MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent *Federal Reserve Bank, New York* *January 1, 1930*

Money Market in December

The money market was subject to conflicting influences during December, as the net result of which money rates remained little changed, except for the usual advance in call loan rates in the final week of the month.

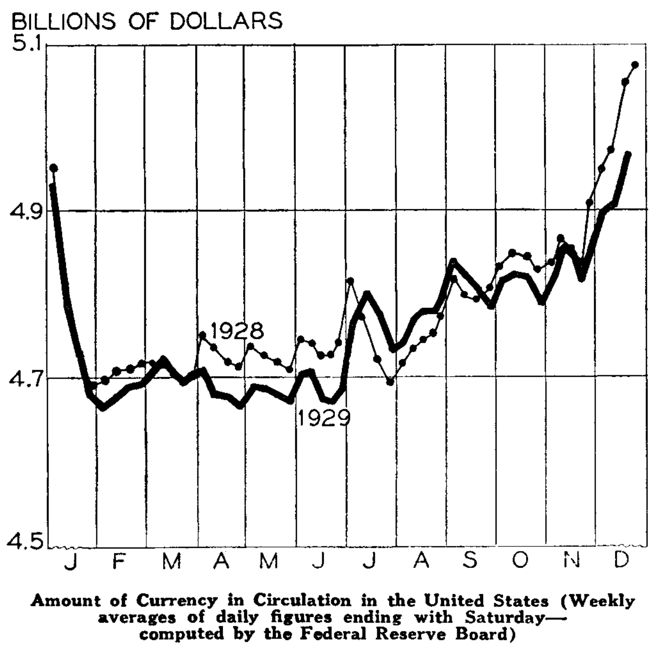
The principal factors operating toward a tightening of the money market were large withdrawals of currency from the banks for the holiday trade, and a substantial gold export movement. In addition there were unusually heavy withdrawals of funds from New York to other parts of the country. The chief factors operating toward easier money conditions were the further liquidation of bank credit called into emergency use at the end of October and early in November, and Reserve Bank open market operations.

The diagram at the left below shows the extent of the holiday currency demand, which is usually the dominant influence on the money market in December. It indicates that while the amount of currency called into use during this holiday season has probably been slightly smaller than in 1928, these requirements have constituted a drain upon bank reserves of about 200 million dollars between Thanksgiving and Christmas. Though this demand was countrywide it drew heavily on the New York market as banks throughout the country, as usual, withdrew funds from New York as their own funds were withdrawn by their customers.

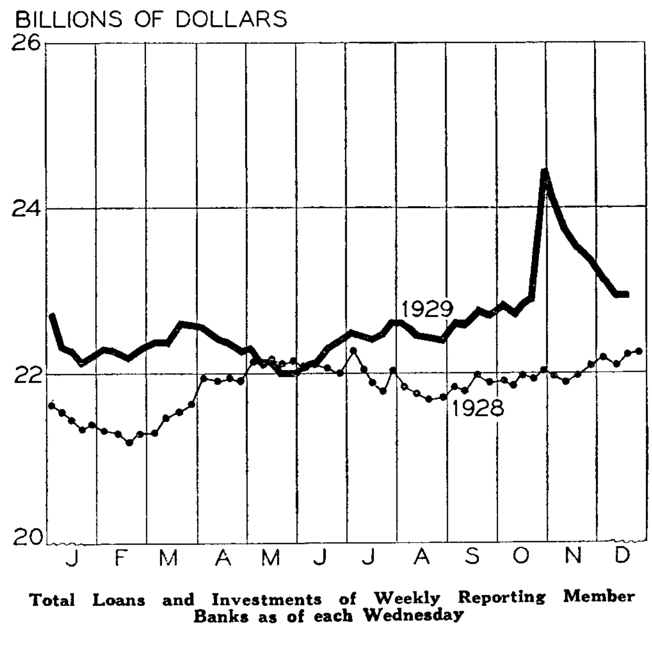
While currency needs may have been less than last year, gold movements were much larger. In 1928 there had been some loss of gold during the latter part of November, chiefly through the earmarking of gold for foreign account, a movement unrelated to the position of the foreign exchanges. This year there was a heavy outflow of gold, directly resulting from the strength of the foreign exchanges at New York. In December the loss of gold, including earmarkings, amounted to 91 million dollars, and the total movement from October 28 through December 31 amounted to a loss of 116 million.

In addition to these large gold exports and the holiday currency demand, withdrawals of funds from New York by the rest of the country were much larger than usual. Between the middle of November and Christmas net withdrawals totaled about 300 million dollars. This movement may be considered a logical sequel to the events of the preceding weeks. The events of September and October caused easy money in New York but for some weeks this money did not flow freely to other districts, probably reflecting some stoppage of the usual liquidity of funds due to disturbances in the security markets. As more normal conditions were restored, the surplus funds in New York, and even funds not surplus, flowed to other centers.

The triple drain upon New York of currency, gold, and transfers might well have caused very firm money conditions but other influences largely offset this ten-



Amount of Currency in Circulation in the United States (Weekly averages of daily figures ending with Saturday—computed by the Federal Reserve Board)



Total Loans and Investments of Weekly Reporting Member Banks as of each Wednesday

dency. The first of these was the continuance of the liquidation of credit after the security price decline. As their deposits declined the reserve requirements of the New York City banks declined releasing a part of their reserves. The liquidation in member bank credit was partly in security loans, partly in inter-bank loans, which had been expanded in November, and partly in other loans. The changes in total loans and investments of reporting banks are shown in the second diagram on the preceding page.

A second means by which funds were provided to meet the unusual demands of the month was the open market operations of the Reserve Banks. Between November 20 and December 24 their holdings of Government securities were increased by nearly 160 million dollars and their holdings of bankers acceptances by about 70 million dollars, a considerable part of the purchases being made in New York. Member bank borrowing at the New York Reserve Bank was increased slightly, but even at the seasonal peak on December 26 was only 252 million dollars, considerably less than on the same date in 1928.

