

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

February 1, 1930

Money Market in January

The principal credit development of the past month has been a reduction in member bank indebtedness at the Reserve Banks to the smallest amount in two years. The average borrowings of New York City banks from the Federal Reserve Bank of New York during the last two weeks of January were, in fact, the smallest in several years, and on two days, the 14th and the 30th, all of the larger New York City banks were entirely out of debt at the Reserve Bank for the first time since November 1924. Considerable reductions in borrowing occurred in other districts and the total of member bank borrowing at all twelve Reserve Banks was reduced to an average figure between \$400,000,000 and \$450,000,000 in the second half of the month.

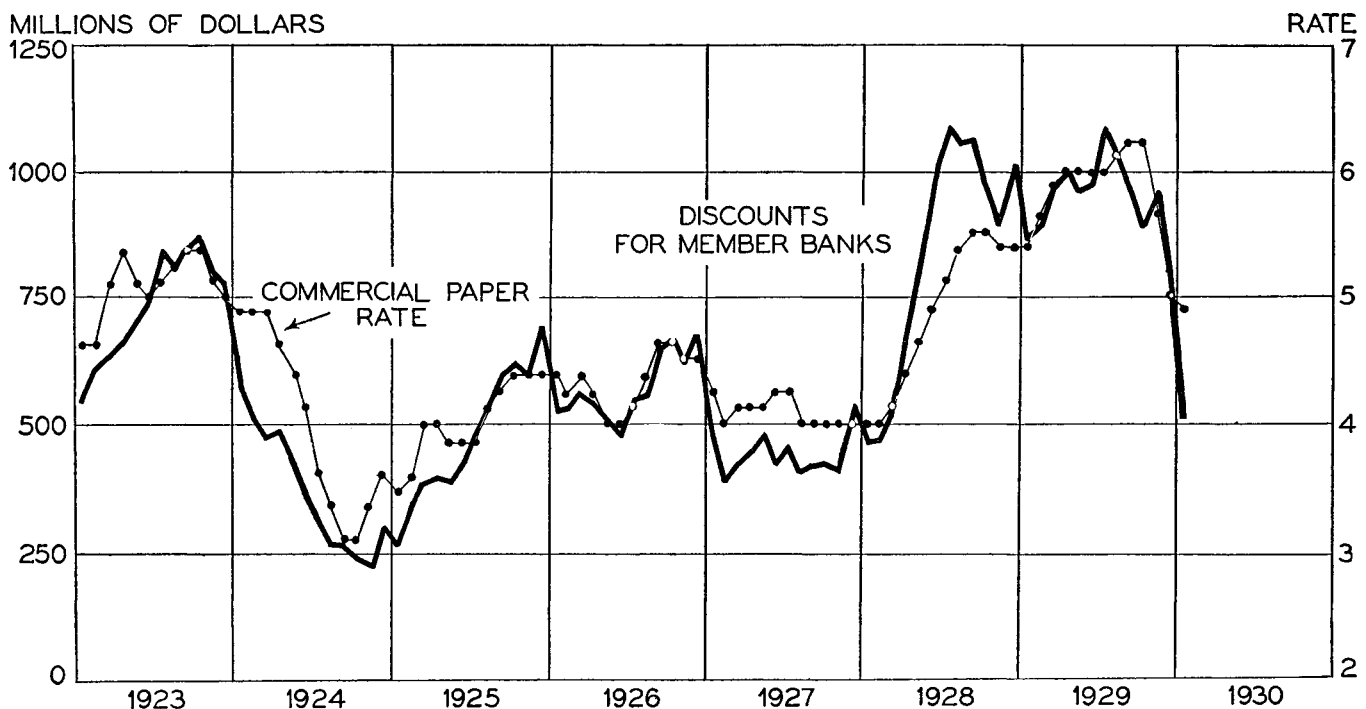
In the latter part of 1929 some reduction of member bank indebtedness had been accomplished chiefly with funds made available by Reserve Bank purchases of bills and Government securities in the open market. In January such purchases were discontinued and the principal factor in the reduced dependence of member banks on the Reserve Banks was the seasonal return of currency from circulation to the commercial banks and the re-depositing of this currency at the Reserve Banks for

credit to the reserve accounts of member banks. The total net return of currency in this fashion between Christmas and January 25 amounted to over \$450,000,000 which was about the usual seasonal return flow. Of this currency return between one-quarter and one-third occurred in this district and the remainder in other districts.

Another factor in the repayment of bank indebtedness was a further liquidation of credit in January. This liquidation was largely seasonal and included the retirement of temporary credit extended by the banks over the year-end, though there was also a sizable reduction in security loans and a reduction as well in other loans, mostly commercial.

While money rates continued in January the decline begun in preceding months, this decline was perhaps less than might have been anticipated from the considerable reduction in the borrowing of banks in New York City. There was little evidence in the money market of any free surplus of funds.

