

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

November 1, 1929

Money Market in October

The past few weeks have witnessed an abrupt reversal of credit trends which had continued for about two years. Stock prices have turned downward. Bond prices have made some recovery. Loans to brokers and dealers have decreased sharply and there has been a sudden shift between lenders. Interest rates have declined rapidly and foreign exchange rates have strengthened to points where gold exports have been made.

Of these developments the decline in stock prices has been the most spectacular and in large measure the controlling event. The decline has carried representative price averages below the lowest points heretofore reached this year, though not to points which are low relative to the levels of prices of 1928 or any previous year.

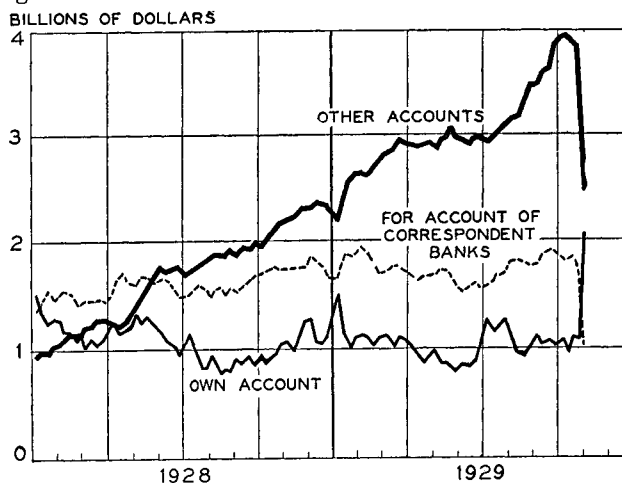
Whereas the gradual recession in stock prices which had taken place in September had not been accompanied by any substantial liquidation in loans to brokers and dealers, partly because of the continued large volume of new stock issues calling for additional amounts of credit, the drastic declines of the past two weeks have released a considerable amount of funds. For the two weeks from October 16 to October 30 the figures for loans to brokers and dealers reported by the New York City banks for their account and the account of their bank and other customers show a decrease of \$1,263,000,000. The distribution of this decrease between lenders is of particular interest. Loans made for account of others than the New York City banks and their out-of-town correspondents decreased \$1,432,000,000, and loans made by the New York banks for their out-of-town correspondents decreased \$805,000,000. On the other hand loans to brokers and dealers made by New York City banks for their own account increased \$974,000,000, and these banks also increased their loans directly to customers by an additional \$260,000,000.

From the point of view of the general credit situation the net result of these movements was to bring about an increase of \$1,374,000,000 in the loans, and a similar increase in the deposits of the New York City banks, with a consequent increase in the amount of reserve balances they are required to maintain on deposit at the Federal

Reserve Bank. In a period of one week from October 23 to 30 the reserve requirements of these banks were increased more than \$200,000,000.

These movements illustrate once more the fact, which has previously been commented upon in this Review, that loans to brokers and dealers by lenders other than banks constitute a potential drain upon bank resources, which is most likely to become an actual drain in periods of emergency. The New York City banks were able to handle the huge burden which was shifted to them without any disturbance to the money market by reason of an increase of over 150 million in the security holdings of the Reserve Banks and a like increase in rediscounts.

After the first week of October the prevailing call loan renewal rate was 6 per cent compared with 8 and 9 per cent in September. Accompanying ease in call loan rates, time loan rates declined from 9-9 $\frac{1}{4}$ per cent at the beginning of October to 6 per cent at the end of the month. Open market commercial paper rates showed a slight decline from 6 $\frac{1}{4}$ per cent to 6-6 $\frac{1}{4}$ per cent. Bill rates dropped from 5 $\frac{1}{8}$ to 4 $\frac{5}{8}$ per cent and the yield rate on Treasury certificates declined over three-quarters of a point. On October 31 the rediscount rate of the Federal Reserve Bank of New York was reduced from 6 to 5 per cent, effective November 1. These changes are summarized in the table on the following page.



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

Money Rates at New York

	Oct. 31, 1928	Sept. 30, 1929	Oct. 31, 1929
Stock Exchange call loans.....	*6½-8	*8-10	*6
Stock Exchange 90 day loans.....	7	9-9¼	6
Prime commercial paper.....	5½	6½	6-6¼
Bills—90 day unindorsed.....	4½	5½	4½
Customers' rates on commercial loans.	†5.47	†6.07	†6.07
Treasury certificates and notes			
Maturing December 15.....	4.48	4.62	3.94
Maturing March 15.....	4.63	4.63	3.97
Federal Reserve Bank of New York rediscount rate.....	5	6	6
Federal Reserve Bank of New York buying rate for 90 day bills.....	4½	5½	5

* Range for preceding week

† Average rate of leading banks at middle of month

The decline in interest rates in the early part of October was a consequence in part of a lessened demand for funds in the security markets, but more largely a cumulative effect of purchases of bankers acceptances by the Federal Reserve Banks for a number of weeks in amounts larger than the increasing requirement for funds of the autumn season. Autumn currency requirements were also somewhat less than usual. Under these circumstances the New York City banks had been able largely to liquidate their indebtedness at the Reserve Bank, a condition which is normally accompanied by easy money conditions.

The liquidation of the stock market in the last two weeks of the month and the accompanying movement of brokers loans was not a factor making directly for easier money, for, as has been indicated above, the net result of the changes in brokers loans was to increase rather than to diminish the call upon bank funds, and the banks were able to meet the huge additional demand for credit only by reason of large security purchases by the Federal Reserve Banks and an increase in their rediscounts. So that at the end of the month the borrowings of the New York City banks were \$170,000,000 compared with \$63,000,000 in the early part of the month, and the discounts of the Federal Reserve System were \$990,000,000 compared with \$930,000,000 earlier in the month.