It may be further noted that the effect of the recent movement of funds was to enable member banks in other districts to repay some of their borrowings at their local Reserve Banks and thus laid the basis for a somewhat easier money position in those districts. The effect was thus to extend to other sections of the country the tendency towards easier money conditions which became apparent in New York in October and November.

The usual table of money rates in New York is given below. The peak of the currency demand just before Christmas and preparations for year-end statements and disbursements caused a temporary rise in call loan rates in the last week of December, and rates on short bills advanced slightly, reflecting the temporary curtailment of funds available for short-term investment. Commercial paper rates and customers' loan rates of New York City banks were practically unchanged, and time money rates remained close to the lowest level since the Spring of 1928.

Money Rates at New York

	Dec. 31, 1928	Nov. 29, 1929	Dec. 31, 1929
Stock Exchange call loans	*9–12	*4½	*5½–6
Stock Exchange 90 day loans	7¾	4¾	4¾–5
Prime commercial paper	5¼–5½	5–5¼	5
Bills—90 day unindorsed	4½	3¾–⅞	4
Customers' rates on commercial loans	†5.49	†5.73	†5.57
Treasury certificates			
Maturing March 15 (yield)	4.14	3.04	2.40
Maturing June 15 (yield)	4.42	3.13	2.98
Treasury bills			
Maturing March 17 (offered)	....	....	2¾
Federal Reserve Bank of New York rediscount rate	5	4½	4½
Federal Reserve Bank of New York buying rate for 90 day bills	4½	4	4

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

Treasury Bills

In addition to the usual quarterly transactions of the Treasury, a new feature in December was the sale on a discount basis to the highest bidders of $100,000,000 of Treasury bills dated December 17, 1929 and due March 17, 1930. Tenders for this issue of bills totaled $224,000,000, of which $100,000,000 were accepted at an average price of 99.181, equivalent to an average annual rate of about 3¼ per cent on a bank discount basis. Immediately after the 17th, these bills were offered in the market by security dealers at a 3⅛ per cent per annum discount, and during the balance of the month were quoted from that rate down to a discount of 2¾ per cent. Unlike Treasury certificate issues, payments for Treasury bills cannot be made by a credit to the Government on the books of depositary banks, but must be made in cash or immediately available funds on the date of issue. Due to this feature, the Treasury does not have to pay interest on funds borrowed in advance of requirements, and, consequently the discount on the first issue, while nominally higher than the coupon rate on the nine-months certificate issue, actually represented a lower interest cost to the Treasury.

These Treasury bills have the advantages for the subscribers that they are of shorter maturity than previous offerings of Government securities, and that the rate of return is established, not by the Treasury, but by the market through competitive bidding.

Bill Market

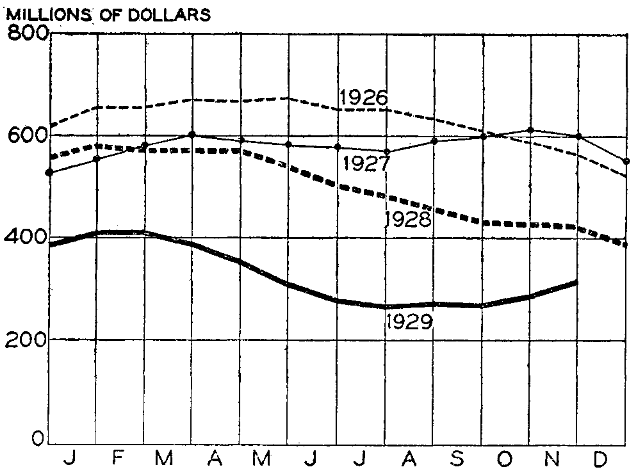
During the first part of December the general distribution of bills continued in rather good volume, though investment demand was not as active as in November. Early in the month offering rates became settled at 3⅞ per cent for 30 to 90 day bills, at 4 per cent for 4 months bills, and at 4⅛ per cent for longer maturities, but shortly afterward the dealers raised their bid and offered rate for 30 day bills by ⅛ per cent.

In the latter part of the month the banks and others were sellers rather than buyers of bills, with the result that dealers' portfolios of bills increased steadily and toward the close of December were more than twice as large as a month earlier and were also heavier than at any previous time in 1929. As a reflection of this condition the dealers extended the 4 per cent offering rate to all maturities up to and including the 90 day bills, effective at the close of business December 24. Following a decline in November, the Reserve System's holdings of bills in December rose about $100,000,000, much of which was due to purchases of bills from dealers under sales contracts.

At the end of November, the volume of dollar acceptances outstanding reached $1,658,000,000, a larger amount than ever before; this figure was $117,000,000 higher than a month previous and $458,000,000 above the outstandings of November 1928.

Commercial Paper Market

Reflecting a continued good investment demand for commercial paper on the part of the banks throughout the country, the prevailing rate for the usual grade of prime names declined to 5 per cent early in December. Some paper appeared in the market priced at 4¾ per cent, but sales at that rate at no time reached an important part of the total business. Later in the month when the bank inquiry for paper was checked by the advent of holiday and year-end requirements for funds, offerings at the 4¾ per cent rate virtually disappeared from the market, and sales at 5 per cent also tended to fall below the volume of preceding weeks. Throughout the month less well known paper was sold at 5¼ per cent. As com-



Amount of Open Market Commercial Paper Outstanding at end of each month, 1926-1929

mercial and industrial concerns usually are desirous of showing as little indebtedness as possible on year-end statements, there was some curtailment of the amount of new paper coming into dealers' hands, with the result that offering lists remained moderate.

During November, a further increase of 11 per cent occurred in open market outstandings of commercial paper but the total was nevertheless 25 per cent lower than on November 30, 1928. As the accompanying diagram shows, the increase in outstandings this autumn has been similar to that which occurred in 1927, another year of easing money conditions, and is in marked contrast with the declines that occurred during the corresponding period of 1926 and 1928.

Foreign Exchange

Weakness near the end of December reversed a general upward movement of the European exchanges in which the following currencies registered new high points for the year: sterling, French francs, reichsmarks, belgas, guilders, Swiss francs, and the three Scandinavian currencies. Gold was shipped from the United States to England, France, Germany, and Sweden.

