompanying diagram.

Highly satisfactory employment conditions are attested to also by a continued high level of voluntary labor turnover—the highest for any May in five years—and by the comparatively large number of orders for workers relative to applications for employment at State Employment Bureaus. Also, there are reports that out-of-door activities are absorbing a large volume of labor, particularly for agricultural work and for highway and railroad construction; in fact there are some indications of a shortage of experienced farm labor.

Average weekly earnings of New York State factory employees in May were practically unchanged from those of April, and established a new high level for the month of May. Payrolls were the largest for any May since 1923.

Production

Production in leading industries continued at an unusually high level in May. Output of pig iron increased to a new record, exceeding for the first time the high figures of May and June 1923. Production of steel ingots advanced to a new high record, whereas usually production in May is considerably below the March peak. Output of motor trucks also exceeded that of any previous month; passenger automobile production declined only slightly more than is usual in May, and was the second largest for any month on record.

Mining of bituminous coal in May was at a higher rate than had prevailed at that season for some years past, but output of anthracite declined slightly, whereas usually there is an increase over April. Production of coke was the largest for any month since May 1923. Further curtailment of average daily petroleum production for the month of May is indicated by preliminary figures, but data show that production reached its lowest level early in the month, and has subsequently increased sharply to a new high record. Mine production of copper was curtailed slightly in May from the very large output of April.

Mill consumption of silk declined sharply in May, but cotton consumption increased considerably, and our index reached the highest level since September 1927. Other increases after seasonal allowance were in the output of wheat flour, tobacco products, shoes, newsprint paper, tin deliveries, and zinc, while declines occurred in woolen mill activity, in output of the meat packing industry, and in sugar meltings.

Trade reports for June indicate the development of some irregularity in the industrial situation. Unfilled orders of the United States Steel Corporation declined only 124,000 tons in May, the smallest decline for that month since 1922, and as a result the rate of steel mill output in June was little lower than in May. Curtailment in automobile production, however, is reported to have been somewhat more than the usual decline. Output of petroleum continuously increased, and in each of the first three weeks of June established a new high record.

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

	1928	1929		
	May	Mar.	Apr.	May
Producers' Goods				
Pig iron r	107r	117r	118r	126r
Steel ingots r	109r	118r	122r	135r
Cotton consumption	97	102	106	111
Woolen mill activity*	85	95	98	94p
Silk consumption*	115	113	130	109
Petroleum	108	112	110	109p
Bituminous coal	82	79	90	90
Coke	110	114	118	128
Copper, U. S. mines r	105r	128r	134r	131r
Lead	93	99	112r	113
Zinc	98	94	99	101
Tin deliveries	87	114	123	134
Leather, sole	112	94	101	94
Cement	125	100	111r	112
Wood pulp	99	102	105	
Consumers' Goods				
Hogs slaughtered	100	89	102	96
Cattle slaughtered	101	89	96	94
Sheep slaughtered	109	104	124	128
Calves slaughtered	82	79	79	70
Farm produce shipped	103	98	113	107
Wheat flour	109	98	109	116
Sugar meltings, U. S. ports	67	91	91	73
Gasoline	96	100	98	
Anthracite coal	114	73	100	90
Paper, newsprint	96	86	87	92
Printing activity	106	116	116	
Tobacco products	108	104	120	124
Boots and shoes	96	96	96	106p
Tires	122	121	132	
Automobile, passenger r	103r	146r	137r	133r
Automobile, truck r	94r	135r	146r	154r

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

Indexes of Business Activity

Average daily car loadings of heavy bulk freight increased more than usual in May, but loadings of merchandise and miscellaneous freight, which had shown more than the usual expansion in April, declined slightly. Foreign trade showed mixed changes; exports had a further decline of more than seasonal proportions, but imports declined less than usual, and our import index reached the high levels prevailing in 1926. After seasonal allowance, sales of both department stores and mail order houses increased in May; our adjusted index of department store sales did not equal the high level of last March, but was higher than in May 1928.