Two accompaniments of the easing tendency in interest rates have been the recovery in bond prices which has raised representative averages about one point, and a vigorous recovery in foreign exchange rates. The recovery in exchange rates has been comparable with that which occurred in the late summer of 1927. On both occasions the principal European exchanges rose rapidly from quotations which were close to the points at which gold tended to move into the United States to quotations close to, if not actually above, the gold export points. In fact, in the case of the French exchange the quotations have recently been such as to show a slight profit in gold exports and a small amount of gold has moved from New York to Paris. Both in 1927 and during the past month this vigorous recovery in the exchanges has appeared to reflect a movement of funds from New York to the principal European centers, largely in response to a differential in money rates between New York and those centers, though in the recent instance it has also accompanied a liquidation in the stock market.

BILL MARKET

During the first part of October, seasonal drawings of bills increased the supply in dealers' hands very sub-

stantially, and although the investment demand also rose materially, dealers' aggregate purchases exceeded their sales. As open market portfolios of bills already were large, the excess of supply over the demand was offered to the Reserve System. The development of easier money conditions, however, allowed the dealers to carry an increasing proportion of their portfolios outside the Reserve Bank.

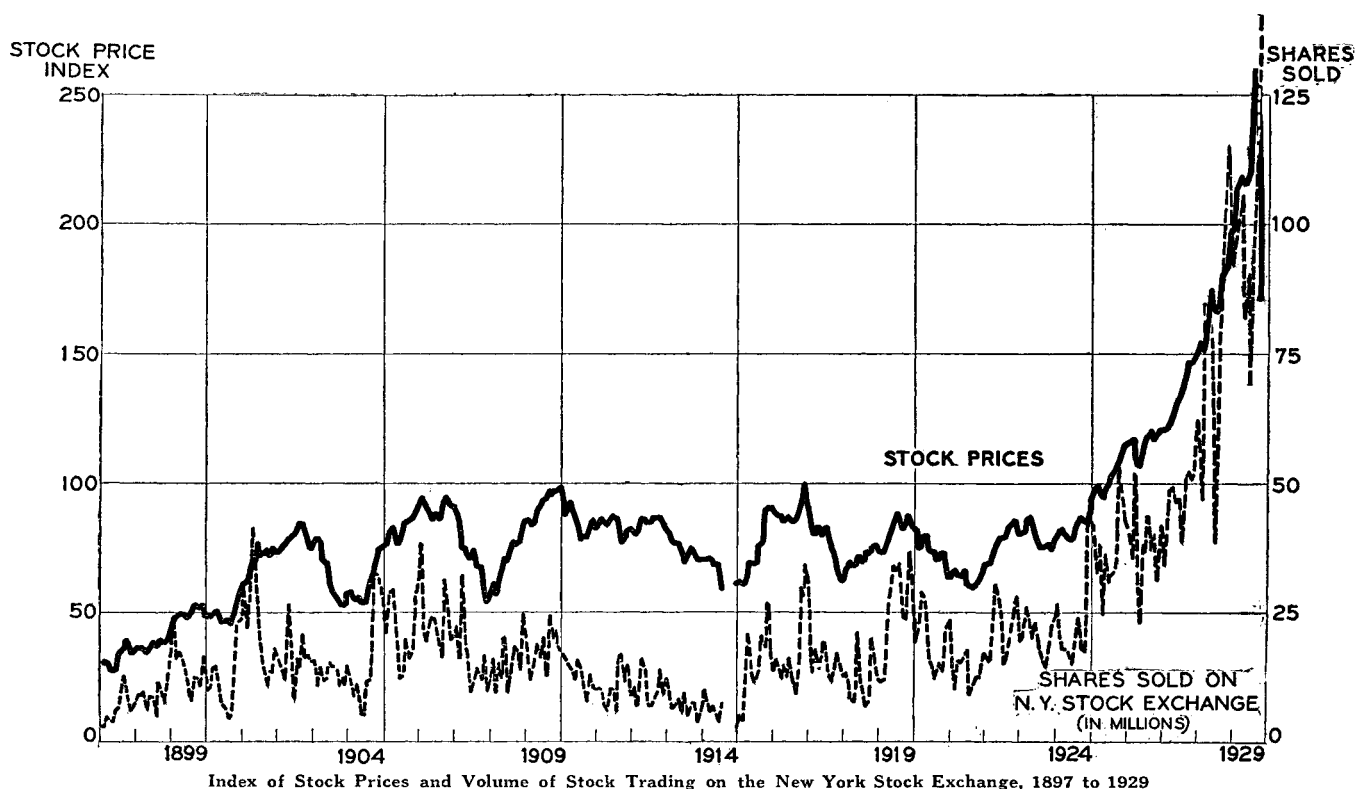
The continuance of relatively easy money conditions throughout the balance of the month was accompanied by a large increase in the investment demand, both local and foreign, and as dealers' purchases of new bills were materially reduced, supplies of bills on hand declined to a total between one-third and one-half the volume at the opening of the month. In an effort to replenish their portfolios, the dealers made four successive reductions in their rates, a total decrease of ½ per cent between October 22 and 29, bringing the offering level for 30 to 90 day unindorsed bills to 4⅝ per cent, the lowest level since January 3 of this year. Offering rates for four months bills also showed a decline of ½ per cent to 4¾ per cent, and 5 and 6 months bills a reduction of ⅝ per cent to 4⅞ per cent.