Ordinarily there has been in recent years a close relationship between money rates and the amount of indebtedness of member banks at the Reserve Banks. This relationship is illustrated in the accompanying chart which compares member bank indebtedness with the



Member Bank Discounts at Federal Reserve Banks, Compared with Open Market Commercial Paper Rates

changes in commercial paper rates in the open market which are typical of changes in money rates generally. While the money rate line has declined in January it has not declined as rapidly as the line for the indebtedness of member banks. This departure of the two lines is in part due to a sluggishness of movement of money rates, particularly at times like the present when the financial community has recently been through a trying experience and is unusually cautious in its operations.

There is a still further reason why no free surplus of funds has appeared in New York despite the general liquidation of Federal Reserve discounts. That reason is to be found in part in a smaller transfer of funds to New York this January than usual. The funds seasonally released in the other parts of the country, principally by the return to the banks of Christmas currency, appear to have been applied more largely than is usual to the repayment of bank indebtedness in other Reserve districts instead of being transferred to New York.

Money Rates at New York

	Jan. 31, 1929	Dec. 31, 1929	Jan. 31, 1930
Stock Exchange call loans.....	*6-8	*5½-6	*4-4½
Stock Exchange 90 day loans.....	7½	4¾-5	4¾
Prime commercial paper.....	5½	5	4¾-5
Bills—90 day unindorsed.....	5	4	3¾
Customers' rates on commercial loans..	†5.51	†5.57	†5.41
Treasury certificates			
Maturing March 15 (yield).....	4.38	2.40	3.35
Maturing June 15 (yield).....	4.73	2.98	3.72
Treasury bills			
Maturing March 17 (offered).....	....	2¾	3¾
Federal Reserve Bank of New York re- discount rate.....	5	4½	4½
Federal Reserve Bank of New York buying rate for 90 day bills.....	5	4	4

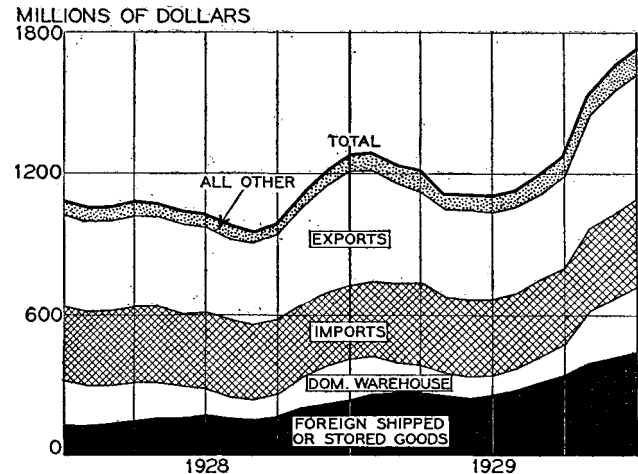
* Range for preceding week

† Average rate of leading banks at middle of month

Another factor in the situation operating against any great ease in money conditions is to be found in the position of the bill market. Partly as a consequence of unusually large drawings of bills, and partly due to a reduced demand for bills from the extraordinary situation in November and early December, the bill dealers found themselves with extraordinarily large portfolios of bills, and as a consequence continued to obtain a large amount of funds from the Reserve Bank by the sale of bills under repurchase agreement. Under these conditions any surplus funds appearing in the market were promptly utilized by the acceptance dealers to pay to the Reserve Banks in reduction of these sales contracts. Detailed conditions in the bill market are discussed in the following paragraph.

BILL MARKET

The supply of bills coming into dealers' hands during the first part of January continued in substantial volume, and materially exceeded the general investment demand, with the result that dealers' portfolios increased further to a larger figure than ever before. Reflecting this situation, the open market rate for bills up to 90 day maturity, after being reduced to 3⅞ per cent at the opening of the new year, reverted January 13 to the 4 per cent level previously in effect. Subsequently, the supply of bills offered to the discount market diminished, and there was some increase in investment demand. As a consequence dealers' portfolios were reduced substantially from the high level of earlier in the month. On January 31 there was a general reduction of ⅛ per cent,



Outstandings of Bankers Acceptances, Classified as to Principal Types of Underlying Transactions, at Close of Each Month of 1928 and 1929

the offering rate for 90 day bills once more becoming 3⅞ per cent.

During January, the Reserve System's holdings of bills showed a net decline of \$134,000,000, following an increase of \$135,000,000 for the month of December. Approximately half of the January decline represented the retirement of bills held at the New York Reserve Bank under repurchase agreements from dealers and the balance constituted an excess of maturities over outright purchases.