Sterling opened the month fractionally under $4.88, touched $4.88 7/16 on the 9th, and ruled thereafter at about $4.88¼. French francs sold between $0.0393¾ and $0.0394 during most of the month, advanced to $0.0394 5/16 on the 24th, but sold around the earlier level near the month-end. Reichsmarks gained steadily from $0.2394 on December 2 to $0.2397 on the 26th, but dropped back to about $0.2392¼ on the 28th. Belgas opened at $0.1399 and reached a new high of $0.1401 (approximate gold export point, $0.1399) on several scattered dates. Guilders were strong during the first two weeks ($0.4036—$0.4037¾); they declined to $0.4032½ December 21, recovered sharply to $0.4038 on the 24th, and to a new high for the year of $0.4038½ on the 26th, and then fell away to $0.4037 on the 28th. Swiss francs continued firm from December 2 to 26, rising from $0.1942½ to $0.1946, and then fell off to $0.1945 on the 28th. Lire fluctuated narrowly within the range of $0.0523½-¾ through the 28th.

Swedish crowns rose to $0.2700 on the 13th, held near that figure until the 21st, and declined thereafter to $0.2695½ on the 28th. Danish crowns, after reaching a new high of $0.2686 on the 10th, reacted, and sold at $0.2683½ on the 28th. Norwegian crowns sold at $0.2680 on the 2nd, touched $0.2685½ on the 10th and 16th, and closed slightly weak at $0.2683½ on the 28th. Spanish pesetas showed signs of strength during the first week, recovering to over $0.1400, but fell off to $0.1338 on the 27th, the lowest in recent years.

The Japanese yen remained below $0.49 until the 10th, rose slowly to $0.4905 by the 17th, and sold at $0.4908 on the 28th. Canadian dollars gave promise of recovery, when the discount was reduced to less than ¾ cents about the middle of the month, after exceeding 1 cent and touching as low as 2 5/16 cents in November, but sold around $0.99 as the month ended. The Argentine peso was weak at about $0.94 even before announcement of the closing of the gold Conversion Office, when it broke sharply to $0.9158 on the 17th. There was a slight gain towards the end of the month to around $0.9294.

Gold Movement

The outflow of gold from the United States, which began at the end of October, was greatly accelerated in December, and the reduction in the country's monetary gold stock reached the largest total in any month since May 1928.

In the month of December there were exports of $47,900,000 in gold to France, $21,000,000 to England, $1,340,000 to Sweden, and $1,280,000 to Germany. Including small miscellaneous shipments for non-monetary purposes, exports totaled $72,200,000 in round figures. Imports were $3,500,000, of which over $2,000,000 was received from Argentina, and $950,000 from Colombia. There was an additional loss to the country's gold stock through an increase of $22,000,000 in gold earmarked for foreign account. The net result according to a preliminary calculation was a loss through exports, imports, and earmarkings, of $90,800,000, which would reduce the net gain for 1929 from $228,100,000 at the end of October to $115,100,000 at the end of December.

Net Gain or Loss of Gold Through Imports, Exports, and Earmarkings
(In millions of dollars)

1929	Through net gold imports or exports	Through earmarkings	Total
January	+47.1	—65.0	—17.9
February	+25.5	......	+25.5
March	+24.8	+ 7.5	+32.3
April	+23.1	+48.6	+71.7
May	+23.6	+16.1	+39.7
June	+30.2	— 7.5	+22.7
July	+34.7	—22.0	+12.7
August	+18.4	— 1.0	+17.4
September	+17.6	— 6.6	+11.0
October	+17.5	— 4.5	+13.0
Total	+262.5	—34.4	+228.1
November	—23.2	+ 1.0	—22.2
December	—68.8*	—22.0*	—90.8*
Total	—92.0*	—21.0*	—113.0*
Net Total	+170.5*	—55.4*	+115.1*

* Preliminary

Between November 27 and December 26 the Bank of England added £10,600,000 to its gold stock, bringing up the total to £146,000,000, or £15,700,000 above the low level reached on October 2. A rough estimate of the December movement in London is as follows: Imports from the United States, £4,680,000; from Australia, £4,010,000; from Argentina, £1,570,000; South African sovereigns paid into the bank, £2,070,000; secured in the open market, £1,675,000. Exports were negligible except to France which took a total estimated at £2,300,000, of which £400,000 was taken on the 3d and 4th and the balance since the 24th of December.

On December 16 the President of the Argentine Republic declared the national Conversion Office closed to further withdrawals of gold. It is understood that this does not constitute a complete embargo upon the export of gold, and that such gold as is held by the banks—over 45,000,000 U. S. dollars—may be shipped at the discretion of the banks. Since the beginning of the year Argentina has lost around $150,000,000 of gold. The Conversion Office is reported to hold at present some 423,000,000 gold pesos, or about $408,000,000 in gold.

Central Bank Rate Changes

Six European central banks reduced their discount rates during December. On the 12th the Bank of England lowered its rate by one-half per cent to 5 per cent, the third half-per-cent reduction in the London rate since October 30.

The three Scandinavian central banks also effected reductions of one-half per cent from their uniform rates of 5½ per cent. The Swedish rate was lowered to 5 per cent on the 13th, the Danish rate on the 27th, and the Norwegian rate on the 28th. A second reduction to 4½ per cent is announced by the Swedish Riksbank to become effective on January 1, 1930.

On December 31 the National Bank of Belgium announced a reduction of its rate from 4½ to 3½ per cent, effective January 1, 1930. The higher rate had been in force since November 14. The new 3½ per cent rate is on a level with the French and Swiss bank rates which are the lowest in Europe.

The Austrian National Bank rate was reduced from 8 to 7½ per cent on December 9.

Below is a table of central bank rates for the principal European countries where changes have been made during the past year.

European Central Bank Rate Changes

Country	End of 1928	High 1929	End of 1929
Austria	6½	8½	7½
Belgium	4	5	*3½
Denmark	5	5½	5
England	4½	6½	5
Germany	7	7½	7
Hungary	7	8	7½
Italy	5½	7	7
Netherlands	4½	5½	4½
Norway	5½	6	5
Poland	8	9	8½
Rumania	6	9½	9
Sweden	4½	5½	*4½

* Effective January 1, 1930.