A further increase of \$72,000,000 in the volume of bankers acceptances outstanding occurred during September. The total of \$1,272,000,000 on September 30 was within \$12,000,000 of the peak of outstanding dollar acceptance credits, reached at the end of December 1928, and was \$268,000,000 larger than the total for September of last year and \$408,000,000 above the outstandings of September 1927. Acceptances based on goods stored in or shipped between foreign countries again showed a larger increase than any other class, and it is this type of acceptance financing that accounts for the larger part of the increase in total outstandings over a year ago.

COMMERCIAL PAPER MARKET

Accompanying the lower rates prevailing on stock exchange security loans, some revival of the bank investment demand for open market commercial paper occurred after the first week of October. Better buying was reported as coming from banks in the Middle West, Southwest, and in New England; and in the New York market there were larger orders reported for the account of out-of-town correspondents than in some months. The rate for prime names declined slightly during the latter part of the month to a range of 6-6¼ per cent, as against the 6¼ per cent rate prevailing when bank investment demand was least active. Even at the slightly lower rate level, the amount of new paper being created by commercial and industrial concerns remained of rather small proportions, and dealers indicated that they were more desirous of acquiring additional paper than they had been in some time.

During September, the amount of commercial paper outstanding through 23 firms declined 1 per cent to \$265,000,000 on the 30th. This amount is 38 per cent less than the outstandings at the end of September of last year.



Stock Market

After a series of rather wide fluctuations during the first three weeks of the month, in the course of which the tendency of stock prices was toward lower levels, one of the most drastic declines in the history of the security markets in this country occurred from the 23rd to the 29th of October. During this period, trading gained in momentum, except for a temporary pause on the 25th and 26th, and exceeded all previous records for volume, totaling from 9,100,000 to over 16,400,000 shares on the three days of heaviest liquidation. The decline carried stock prices at the close on the 29th to levels averaging about 36 per cent below the highest prices reached early in September, and canceled the rise in prices since August 1928. In the last two days of the month, there was a substantial recovery, which averaged more than one-third of the recent decline.

The accompanying diagram indicates the extent of the October decline in comparison with the long rise of the preceding six years and with the swings in stock prices at other periods during the past thirty years. The last figure shown is the average at the close of business October 29. This indicates that the almost uninterrupted rise in stock prices from the autumn of 1923 to September 1929 was the largest in at least 30 years. As the diagram also indicates, the volume of trading has shown a similar increase. The October break was the most severe on record for so brief a period, measured by the average price declines, and one of the most severe in the percentage decrease in prices. But even at the lowest levels reached on October 29, prices averaged more than twice as high as the average levels of 1923 and 1924.

The extent of the decline varied greatly between the different groups of stocks, and even more between individual issues. Public utility stocks in general showed large price reductions but at their lowest points remained far above the levels that prevailed during most of 1928. Industrials in a number of cases reached the lowest levels since 1927, although some issues remained above the highest levels reached prior to 1928. Railroad stocks, which in general have shown the smallest advances in recent years, likewise had the smallest declines in October and remained higher than at any previous time except from May to September of this year.

Bond Market

The bond market in October showed the first material advance in a considerable number of months. The average price of the eight United States Government bond issues now outstanding rose $2\frac{1}{3}$ points up to October 28, and reached a level 3 points above the March low of the year, and less than $\frac{1}{2}$ point below the high for the year reached the first of January. Domestic corporation bonds toward the close of the month showed an average net advance of around $1\frac{3}{4}$ points to a level about the same as that of last May; advances were general except in convertible bonds. Foreign bonds advanced somewhat, and near the end of October were quoted at approximately the same levels as in last August.

During the last few days of the month, however, there was a reaction in bond prices accompanying the unsettlement in stocks; U. S. Government issues lost about one-quarter of the gain registered earlier in the month,

domestic corporation bonds lost nearly three-quarters of the previous advance, and foreign issues had material declines.

The daily average turnover of bonds on the Stock Exchange increased from \$9,500,000 during the last week of September to \$16,900,000 in the week ended October 26, the largest volume of trading in many months, and during the last few days of the month averaged about \$25,000,000. Although some part of this unusual trading may be attributed to transactions in convertible bonds, in keeping with the activity of stocks, the increasing weekly totals as the month progressed gave evidence of a more active demand for bonds than in some time.

New Financing

Total new security offerings of domestic corporations in September, amounting to \$1,200,000,000, were 60 per cent larger than in August and were almost four times as large as in September 1928. The huge increase over a year ago reflected chiefly the continued large volume of investment trust and financial trading and holding company securities floated during the month, and all of the increase was in stock issues; corporate bond issues, in fact, were slightly smaller than a year ago. Domestic municipal and State financing was in somewhat larger amount than in either the previous month or a year ago, while foreign new security flotations in this market fell short of either the August total or that of September of last year.

During October, the principal feature of the new financing appears to have been an increase in the volume of bond issues, together with some decline in the amount of financing through stock offerings. Important bond flotations during the month included \$100,000,000 of Texas Corporation bonds yielding $5\frac{1}{8}$ per cent, \$50,000,000 of short term New York City notes yielding $5\frac{1}{8}$ per cent, \$32,000,000 of Southern Bell Telephone and Telegraph bonds priced to yield 5 per cent, \$30,000,000 of Port of New York Authority bonds on a 4.86-5.15 per cent yield basis, and two railroad equipment trust issues yielding from $5\frac{1}{8}$ to 6 per cent. Foreign bond offerings also increased, with the placing in this market of the major part of a \$30,000,000 Canadian National Railway Co. issue at a price to yield slightly over 5 per cent.