This bank's indexes of business activity in which allowance has been made for the usual seasonal variations, for 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		
	May	Mar.	Apr.	May
Primary Distribution				
Car loadings, merchandise and misc.	105	103	106	105
Car loadings, other	96	87	102	104
Exports	104	110	100	95p
Imports	105	110	122	124p
Panama Canal traffic	84	90	91	
Wholesale trade	100	101	104	107p
Distribution to Consumer				
Department store sales, 2nd Dist.	101	107	101	103
Chain grocery sales	103	96	94	94
Other chain store sales	98	102	94	103
Mail order sales	101	106	119	126
Life insurance paid for	100	107	102	101
Advertising	95	99	97	98
eneral Business Activity				
Bank debits, outside of New York City	111	113	109	107
Bank debits, New York City	167	194	170	178
Velocity of bank deposits, outside of New York City	117	128	121	123
Velocity of bank deposits, New York City	169	216	195	201
Shares sold on N. Y. Stock Exchange	307	338	304	329
Postal receipts	92	84	85	87
Electric power	108	106	110	
Employment in the United States	96	100	101	101
Business failures	113	101	112	106
Building contracts, 36 States	144	91	121	119
New corporations formed in N. Y. State	121	109	112	112
General price level	177	180	179	179
Composite index of wages	222	227	226	226
Cost of living	171	171	171	171

p Preliminary

Wholesale Trade

May sales of reporting wholesale dealers in this district showed an average increase of 7 per cent over last year. Sales of diamonds were considerably larger than a year ago and sales in all other reporting lines except hardware showed at least small increases. The Silk Association also reported a substantial increase in quantity sales of silk goods, as compared with a year ago. Sales reported by the National Machine Tool Builders Association continued to be much larger than last year, and were more than 2½ times as large as in May 1927.

Commodity	Percentage change May 1929 compared with April 1929		Percentage change May 1929 compared with May 1928		Per cent of accounts outstanding April 30 collected in May	
	Net Sales	Stock end of month	Net Sales	Stock end of month	1928	1929
Groceries	+ 4.5	— 7.0	+ 2.3	+ 5.1	75.7	75.3
Men's clothing	—32.9	....	+ 1.5	....	34.2	35.1
Cotton goods	— 5.0	— 9.7	+ 1.6	—13.9	....	....
Silk goods*	—16.8*	+ 3.9*	+15.5*	+ 6.4*	49.2	47.4
Shoes	+ 3.9	—10.0	+ 4.6	—19.3	47.0	44.7
Drugs	—15.4	— 0.7	+ 2.0	+36.3	56.2	45.3
Hardware	— 3.6	— 1.6	— 4.3	— 4.3	51.0	50.6
Machine tools**	+ 4.6	....	+62.8	....	....	....
Stationery	+ 3.7	....	+ 1.9	....	76.9	75.1
Paper	— 1.3	....	+ 7.8	....	64.9	67.8
Diamonds	— 6.9	— 9.3	+26.8	—16.9	25.1	27.0
Jewelry	+34.0		+ 5.9			
Weighted Average	— 7.0	....	+ 7.1	....	54.0	53.0

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

Stocks of groceries, silk, and drugs showed an increase from a year ago, while stocks of cotton goods, hardware, shoes, and jewelry and diamonds were smaller. Collections were slightly slower than in May 1928.

Department Store Trade

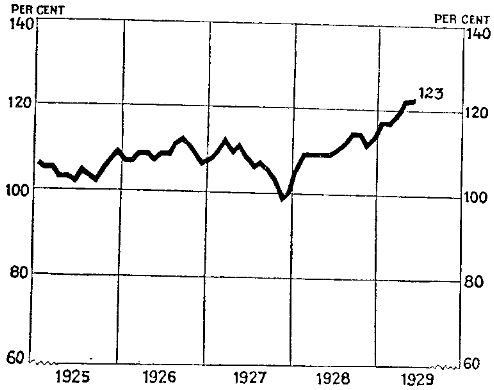
Trade at leading department stores in this district was somewhat irregular in May, but the total sales of reporting stores were about 2½ per cent larger than a year ago. The largest increases in sales were reported by Rochester and Newark stores, but there were moderate increases also in New York, Buffalo, Syracuse, the Northern and Central sections of New York State, and in the Capital district. Leading apparel stores reported an average increase of 5 per cent over May 1928.