Stabilization of the Czechoslovak Crown

The Czechoslovak crown, which has had de facto stability at around $0.0296¼ for more than five years past, became legally convertible on the gold exchange standard by the passage of a parliamentary Act on November 7, which went into force on November 27, 1929. This Act provides:

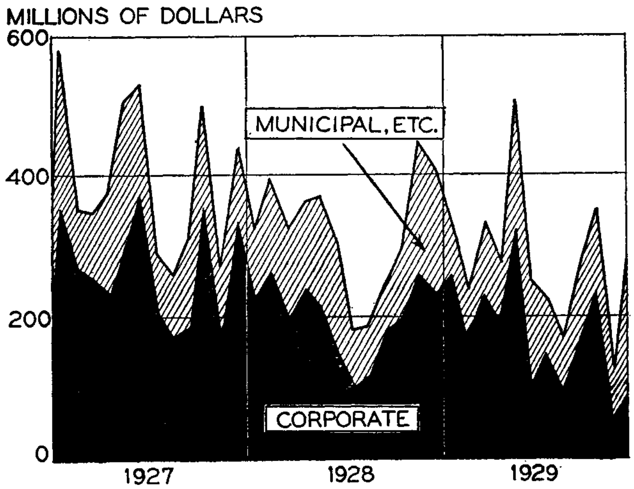
1. That the Czechoslovak crown shall have a gold content of 44.58 milligrams of fine gold equivalent to $0.02962853, or approximately Kč. 33.75 to the dollar.
2. That the National Bank of Czechoslovakia shall assume the maintenance of the exchange value of its notes at the legal parity, buying gold in minimum quantities of 12 kilograms of fine gold (about $8,000, or the customary "export bar") and converting its notes into gold coin, gold bullion, or gold exchange, at its option, in minimum amounts equivalent to 12 kilograms of fine gold.
3. That gold coins 900/1000 fine of 100 crowns value shall be minted, the 100-crown piece to be known as the *hrivna* and put into circulation at a future date not yet determined.
4. That the National Bank of Czechoslovakia shall maintain a reserve of gold and foreign exchange equal to at least 25 per cent of its total notes and sight liabilities at the end of 1929,* 30 per cent at the end of 1930, and 35 per cent at the end of 1935 and thereafter, one-half the reserve to consist of gold coin or bullion.
5. That the present share capital ($12,000,000) of the National Bank be converted into Kč. 405,000,000, and the Bank be authorized to increase its capital, if it so desires, to Kč. 607,500,000 (equal to $18,000,000).
6. That when the State note debt to the Bank, which is now Kč. 3,780 million, has been reduced to Kč. 1,000 million, the Bank shall be authorized to discount Government bills up to a total of Kč. 200 million per annum, after endorsement by a banking institution, such temporary advances to be repaid by the end of March of the following year.
7. That the Bank is authorized "to participate in international financial and economic institutions and arrangements of monetary importance."

*On December 7, 1929, the ratio was 38.9 per cent.

New Financing

The total amount of new financing consummated during November was the smallest for any month since August 1928, and was only about one-fifth to one-third as large as the volume floated in several previous months of 1929. There was a virtual stoppage in the sale of securities of investment trusts and financial trading and holding company issues, and a marked reduction in offerings of stocks and bonds by industrial, public utility, and railroad companies. Foreign security issues declined to the smallest amount since last April. State and municipal financing was maintained in better volume than was the case with corporate securities.

A considerable revival in new bond issues occurred in December, while the volume of stock offerings was reduced further. In the accompanying diagram, the course of domestic bond financing during the past three years is shown by months. This shows that the volume of bond issues became progressively smaller throughout this period, reaching its lowest level in November of this year, but that the preliminary figures for December gave some indication of an up-turn. As the diagram indicates, the December increase was largely in municipals, whereas previous high months this year were caused by large corporation issues, usually issues with provisions for conversion into common stocks.



New Bond Flotations of Domestic Corporations, and of Municipalities, States, and Farm Loan Agencies (Commercial and Financial Chronicle figures; refunding issues excluded) December figures preliminary

Security Markets

Further recoveries occurred in stock prices during the first week of December, and by the end of the week representative averages had regained more than one-third of the loss sustained in the September to November break. In the succeeding two weeks of December, prices turned downward to levels about midway between the low point of November 13 and the highest point reached on the recovery which ended December 7, but near the end of the month prices tended to advance again. The turnover of shares on the Exchange was between 3½ and 4½ million shares on most days of the month; on only two days did the volume of sales exceed 5 million shares, and on several days the transactions totaled less than 2½ million shares.

After the first week of December, bond prices also tended downward, and trading in bonds on the Stock Exchange was also reduced from the rather unusual volume of the previous two months. Domestic corporation issues reacted about a point from the highest level reached on the recent upswing, but remained well above the lowest points of October. United States Government bond issues, which on the average had advanced about 4 points between early October and the first part of December, declined about ¾ of a point, but at the close of the month were as high as at the middle of November. Foreign bonds as a group moved lower during the last three weeks of the month; South American issues, and most notably Argentine bonds, were weak for a time, following the suspension of gold payments by Argentina, but subsequently recovered part of their losses.

Foreign Trade

Foreign merchandise trade during November showed large declines in value from the rather high figures of October. Although there is usually little change between these months, exports decreased $81,000,000 in value, and imports, $52,000,000. Exports, valued at $448,000,000 in November, were less than in November of any year since 1925. Imports, valued at $339,000,000, were slightly larger than a year previous, but were otherwise the smallest for November of any year since 1924. These declines in value of foreign trade may be explained partly by the reduction in commodity prices.

All groups of exports participated in the downward movement from the previous month, and all except semi-manufactures declined from a year ago. The decrease in the combined value of shipments abroad of raw cotton and grains accounted for about one-third of the decrease in value of total exports compared with October and about half compared with November 1928. Exports of finished manufactures as a whole were valued at $39,000,000 less than in the previous month, and $34,000,000 less than a year ago. Refined petroleum products decreased in value $16,000,000 and $10,000,000, respectively, from the exports of the previous month and of November 1928.