After the first week of the month, there was a marked curtailment in the amount of stock issues of investment trusts and financial trading and holding companies, following the unprecedented total of the preceding months. In addition, a large public utility holding company, which earlier in the month had offered additional shares to stockholders for the purpose of raising over \$100,000,000 of new capital, withdrew the offer, in view of the heavy declines in stock prices. Other new financing, including the sale of \$60,000,000 of New York City corporate stock and bonds, was also reported to have been deferred at this time.

Gold Movement

Arrivals of \$6,575,000 from Argentina, \$2,500,000 from Colombia, and \$1,000,000 from England accounted for practically all of the gold imported at New York during October. Exports amounted to \$3,700,000, of which

\$3,000,000 was for shipment to France. There was an increase of \$4,500,000 in gold earmarked for foreign account, which, together with exports, reduced the estimated net gain for the month to \$2,000,000, the smallest gain since February.

The gold import movement from Argentina began in October 1928, and since that time, with the exception of December 1928 and February 1929, monthly shipments have been received here, which now total about \$70,000,000. This represents the reversal of a movement of gold from New York to Buenos Aires which began in September 1927 and ended in June 1928, in the course of which \$130,000,000 was shipped. It may be added that since April 1929 approximately \$10,000,000 has been received in London from Argentina, and Buenos Aires has lost gold also to Paris, Berlin, and Rio de Janeiro in the past year.

Of principal interest abroad was the resumption of French gold withdrawals from London towards the end of October. Since the London bank rate was raised on September 26, France has taken roughly \$30,000,000 in London, of which approximately \$12,000,000 was between October 22 and 30.

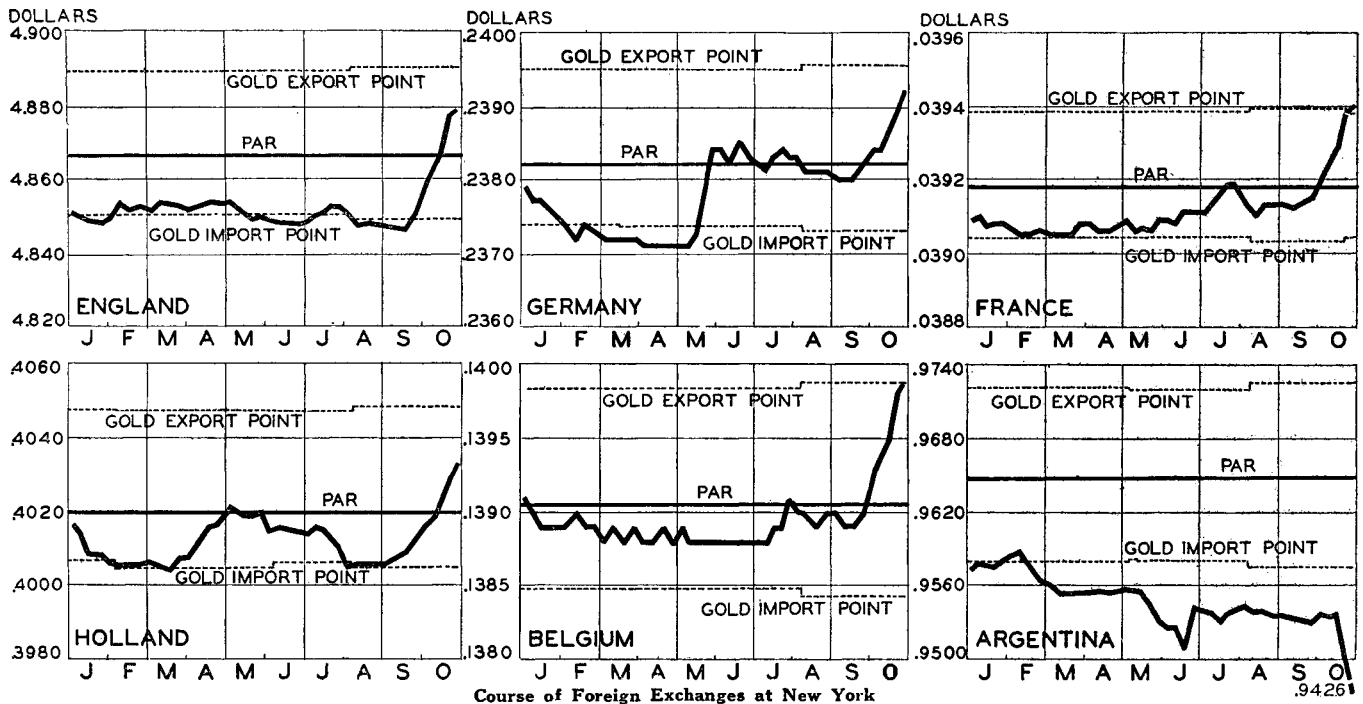
Central Bank Rate Changes

Effective October 31, the Bank of England reduced its rate by one-half per cent to 6 per cent. The last change in bank rate was an increase of one per cent on September 26. The published statements of the bank do not indicate any important change in its situation during the past month, but the easier rates obtaining in the New York money market, and the reflux of British funds to London have presumably contributed to a more favorable position in London.