Stocks of merchandise in department stores in general showed an increase approximately in proportion to the increase in sales, so that the rate of stock turnover was about the same as a year ago. The percentage of outstanding charge accounts collected during May averaged slightly lower than last year.

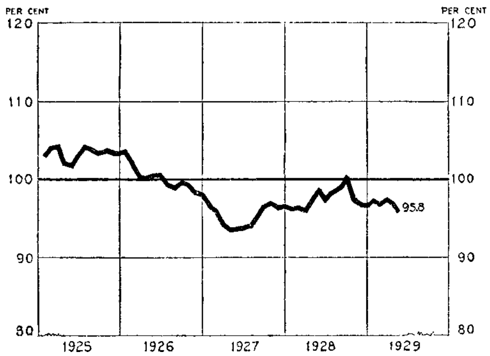
Locality	Percentage change May 1929 compared with May 1928		Per cent of accounts outstanding April 30 collected in May	
	Net sales	Stock on hand end of month	1928	1929
New York	+ 2.0	+ 2.2	53.3	50.4
Buffalo	+ 4.2	— 0.9	55.4	46.7
Rochester	+ 8.0	+ 0.2	42.6	42.4
Syracuse	+ 1.4	+ 4.9	....	....
Newark	+ 6.0	+ 7.7	45.8	46.4
Bridgeport	— 1.3	— 1.0	....	....
Elsewhere	— 0.2	— 3.5	40.0	39.7
Northern New York State	+ 2.2	....	....	....
Central New York State	+ 3.2	....	....	....
Southern New York State	— 2.1	....	....	....
Hudson River Valley District	— 0.6	....	....	....
Capital District	+ 4.9	....	....	....
Westchester District	— 7.8	....	....	....
All department stores	+ 2.5	+ 2.3	50.4	48.2
Apparel stores	+ 5.2	— 2.9	51.1	49.4

Department store sales of radio sets continued much larger than a year previous, and sales of sporting goods and shoes also showed substantial increases. Most of the apparel departments also showed moderate increases.

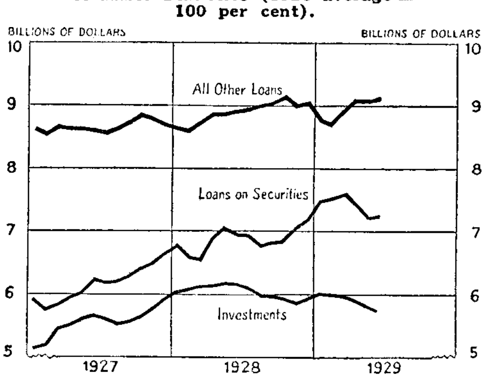
	Net sales percentage change May 1929 compared with May 1928	Stock on hand percentage change May 31, 1929 compared with May 31, 1928
Musical instruments and radio	+50.4	—12.8
Toys and sporting goods	+20.9	+ 1.2
Shoes	+17.2	— 0.6
Men's and Boys' wear	+ 7.7	+ 6.4
Women's and Misses' ready-to-wear	+ 6.6	+ 8.9
Toilet articles and drugs	+ 6.3	— 4.1
Furniture	+ 5.8	+ 2.4
Men's furnishings	+ 5.4	+ 0.5
Women's ready-to-wear accessories	+ 4.2	+ 3.4
Cotton goods	+ 4.2	— 7.2
Luggage and other leather goods	+ 3.4	+ 8.7
Books and stationery	+ 2.1	— 3.9
Home furnishings	+ 1.1	+ 7.0
Hosiery	+ 1.0	+ 5.8
Linens and handkerchiefs	+ 0.4	+ 2.4
Silverware and jewelry	— 1.7	— 9.4
Silks and velvets	— 9.3	—12.0
Woolen goods	—22.4	—12.9
Miscellaneous	— 6.3	— 7.9