The value of all groups of imports was less than in October, with the largest declines in finished and partly finished manufactures. Quantity receipts of crude rubber, raw silk, and coffee were smaller than in the previous month. Compared with a year ago, however, imports of wholly and partly finished products increased slightly in value, and imports of crude materials increased $13,000,000.

Building

Building contracts awarded in the New York and Northern New Jersey district rose sharply in November from the level of the previous three months and reached a total 24 per cent above that of November 1928. The increase was primarily the result of larger contracts for commercial buildings, including one $35,000,000 office building project and a number of smaller ones. Also contributing to the increase was a larger volume of contracts for public works and utilities and for industrial buildings. Contracts for residential work, while nearly double the very small total reported for September and about the same as in October, were 41 per cent smaller than in November of last year. Since the first of January, the total value of contracts awarded in this district has been 19 per cent smaller than in 1928 and about 13 per cent smaller than in 1927.

For the 37 States east of the Rockies covered by the F. W. Dodge Corporation survey, however, the November total of building contracts was 12 per cent smaller than in October, and 17 per cent smaller than a year ago. The increase in commercial building for the country as a whole was less than in the New York district, as contracts for this type of construction work were at a lower level than a year ago in other districts. Public works and utility projects showed a decline from last year's total, despite the increase reported in the New York district, and total residential building contracts in the 37 States remained 43 per cent below the level of November 1928.

The volume of construction work of all types contracted for during the first eleven months of 1929 has been 12 per cent smaller than a year ago, and 7 per cent smaller than in 1927. In December, the reduction in building activities appeared to have continued, for the average daily awards during the first three weeks of the month were 19 per cent under the average of December 1928, when the tendency toward reduced building activity was already in evidence.

Production and Trade in 1929

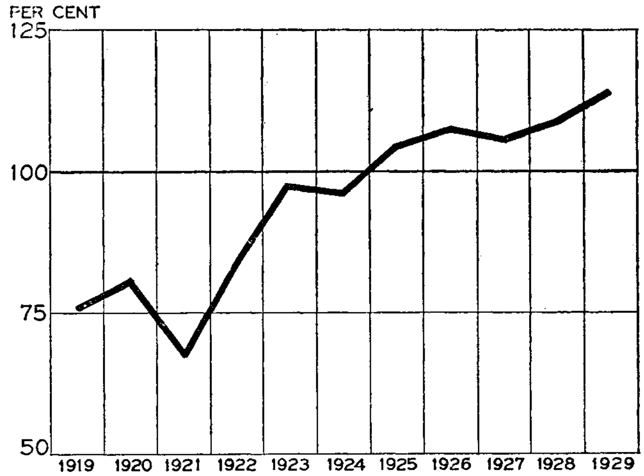
Despite the recession in important industries during the closing months of this year, it appears from a compilation of all of the principal series of industrial and business data that the total volume of production and trade for the full year 1929 will probably prove to have shown a slightly larger increase over the previous year than for any single year since 1925. An unweighted average of 161 series of data on production and trade indicates that the total volume of the nation's business in 1929 was about 4 per cent larger than in 1928. This preliminary estimate for the full year has been calculated by using the available data, usually for the first eleven months, and adding estimated figures for the remainder of the year.

In the accompanying diagram is shown the year-to-year growth of industry and trade since 1919, as reflected in a broad weighted index of a large number of series, exclusive of those of financial activity; the figure for 1929 is based upon the increase shown by the preliminary unweighted data for the year.

Production of manufactures and series indicative of trade lead the groups shown below in percentage increase over 1928, followed closely by output of minerals and metals. The group which includes such general indexes of business as bank debits, railroad car loadings, and electric power production also showed a substantial increase, and the food and tobacco production classification showed an increase about the same as the average for all series. Construction projects and the output of building materials were smaller than in 1928, and the quantity output of principal crops averaged about 5 per cent smaller. In addition to the more important series listed in the subjoined table, there are numerous other items included in the group averages.

	Per cent change 1929 from 1928
Manufactures	
Locomotives, shipments	+60
Automobiles, trucks	+52
Automobiles, pass. cars	+26
Cottonseed oil, crude	+16
Wool consumption	+12
Malleable castings	+ 9
Cotton consumption	+ 8
Silk consumption	+ 7
Boots and shoes	+ 4
Sole leather and belting	— 5
Tires, pneumatic	— 7
Radiators	—25
Group average	+ 8
Minerals and Metals	
Gasoline	+15
Pig iron	+13
Copper, smelter	+12
Petroleum, crude	+12
Steel ingots	+ 9
Bituminous coal	+ 6
Lead	+ 6
Zinc	+ 1
Anthracite coal	— 2
Group average	+ 7
Crops	
Tobacco	+ 9
Hay	+ 8
Cotton	+ 3
Rye	— 6
Corn	— 7
Rice	— 7
Wheat	—12
Oats	—14
Barley	—14
Pears	—14
Potatoes, white	—23
Apples	—25
Peaches	—33
Group average	— 5

	Per cent change 1929 from 1928
Foods and Tobacco	
Cigarettes	+12
Butter	+ 7
Sugar meltings	+ 4
Wheat flour	+ 2
Cigars	+ 1
Lard	0
Beef	0
Pork	— 1
Cheese	—29
Group average	+ 4
Building Materials and Construction	
Cement	— 3
Lumber	— 4
Building permits	—10
Building contracts	—12
Sand-lime brick	—20
Group average	— 4
Trade	
Mail order sales	+26
Grocery chain store sales	+12
Chain store sales	+11
Merchandise imports	+ 8
Wholesale trade	+ 3
Dept. store sales	+ 3
Merchandise exports	+ 3
Group average	+ 8
General	
Debits, New York City	+24
Electric power	+11
Debits, outside N. Y. C.	+ 9
Life insurance sales	+ 7
Carloadings, all other	+ 3
Employment in U. S.	+ 3
Postal receipts	+ 2
Carloadings, mdse. and misc.	+ 2
Group average	+ 6
Average of 161 series	+ 4



Index of Growth of Production and Trade in the United States 1919 to 1929; figure for 1929 preliminary (1923-1925 average = 100 per cent)

Employment and Wages

The number of workers employed in New York State factories declined more than 2 per cent in November, reflecting curtailment in industrial production. Despite this decline, employment remained above the level of November 1928. In the country as a whole, employment declined more than 3½ per cent, in contrast to a usual November decline of about 1 per cent, and was slightly under the level of a year ago. In addition to the decline in factory employment in November, the usual decline in out-of-door activities, such as road construction and farm work, released large numbers of workers.