The only Continental bank rate change reported during October was an increase of one-half per cent from $7\frac{1}{2}$ to 8 per cent in the rate of the Bank of Estonia on the 3rd. The lower rate had been in force since January 2, 1928. The Bank of Republic of Colombia raised its rate from 7 to 8 per cent effective October 10, following a change from 8 to 7 per cent on August 1. The Reserve Bank of Peru, which had lowered its rate from 7 to 6 per cent on September 3d last, returned to the 7 per cent rate, effective October 31. The Imperial Bank of India rate was increased on October 10, from 5 to 6 per cent. This is in accordance with the seasonal practice of this bank, whose rate is ordinarily raised progressively between autumn and spring and lowered during the summer months of each year.

Foreign Exchange

The vigorous upturn of the principal European exchanges during the past month, following a period of general weakness, is shown in the accompanying chart. The pound sterling began a few days before the increase in bank rate, on September 26, a gradual advance which has continued during October. On the first day of October the pound crossed \$4.86 for the first time since August 1928, reached parity (\$4.8665) on the 14th, and on the 24th at \$4.88 $\frac{1}{32}$ was the highest since June 1928. After a slight recession, sterling stood at approxi-



Course of Foreign Exchanges at New York

mately \$4.877½ when the month ended, still below the theoretical gold export point.

With minor exceptions other European currencies followed much the same course as sterling. French francs started the month above their parity of \$0.0392, and, advancing steadily to a high of \$0.0394¼, have been the only currency to cross the gold export point in October. Reichsmarks were somewhat more irregular, though strong, during the first half of the month, but, after closing at \$0.2385½ on the 14th, rose almost without interruption to \$0.2393¾ on the 30th. Belgas registered steady gains which carried the quotation from \$0.1393½ at the beginning of October to \$0.1399½ near its close, and Dutch guilders and Swiss francs moved similarly. The former sold for \$0.4016 on October 1 and \$0.4035¼ on the 30th; the latter rose from \$0.1931 to \$0.1938¼ during the same period. Lire fluctuated between \$0.0523⅜ and \$0.0523⅝ from the 2nd to the 21st of October, then abruptly crossed \$0.0524 on the 23rd, and closed the month at about that price.

Among the Scandinavian currencies, Danish and Norwegian crowns moved upward from about \$0.2670 at the month's opening to their parity of \$0.2680 toward the end, while Swedish crowns, which were strong at \$0.2684 on October 1 dipped to \$0.2681½ on the 9th, recovered rather sharply to \$0.2688½ on the 24th, and sagged slightly thereafter. The Spanish peseta declined on the 14th to \$0.1452 from a high of \$0.1486½ on the 11th; subsequent declines carried it to \$0.1421 on October 18, after which it fluctuated irregularly.

The Japanese yen during most of the month fluctuated between \$0.4762 and \$0.4795 but crossed \$0.4800 on the 28th. Canadian dollars weakened further to a discount of \$0.023⅝ on the 29th. Argentine pesos, reflecting local conditions and a decrease in gold shipments, declined to \$0.9259¼ on the 30th, considerably below the gold import point for New York.

Foreign Trade

Exports of merchandise, valued at \$442,000,000 during September, showed about the usual seasonal increase over the previous month, and were 5 per cent above a year ago. Imports, valued at \$353,000,000, showed a considerable decrease from the relatively high figure in August, but were 10 per cent above a year ago, and continued to be larger than in the corresponding month of any year since 1920.

Combined shipments abroad of crude products, principally raw cotton and grains, although seasonally larger than in the previous month, were \$20,000,000 smaller in value than in September 1928. The quantity of such shipments also decreased substantially. On the other hand, exports of wholly finished and partly finished manufactures increased \$26,000,000 and \$7,000,000, respectively, compared with a year ago.

Gains in imports over a year ago were quite general among the principal groups, with the largest percentage of increase in finished manufactures. Receipts of raw silk, crude rubber, and coffee were all smaller in volume than in August, but receipts of silk and coffee were larger than a year ago.

Employment and Wages

The number of workers employed in representative New York State factories showed an increase of 1.8 per cent in September, as compared with the usual seasonal increase of 2 per cent. Consequently this bank's adjusted index for the month was 102.5 per cent of the 1925-1927 average, but remained only ½ of one per cent under the peak of July, which was the highest since early in 1924. For the country as a whole, the increase in factory employment amounted to 0.7 of a per cent, or about half the usual September increase. The State Department of Labor report indicates that the September increase was due in part to increased seasonal activity in

the clothing industries, but that most of the other large industry groups participated in the gain, with the exception of the metal industries, which had contributed largely to the increase in employment during the past year.

Average weekly earnings of factory workers in New York State advanced to a new high record not only for the month of September but for all months, exceeding slightly the previous peak of last March. Total payrolls at the same time were the largest for any month in more than five years, and were the largest for September of any year with the single exception of 1920.

Building

Building contracts awarded in the 37 States east of the Rockies, as reported by the F. W. Dodge Corporation, declined 9 per cent further in September, following a 25 per cent drop in August. The total for September was 24 per cent smaller than a year ago, and was also below the total for the corresponding month of any other year since 1924. Non-residential construction, consisting of commercial and industrial buildings and public works and utilities, has been maintained in amounts that compare favorably with last year despite some decline in September, but residential building has been below the level of the previous year in each of the past 13 months.

Up to the 25th of October, the daily average of contracts awarded showed a decline from last year's level slightly larger than that of September.

In the New York and Northern New Jersey district, contracts in September were reduced 14 per cent below the previous month and were 48 per cent smaller than a year ago. Residential contracts were only one-third as large as those reported for September 1928, public works and utility projects were 44 per cent smaller, and commercial and educational building contracts were somewhat smaller. Industrial construction was the only principal class to show an increase.

A survey of the mortgage money situation indicates that the current supply of funds available for mortgages is much smaller than a year ago, due chiefly to a check in the growth of deposits in savings banks and difficulty in distributing mortgage bonds in recent months.