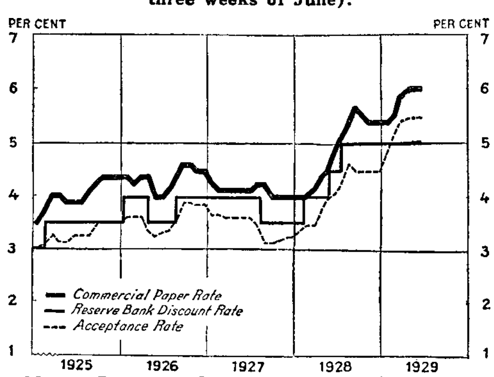
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variations (1923-25 average = 100 per cent).



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



Monthly Averages of Weekly Figures for Reporting Member Banks in Leading Cities (Latest figures are averages of first three weeks of June).



Money Rates in the New York Market (June rates are averages for first 22 days).

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

PRODUCTION and distribution of commodities continued at a high rate in May. Wholesale commodity prices declined further during the month, but more recently showed some advance. Total loans and investments of member banks in leading cities have increased since the latter part of May.

Production

Industrial production continued large in May and was accompanied by a further increase in the volume of factory employment and payrolls. Output of the iron and steel industry increased further, and shipments of iron ore during May were the largest for that month of any recent year; production of pig iron, steel ingots, and coke was at record levels; and semi-finished and finished steel were produced in large volume. During the first half of June steel operations remained close to capacity, although some decline from the high rate of May was reported. Output of automobiles, which has been in unusually large volume since the beginning of the year, showed a slight reduction in May. Copper production at mines, smelters, and refineries decreased during May but continued large. Combined stocks of refined and blister copper at the end of May were the largest since 1927. Zinc, lead, petroleum, and bituminous coal were produced in larger volume than in April, while the output of anthracite coal declined. Output in the textile industries continued large in May although there was a decline in activity in silk mills. Meat production, while larger than in April, increased less than is usual at this season.

Value of building contracts awarded declined in May, and was below last year's level, the decrease in comparison with 1928 being chiefly in residential building. During the first two weeks in June contracts averaged 15 per cent less than in the same period in 1928.

The June 1st crop summary of the Department of Agriculture indicated an increase of 43 million bushels, or more than 7 per cent, in the crop of winter wheat. The condition of spring wheat, barley, and hay was reported to be better than a year ago.

Distribution

The volume of freight shipments increased seasonally in May and continued substantially above the total of a year ago. Department store sales increased in May and were 2 per cent larger than in the same month in the preceding year.

Prices

Wholesale prices continued in May the downward movement of the previous month, according to the index of the United States Bureau of Labor statistics. The decline of the general level was chiefly the result of price declines in agricultural products and their manufactures, although prices of other products also declined slightly. Prices of cotton and grains continued sharply downward in May and there were marked declines in the prices of hogs, wool, and lambs. Prices of mineral and forest products and their manufactures averaged lower in May than in April, particularly those of copper, lead, and tin; petroleum and gasoline, and iron and steel advanced in price; while in lumber there was a slight decline.

Since the latter part of May prices of cattle and hides have advanced sharply and there have been increases in the prices of grains, hogs, and cotton.

Bank Credit

Total loans and investments of member banks in leading cities, which were at a low point for the year in the latter part of May, increased considerably during the subsequent 3 weeks and on June 19 were about $250,000,000 larger than a year ago. The recent increase reflected a large growth in the volume of loans on securities, which had declined during the preceding 2 months, and a further growth in loans chiefly for commercial and agricultural purposes. Investments declined during most of the period and on June 19 were at a level about $450,000,000 below that of the middle of last year.

Volume of Reserve Bank credit outstanding, after increasing in the latter part of May, declined in June and, following the Treasury financial operations around the middle of the month, showed a small increase for the 4 weeks ended June 19. Discounts for member banks increased, while holdings of acceptances and U. S. securities showed a decline. There were some further additions to the country's stock of monetary gold.

Open market rates on collateral loans declined in June, while rates on prime commercial paper and 90-day bankers acceptances remained unchanged.