A decline in the ratio between orders for workers and applications for employment at New York State employment bureaus gives further indication that employment conditions are not as satisfactory as they were a few months ago. These figures, after holding fairly close to the level of a year previous until about the middle of November, subsequently declined much faster than they did a year ago, and toward the close of December were substantially under the levels of the corresponding weeks of 1927 as well as of 1928.

Wage data also give evidence of less satisfactory employment conditions than prevailed a few months ago. Average weekly earnings of factory employees in New York State declined about as much as they did in November 1927, probably due to part-time work in some factories, and total wage payments showed an even larger decline. Both individual earnings and total factory payrolls, however, remained fairly high.

Indexes of Business Activity

This bank's indexes generally give evidence of a decline in business activity in November. Average daily carloadings dropped sharply, and after seasonal and growth allowance, loadings of merchandise and miscellaneous freight were down to the level of December 1927, and loadings of bulk freight were the smallest since last March. Foreign trade was sharply curtailed in November, and some decline is indicated also in the distribution of goods to consumers. Sales of chain stores, other than grocery chains, increased, after seasonal adjustment, but declines were shown in sales both of mail order houses and of department stores.

New corporations formed in New York State declined substantially in November, and after seasonal and growth allowance were the smallest since January 1921.

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

	1928	1929		
	Nov.	Sept.	Oct.	Nov.
Primary Distribution				
Car loadings, merchandise and misc.	98	100	98	92
Car loadings, other	98	96	92	88
Exports	103	97	100	85
Imports	104	116	125	110
Panama Canal traffic	88	84	92	
Wholesale trade	102	103	105	103
Distribution to Consumer				
Department store sales, 2nd Dist.	97	104	98	93
Chain grocery sales	97	92	93	89
Other chain store sales	102	103	99	104
Mail order sales	106	134	119	115
Life insurance paid for	99	111	99	104
Advertising	95	103	100	96
General Business Activity				
Bank debits, outside of New York City	108	116	116	117
Bank debits, New York City	173	203	218	202
Velocity of bank deposits, outside of New York City	117	135	137	130
Velocity of bank deposits, New York City	191	242	244	189
Shares sold on N. Y. Stock Exchange	393	426	540	239
Postal receipts	84	81	86	81
Electric power	107	109r	109	
Employment in the United States	100	103	102	100
Business failures	103	99	103	100
Building contracts, 36 States	118	99	92	92
New corporations formed in N. Y. State	115	107	108	87
Real estate transfers	83	76	73	73
General price level	178	183	181	174
Composite index of wages	224	229	228	226
Cost of living	172	173	173	172

r Revised

Production

A general and substantial contraction in productive activity took place in November, and while the largest declines continued to be in the metal and automobile industries, it appears that most other industries also were less active than in October. Average daily output of steel ingots was reduced 19 per cent, and after allowance for the usual seasonal change and year-to-year growth was the lowest since December 1927. Among the other metal industries, average daily production of pig iron declined 8 per cent, copper 6 per cent, and zinc 3 per cent. The total output of passenger automobiles for the month dropped 41 per cent, substantially more than usual, and although output of motor trucks declined less than usual, the combined automobile index fell 27 per cent to the lowest level since December 1927.

Among the fuel industries, average daily output of crude petroleum was reduced 8 per cent in November, according to a preliminary calculation, and production of both bituminous and anthracite coal was also curtailed. Among the textile industries, mill consumption of raw cotton declined 8½ per cent, and mill consumption of silk 7 per cent, whereas usually there is an increase in both. Other declines, after seasonal allowance, occurred in live stock slaughterings, in wool mill activity, and in production of cement, coke, boots and shoes, tobacco products, tires, and newsprint paper. Of the twenty-three indexes now available, reflecting activity in most of the important industries, twenty showed declines from October, and only three advanced; as compared with a year previous, seventeen declined, three were unchanged, and three advanced.

From trade reports and such current data as are available, it appears that productive activity was further curtailed in December. Steel ingot output, according to the "Iron Age," showed a decline which may approximate the 19 per cent drop of November; this is considerably more than the usual seasonal decline, and would make the rate of activity the lowest since the summer of 1924. It also appears that activity in the automobile industry remained at a low level. Production of petroleum in the first three weeks of December averaged slightly lower than for the month of November as a whole, but production of coal was larger. Cotton mill activity also was at a lower rate in December than in November.

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

	1928	1929		
	Nov.	Sept.	Oct.	Nov.
Metals				
Pig iron	112	122	118	107
Steel ingots	115	134	115	94
Copper, U. S. mines	121	115	115	106
Lead	103	107	104r	103
Zinc	92	101	92	84
Tin deliveries	108	121	100	97
Automobiles				
Passenger cars	80	112	93	61
Motor trucks	106	101	110	119
Fuels				
Bituminous coal	88	88	88	83
Anthracite coal	112	102	112r	92
Coke	106	116	115	109
Petroleum	110	116	114	106p
Gasoline	101	103	106	
Textiles and Leather Products				
Cotton consumption	101	99	103	90
Wool mill activity	96	95	91	85p
Silk consumption	109	102	116	105
Leather, sole	114	101	107	115
Boots and shoes	97	114	113	97p
Foods and Tobacco Products				
Livestock slaughtered	98	108	101	97
Wheat flour	96	90	86	91
Sugar meltings, U. S. ports	137	71	89	
Tobacco products	102	107	107	102
Miscellaneous				
Cement	122	118	113	109
Tires	129	89	91	72p
Printing activity	110	110		
Paper, total	110	102		
Paper, newsprint	97	86	90	88
Wood pulp	104	103	103	

p Preliminary r Revised

Department Store Trade

Preliminary reports on holiday trade obtained from the leading department stores in the metropolitan area of New York indicated sales in the first 24 days of December about 2 per cent larger than the corresponding period last year. The number of stores reporting increases was about the same as the number reporting decreases, but the increases in sales were somewhat larger than the decreases. Assuming that the final reports for December will also show an average increase of 2 per cent, total sales for the year will show an increase of 4 per cent over those of the previous year, the largest increase since 1926.