Production

Productive activity declined somewhat further in September, continuing the gradual recession from the very high levels of late spring, but remained higher than a year previous. Combined output of passenger automobiles and motor trucks in September was substantially under the high levels of last spring, and was practically the same as in September 1928. Motor vehicle production was at unprecedentedly high levels from January to August, and the total output for the first nine months of this year was larger than for any previous full year. According to trade reports, it appears that output of the industry declined further in October.

Among the other industries, there was also some tendency to decline. Average daily production of pig iron was reduced 4.6 per cent, whereas usually there is little change or perhaps a small increase. The total tonnage of zinc smelted also declined, while production of steel ingots showed little change after seasonal allowance, and there were increases in copper and lead output and in tin deliveries. In October, there is usually a rather sub-

stantial increase in iron and steel output, but this October, steel mill operations showed wide variations and it appears likely that operations were, if anything, a little lower than in September.

Mining of bituminous coal increased by a larger amount than the usual seasonal upswing in September, and anthracite output increased close to the highest daily average of the year; further increases have been reported in October. Average daily output of crude petroleum declined slightly in September, and showed a further decline near the end of October.

Among the textile industries, mill consumption of raw cotton showed about the usual seasonal increase, while activity in both the wool and the silk industries was lower than in August. There were declines also, after seasonal allowance, in output of coke, leather, cement, wheat flour, boots and shoes, and newsprint paper, and in sugar meltings, while output of tobacco products was virtually unchanged, and slaughtering of live stock increased.

The following table shows a majority of declines among the indexes of production in the various lines, compared with August, but a majority of increases, compared with September 1928.

(Adjusted for seasonal variations and usual year-to-year growth)

	1928	1929		
	Sept.	July	Aug.	Sept.
<i>Producers' Goods</i>				
Pig iron.....	108	131	129	121
Steel ingots.....	125	137	134	134
Cotton consumption.....	93	103	99	99
Woolen mill activity.....	89	99	101	96 _p
Silk consumption.....	111	115	109	102
Petroleum.....	110	118	120	117 _p
Bituminous coal.....	83	83	83 _r	85
Coke.....	101	123	121	116
Copper, U. S. mines.....	115	116	112	114
Lead.....	107	104	96 _r	107
Zinc.....	98	102	104	101
Tin deliveries.....	106	109	110	121
Leather, sole.....	111	104	109	102
Cement <i>r</i>	127 _r	120 _r	124 _r	118 _r
Paper, total.....	99	106	107	106
Wood pulp.....	99	109	111	
<i>Consumers' Goods</i>				
Live stock slaughtered <i>r</i>	96 _r	98 _r	99 _r	108 _r
Wheat flour.....	85	96	99	90
Sugar meltings, U. S. ports <i>r</i>	97 _r	85 _r	102 _r	71 _r
Gasoline.....	106	102	104	103
Anthracite coal.....	90	68	79	102
Paper, newsprint.....	83	86	91	86
Tobacco products.....	105	105	106	107
Boots and shoes.....	103	122 _r	123	112 _p
Tires.....	134	120	93	93 _p
Automobile, passenger.....	120	123	122	112
Automobile, truck.....	124	154	110 _r	100

p Preliminary *r* Revised

Indexes of Business Activity

Indexes of various types of business activity computed by this bank show in general no change of direction in September from the generally high level which has characterized recent months.

Average daily carloadings both of merchandise and miscellaneous and of bulk freight increased in about the usual seasonal proportions in September. Foreign trade showed some decline, but remained at fairly high levels, as did also the domestic distribution of goods to consumers. Bank debits in 140 centers outside of New York City, reduced to a daily basis, were in about the same volume as in August, and continued well above a year ago.

This bank's indexes of business activity are shown on the next page.

(Adjusted for seasonal variations and usual year-to-year growth)

	1928		1929	
	Sept.	July	Aug.	Sept.
Primary Distribution				
Car loadings, merchandise and misc. r...	100r	100r	101r	100r
Car loadings, other	97	99	97	96
Exports	94	114	100	98p
Imports	102	123	122	117p
Panama Canal traffic	85	88	92	
Wholesale trade	95	104	107	103
Distribution to Consumer				
Department store sales, 2nd Dist.	106	99	99	104
Chain grocery sales	101	94	96	92
Other chain store sales	109	100	103	103
Mail order sales	119	136	139	134
Life insurance paid for	101	99	101	111
Advertising	96	96	99	103
General Business Activity				
Bank debits, outside of N. Y. City	111	112	117	116
Bank debits, New York City	165	181	195	203
Velocity of bank deposits, outside N. Y. City	120	131	135r	135
Velocity of bank deposits, New York City	190	208	228	242
Shares sold on N. Y. Stock Exchange	398	429	404	426
Postal receipts	84	88	87	81
Electric power	107	111	110	
Employment in the United States	98	104	104	103
Business failures	104	102	109	99
Building contracts, 36 States	142	130	96	99
New corporations formed in N. Y. State	100	119	113	107
Real estate transfers r	84r	79r	78r	
General price level	178	181	182	183
Composite index of wages	224	226	227	230
Cost of living	173	172	174	173

p Preliminary r Revised

Wholesale Trade

The September sales of wholesale firms in this district showed a 4 per cent increase over a year ago, the smallest increase since March. The grocery, drug, stationery, and paper firms continued to report increases in sales over last year, and dealers in shoes and diamonds also reported increases, following decreases in August. Sales of wholesale jewelry houses showed the largest increase in many months. The Silk Association also reported a substantial increase in quantity sales of silk goods over those of a year ago. According to figures reported by the National Machine Tool Builders' Association there was a 9 per cent decrease in machine tool orders as compared with the very large volume of September 1928, the first decrease in nearly two years. There were decreases also in sales of hardware and cotton goods.