Final November department store reports showed sales in about the same volume as in November 1928, a more favorable comparison than was indicated by the preliminary reports covering the first half of the month. Apparel store sales, however, showed a decline from a year ago for the first time since April.

Stocks of merchandise on hand in department stores at the end of November were practically unchanged from those of a year previous. Collections on charge accounts remained slightly lower than in 1928.

Locality	Percentage change November 1929 compared with November 1928		Per cent of accounts outstanding October 31 collected in November	
	Net sales	Stock on hand end of month	1928	1929
New York	+ 0.7	+ 1.3	54.7	52.3
Buffalo	— 2.4	— 0.6	54.4	50.3
Rochester	+ 1.3	+ 2.7	44.8	43.3
Syracuse	— 5.8	+ 6.3	38.3	33.7
Newark	— 0.8	— 5.1	45.9	46.1
Bridgeport	— 0.9	+ 3.7	36.7	38.4
Elsewhere	+ 2.2	— 4.6	42.1	38.7
Northern New York State	— 4.1	....	....	....
Central New York State	— 2.3	....	....	....
Southern New York State	+ 0.6	....	....	....
Hudson River Valley District	+ 2.0	....	....	....
Capital District	+ 6.6	....	....	....
Westchester District	+ 6.4	....	....	....
All department stores	+ 0.3	+ 0.2	50.8	49.0
Apparel stores	— 6.4	— 0.9	49.6	48.0

Sales and stocks in the principal departments are compared with those of a year previous in the following table.

	Net Sales percentage change Nov. 1929 compared with Nov. 1928	Stock on hand percentage change Nov. 30, 1929 compared with Nov. 30, 1928
Toys and sporting goods	+12.3	— 1.1
Books and stationery	+10.8	+ 8.4
Shoes	+ 8.5	— 2.7
Toilet articles and drugs	+ 7.9	— 4.7
Hosiery	+ 7.8	+ 5.8
Women's ready-to-wear accessories	+ 4.4	+10.9
Women's and Misses' ready-to-wear	+ 2.0	— 6.6
Luggage and other leather goods	+ 1.4	+18.0
Furniture	+ 0.9	+ 8.9
Linens and handkerchiefs	+ 0.1	— 3.2
Men's and Boys' wear	— 0.4	— 7.5
Home furnishings	— 0.5	— 2.3
Cotton goods	— 0.7	+ 7.1
Men's furnishings	— 0.9	— 0.8
Silverware and jewelry	— 1.1	+12.0
Woolen goods	—12.3	— 2.9
Silks and velvets	—15.0	—17.1
Musical instruments and radio	—28.3	— 5.7
Miscellaneous	— 3.8	— 7.3

Chain Store Trade

The total November sales of the reporting chain store organizations in this district were 13 per cent above those reported in November 1928. The increases reported in the sales of grocery, ten cent store, variety, and candy chains were the largest in at least three months. The drug and shoe chain systems also showed substantial increases in their sales as compared with last year.

After allowing for the change in the number of stores operated, however, the grocery and candy chains were the only organizations that showed sales per store materially larger than a year previous.

Type of store	Percentage change November 1929 compared with November 1928		
	Number of stores	Total sales	Sales per store
Grocery	+ 1.5	+13.1	+11.4
Ten cent	+ 9.0	+ 7.1	— 1.7
Drug	+11.5	+11.9	+ 0.4
Shoe	+10.4	+ 8.4	— 1.8
Variety	+35.0	+24.4	— 7.8
Candy	— 0.4	+ 5.8	+ 6.2
Total	+ 8.0	+12.7	+ 4.4

Wholesale Trade

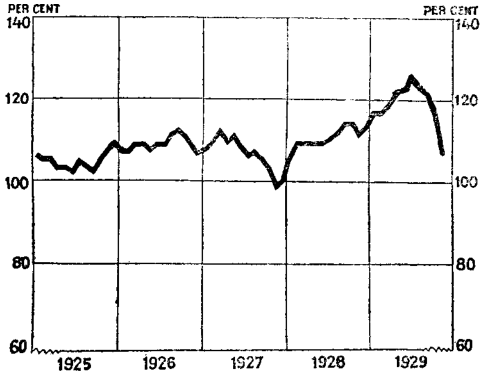
According to reports received from wholesale dealers in this district, November sales averaged 6 per cent smaller than a year previous, the largest decrease since June 1928. Drugs and stationery sales continued to show increases, quantity sales of silk goods were larger than last year although the value was smaller, and paper sales were about the same as last year, but all other lines showed decreases. The decrease in shoe sales was the largest in almost a year, and there were substantial declines in sales of men's clothing, cotton goods, and hardware. Jewelry firms reported a considerable decrease in November, following increases in sales in recent months, and diamond dealers reported a decrease of nearly one-half from the sales of a year ago, the largest reduction in recent years.

Orders reported by the Machine Tool Builders' Association were little more than half as large as in October and were nearly 40 per cent smaller than in November 1928, doubtless reflecting the effects of the unusually sharp curtailment of industrial activity which occurred in November.

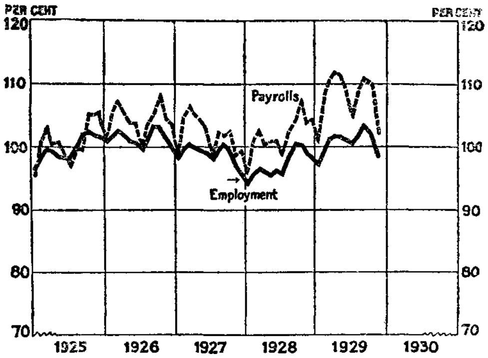
Stocks of groceries and drugs remained considerably larger than a year ago at the end of November, and stocks of cotton goods showed a small increase over last year, following a decrease in October; stocks of shoes, hardware, and diamonds and jewelry also were smaller than last year. Collections averaged a little slower than in November 1928, although there were exceptions to this tendency in several lines.

Commodity	Percentage change November 1929 compared with October 1929		Percentage change November 1929 compared with November 1928		Per cent of accounts outstanding October 31 collected in November	
	Net sales	Stock end of month	Net sales	Stock end of month	1928	1929
Groceries	— 7.3	+ 2.9	— 1.4	+16.1	68.1	69.5
Men's clothing	—45.5	....	— 8.8	....	34.7	34.4
Cotton goods	—22.6	— 6.7	—12.8	+ 1.1	....	....
Silk goods	—15.1*	+ 2.9*	+ 6.3*	— 0.4*	48.9	46.1
Shoes	—18.7	+ 6.9	—13.7	—14.8	45.7	42.3
Drugs	—25.0	—11.0	+18.4	+13.6	46.2	32.4
Hardware	—16.8	— 4.9	—11.1	— 3.8	50.4	48.1
Machine tools**	—44.5	....	—38.5	....	....	....
Stationery	—13.4	....	+ 4.1	....	62.4	68.2
Paper	—11.5	....	+ 0.1	....	63.0	69.4
Diamonds	—35.0	+ 2.4	—46.0	—8.5	24.0	24.3
Jewelry	—22.7		—21.7			
Weighted Average	—22.2	....	— 6.2	....	50.4	49.2

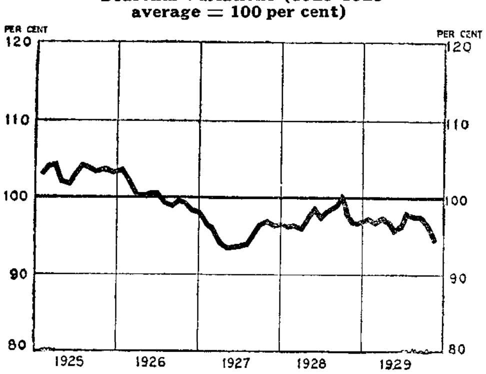
* Quantity not value. Reported by Silk Association of America
** Reported by the National Machine Tool Builders' Association



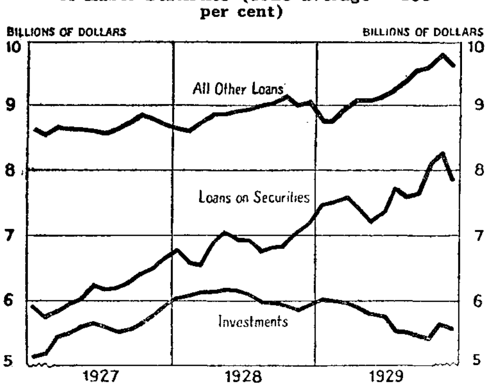
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variations (1923-25 average = 100 per cent)



Index Numbers of Factory Employment and Payrolls, Without Adjustment for Seasonal Variations (1923-1925 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 two weeks of December)

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL production declined in November for the fifth consecutive month and was below the level of last year. Retail sales at department stores continued in larger volume than a year ago. Wholesale commodity prices moved downward in November and the first half of December.

Production and Employment

Production in basic industries decreased by 9 per cent in November, according to the Board's index, and was 5 per cent lower than a year ago. The decline in production, which began in midsummer, was restricted prior to November largely to industries in which the expansion during the earlier part of the year had been exceptionally rapid, particularly iron and steel, automobiles, and related industries. The same industries showed the largest reductions in November, but there were declines also in the copper, cotton and wool textiles, and shoe industries, and, in smaller degree, in silk textiles and coal. Production of crude petroleum was also curtailed. Volume of building contracts awarded during the month continued to be considerably smaller than in the corresponding period of 1928.

Employment in factories was also reduced during November to a level slightly below a year ago, and there was a somewhat larger decrease in factory payrolls. The decline in employment since midsummer, however, has been relatively smaller than that in the physical volume of production. Employment was in smaller volume than in November a year ago in the automobile, iron and steel, lumber, and rubber products industries, and larger in the machinery, textiles, paper and printing, leather, and chemicals industries.

Distribution

Distribution of commodities, as measured by freight-car loadings, was in smaller volume in November than in October, reflecting larger-than-seasonal decreases in most classes of freight. Miscellaneous freight in less-than-carload lots, however, which includes chiefly commodities for retail trade, showed the usual seasonal change.

Department store sales in leading cities during the month were about one per cent larger than last year, according to preliminary reports. Increased sales were reported in four agricultural districts—Richmond, Kansas City, Dallas, and San Francisco. In certain of the large industrial districts—Boston, New York, and Cleveland—sales were approximately the same as in November 1928.

Wholesale Prices

Wholesale prices were at a lower level in November than in October and continued to decline during the first half of December. The downward movement, which had previously involved principally commodities with organized exchanges, became general during the latter part of the period.

Bank Credit

Liquidation of bank credit, which had begun early in November, continued throughout that month and the first two weeks of December, and on December 11 total loans and investments of reporting member banks were at about the same level as on October 23, prior to the increase caused by the withdrawal of funds by non-banking lenders. At member banks in New York City loans were somewhat larger and investments considerably larger on December 11 than on October 23, while at reporting banks outside New York loans on securities, all other loans, and investments were smaller than on that date.

Reserve Bank credit outstanding was also reduced during November and the first two weeks of December, largely in consequence of reduction in balances of member banks at the Reserve Banks, which accompanied the liquidation of member bank credit. The decrease in reserve balances released reserve funds in more than sufficient volume to meet the export demand for gold amounting to $65,000,000 during the period, as well as the seasonal currency requirements. Between November 6 and December 18, United States security holdings of the Reserve Banks increased considerably, while their holdings of acceptances declined somewhat, and there was a reduction of $250,000,000 in the indebtedness of member banks.

Money rates in the open market continued to decline and the discount rate, which had previously been reduced at five Reserve Banks, was lowered at the Kansas City Bank from 5 to 4½ per cent.