Commodity	Percentage change September 1929 compared with August 1929		Percentage change September 1929 compared with September 1928		Per cent of accounts outstanding August 31 collected in September	
	Net sales	Stock end of month	Net sales	Stock end of month	1928	1929
Groceries	+ 3.7	+12.4	+ 5.3	+ 8.6	68.2	71.4
Men's clothing	-10.8	....	+ 1.8	....	35.0	37.0
Cotton goods	+14.3	- 0.2	- 7.9	-10.9	....	....
Silk goods	- 6.4*	+ 1.2*	+13.2*	+ 5.0*	43.9	44.4
Shoes	- 5.9	-11.1	+ 5.4	-17.5	31.2	33.0
Drugs	+12.1	+ 5.0	+ 2.7	+22.9	42.0	39.4
Hardware	+ 4.1	+ 0.8	- 3.9	- 5.6	43.3	43.2
Machine tools**	-19.2	....	- 9.2	....	....	....
Stationery	+ 1.7	....	+17.4	....	64.9	64.9
Paper	+ 6.6	....	+12.2	....	59.8	66.4
Diamonds	+24.9	....	+12.4	....	....	....
Jewelry	+48.0	+ 0.7	+14.8	- 8.6	22.2	26.8
Weighted Average..	+ 0.7	....	+ 3.9	....	47.4	49.3

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

Department Store Trade

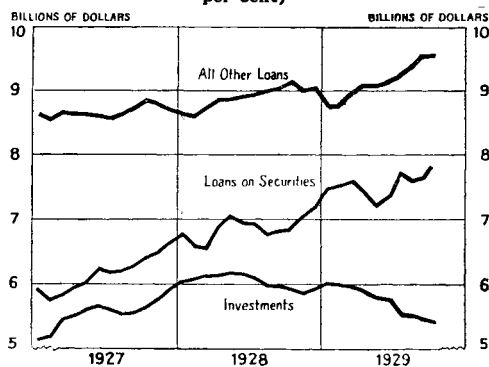
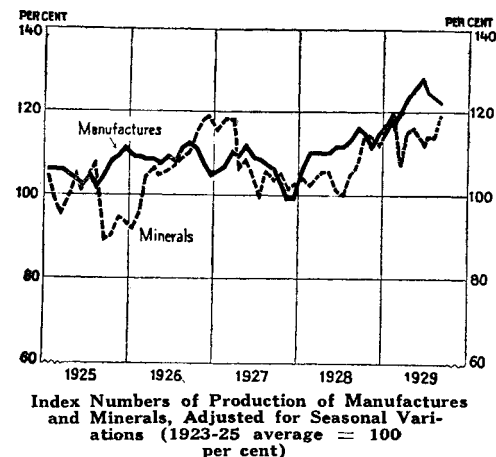
The total September sales of leading department stores in this district were over 5 per cent larger than a year previous, but after allowance for the fact that there was one more selling day than in September 1928 in the Metropolitan district and a half day more in other cities, it appears that average daily sales were about 2 per cent larger than last year. Sales of New York City and Newark stores showed substantial increases over September 1928, but department store business in other localities was very irregular. The large apparel stores reported about the same average increase as the department stores.

Stocks of merchandise on hand in department stores continued somewhat larger than last year, but the average rate of stock turnover showed little change. The percentage of collections during September of charge accounts outstanding at the end of August was noticeably larger this year than in 1928.

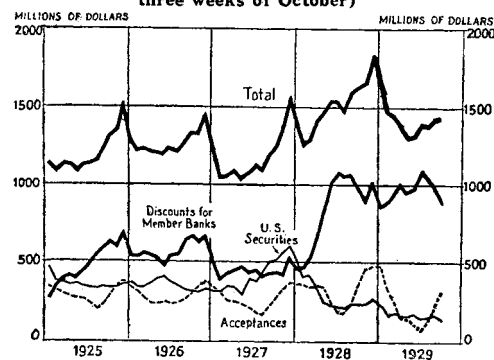
Locality	Percentage change September 1929 compared with September 1928		Per cent of accounts outstanding August 31 collected in September	
	Net sales	Stock on hand end of month	1928	1929
New York	+ 7.4	+ 3.4	47.4	49.6
Buffalo	- 0.7	- 2.0	53.6	51.7
Rochester	- 6.7	+ 4.6	38.1	36.4
Syracuse	-11.0	+ 6.5	31.9	31.2
Newark	+ 6.8	+ 1.6	40.0	42.3
Bridgeport	- 3.1	+ 4.1	....	....
Elsewhere	- 0.9	- 2.7	31.6	33.5
Northern New York State	-13.7	....	....	....
Central New York State	- 1.8	....	....	....
Southern New York State	- 3.5	....	....	....
Hudson River Valley District	- 1.6	....	....	....
Capital District	+ 7.1	....	....	....
Westchester District	0	....	....	....
All department stores	+ 5.3	+ 2.4	43.4	45.1
Apparel stores	+ 5.0	+ 4.1	41.7	43.1

Sales and stocks in major groups of departments are compared with those of September 1928 in the following table.

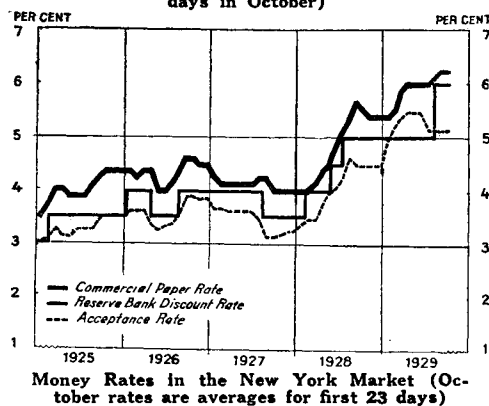
Commodity	Net sales percentage change Sept. 1929 compared with Sept. 1928		Stock on hand percentage change Sept. 30, 1929 compared with Sept. 30, 1928	
	Net sales	Stock on hand	Net sales	Stock on hand
Toys and sporting goods	+24.2	+ 6.4	+17.8	+13.2
Furniture	+17.8	+13.2	+14.7	- 2.4
Toilet articles and drugs	+14.4	+ 7.2	+14.4	+13.6
Linens and handkerchiefs	+13.4	+ 4.2	+11.3	+ 2.3
Books and stationery	+11.3	-14.2	+10.8	+ 1.1
Shoes	+ 8.6	+ 1.1	+ 8.6	+ 2.3
Men's furnishings	+ 7.0	+ 6.4	+ 7.0	+ 6.4
Home furnishings	+ 6.4	+ 8.5	+ 6.4	+ 8.7
Cotton goods	+ 5.6	+ 8.5	+ 4.9	+ 8.7
Hosiery	+ 4.9	+ 8.7	+ 3.4	+ 2.2
Women's ready-to-wear accessories	+ 2.8	+ 9.9	+ 2.8	+ 9.9
Luggage and other leather goods	+ 2.7	+ 0.2	+ 2.7	+ 6.4
Women's and Misses' ready-to-wear	+ 1.0	+ 6.4	+ 1.0	+ 6.4
Men's and Boys' wear	-11.9	-14.2	-11.9	-14.2
Silks and velvets	-17.2	- 6.3	-17.2	- 6.3
Woolen goods	- 1.1	- 4.4	- 1.1	- 4.4
Miscellaneous				



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



Reserve Bank Credit (Monthly averages of daily figures for 12 Federal Reserve Banks; latest figures are averages of first 19 days in October)



Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL activity increased less in September than is usual at this season. Production during the month continued above the level of a year ago, and for the third quarter of the year it was at a rate approximately 10 per cent above 1928. There was a further decline in building contracts awarded. Bank loans increased between the middle of September and the middle of October, reflecting chiefly growth in loans on securities.

PRODUCTION

Output of iron and steel declined further in September, contrary to the seasonal tendency; there was a sharp decrease in output of automobiles and automobile tires, and a smaller-than-seasonal increase in activity in the textile and shoe industries, which continued to produce at a high rate in comparison with the preceding year. Meat packing plants were more active than in August. Factories increased the number of their employees during September and payrolls were also slightly larger.

Output of coal showed a substantial increase from August and the average daily production of copper mines was somewhat larger. Iron ore shipments declined seasonally, and petroleum output was reduced for the first time in several months.

For the first half of October reports indicate a further reduction in steel plant operations, a continued increase in production of bituminous coal, and some increase in petroleum output following a moderate decrease during September.

Building contracts awarded in September declined seasonally from August and were substantially below the corresponding month in any year since 1924. For the third quarter the volume of contracts was 6 per cent less than a year ago. During the first three weeks of October, contracts continued substantially below the level of last year.

October estimates by the Department of Agriculture indicate a cotton crop of 14,915,000 bales, 3 per cent larger than last year; a corn crop of 2,528,000,000 bushels, 11 per cent smaller than the crop of a year ago, and 8 per cent below the five-year average; and a total wheat crop of 792,000,000 bushels, 12 per cent below last year but only slightly under the five-year average.

DISTRIBUTION

Freight-car loadings increased by slightly less than the usual seasonal amount in September, and continued to be larger than a year ago. In the first two weeks of October car loadings were smaller than in the corresponding weeks of 1928.

Department store sales in leading cities increased seasonally during the month of September and were 2 per cent larger than a year ago. For the third quarter as a whole sales of the reporting stores exceeded those of the third quarter of last year by 3 per cent.

PRICES

Wholesale prices showed little change from August to September, according to the index of the Bureau of Labor Statistics. Prices of meats and live stock declined considerably, while prices of grains advanced. The prices of raw silk, cotton, and cotton goods were higher in September, and the price of coal increased, while prices of iron and steel products, tin, gasoline, and cement were lower. During the first three weeks of October prices declined for a considerable number of commodities, including wheat, flour, hides, steel, tin, cotton, silk, and wool.

BANK CREDIT

Between the middle of September and the middle of October, there was a slight increase in the volume of loans and investments of member banks in leading cities. The banks' loans on securities increased rapidly, while all other loans, including loans for commercial and agricultural purposes, declined somewhat after reaching a seasonal peak on October 2. Security holdings of the reporting banks continued the decline which has been almost uninterrupted for more than a year.

At the Reserve Banks there was little change in the volume of credit outstanding during the four-week period ended October 19. Further increase in the holdings of acceptances by the Federal Reserve Banks was accompanied by a decline in discounts for member banks, largely at the Federal Reserve Bank of New York.

Open market rates on bankers acceptances and on prime commercial paper were unchanged during the last half of September and the first three weeks of October. On October 23 rates on bankers acceptances declined by one-eighth per cent to a 5 per cent level for the principal maturities. Rates on demand and time loans on securities declined during the first half of October.