As a result of a further increase of \$75,000,000 during December, the volume of American bankers acceptances outstanding reached a total of \$1,732,000,000 on December 31, 1929, an amount nearly \$450,000,000 larger than the outstandings at the end of 1928, and \$650,000,000 above the December 1927 figure. The accompanying diagram indicates the principal factors in the large increase in total outstandings during the past two years. As is shown in the diagram, acceptances based on goods stored in or shipped between foreign countries during this two year period showed the largest growth, amounting to \$310,000,000, or close to half of the total increase. Acceptances arising from export transactions, although fluctuating widely according to the season, had the next largest net increase during the period, amounting to \$133,000,000. Smaller increases occurred in domestic warehouse and in import acceptances, and also in the other classes of acceptance credits—domestic shipments and dollar exchange transactions.

COMMERCIAL PAPER MARKET

The investment demand for commercial paper increased progressively throughout January, and around the middle of the month there was a reduction in the prevailing range for prime names to 4¾-5 per cent, the lowest level since the middle of 1928. Sales of paper were reported to have been rather widespread among the banks outside of New York City, and in fact there were indications that the bank inquiry for paper was of such proportions that more paper could have been disposed of by the dealers, had the additional supply been available. In general, new acquisitions of paper passed quickly from dealers' to investors' portfolios.

The January increase in the volume of open market commercial paper followed three months of advancing totals of outstanding paper. On December 31, 1929, the 22 reporting firms had \$334,000,000 of commercial paper outstanding, an amount 6 per cent above the November 30 figure, and 26 per cent above the September low point of the year, although still 13 per cent below the out-standings of a year previous.

Foreign Exchange

The weakening tendency in certain European exchanges after Christmas was extended after the turn of the year, so that currencies declined early in January below the points at which gold could profitably be exported from New York. The tabulation below indicates the rather general decline during January, but shows that most of the leading exchanges remained well above the levels of a year ago.

Country	Cable Rates		
	January 31, 1929	December 31, 1929	January 30, 1930
Belgium.....	\$.1390	\$.1400	\$.1393
England.....	4.8481	4.8816	4.8663
France.....	.0391	.0394	.0393
Germany.....	.2374	.2390	.2390
Italy.....	.0524	.0524	.0523
Netherlands.....	.4007	.4036	.4015
Spain.....	.1602	.1339	.1325
Sweden.....	.2673	.2692	.2685
Switzerland.....	.1923	.1943	.1930
Canada.....	.9973	.9884	.9896
Argentina.....	.9580	.9416	.9025
Brazil.....	.1194	.1120	.1137
Japan.....	.4535	.4912	.4914
Shanghai, tael.....	.6300	.5163	.4925

Gold Movement

The outflow of gold which began in October continued with a shipment of \$8,500,000 to France on January 3, making in all a total of \$74,000,000 to that country in the current movement. As a result of the general decline in European exchanges, however, there were no other exports during the month. Imports of \$5,000,000 were received from Brazil, and \$1,000,000 from Colombia; these and minor arrivals brought imports up to \$7,200,000 which, with total exports of \$8,900,000 and a decrease of \$2,500,000 in gold earmarked for foreign account, resulted in a net gain of \$800,000 of gold for the month.

Since the first of the year the Bank of England has added more than £4,000,000 to its gold stock, bringing the total up to over £150,000,000. An estimate of the gold received at the bank during January is as follows: £2,000,000 from Australia; £1,900,000 from Argentina; £500,000 South African sovereigns paid into the bank; £900,000 secured in the open market. Withdrawals from the bank for export were negligible, but France obtained £900,000 of open market gold, and Germany £550,000.

Central Bank Rate Changes

Eight European central banks and one South American institution lowered their official discount rates during January, thus continuing the trend toward lower money rates which has been apparent since last October: there were no changes upward.

On January 1 the National Bank of Belgium reduced

its rate from 4½ to 3½ per cent, the lowest rate fixed by this bank since the war. The last prior change was a reduction from 5 per cent to 4½ per cent on November 14. During the year 1929 the National Bank of Belgium added about \$37,600,000 of gold and at the same time maintained its foreign exchange reserve practically unchanged. The total reserves of this bank were \$248,500,000 on January 2, 1930. This, with notes and sight deposits totaling \$420,600,000, gave the bank a reserve ratio of 59.1 per cent, gold cover alone amounting to nearly 39 per cent of notes and sight deposits.

The Swedish Riksbank's rate was reduced from 5 to 4½ per cent, also on January 1, following a reduction from 5½ to 5 per cent on December 13. As compared with a year earlier, the statement of the Swedish bank of issue for the end of December 1929 shows an increase of over \$15,000,000 in gold and foreign exchange, with liabilities practically unchanged.

On January 14 the Reichsbank rate was reduced from 7 to 6½ per cent, following a reduction from 7½ to 7 per cent on November 2, 1929. The German bank rate is now back to the level of one year ago. The Reichsbank gold reserve is still \$100,000,000 short of the \$650,000,000 held last January, but its reserve of foreign exchange is about \$60,000,000 greater, and the ratio of its total reserves to notes and sight liabilities is reported on January 23 as 68 per cent.

The Netherlands Bank lowered its rate from 4½ to 4 per cent on January 16, the third reduction since November 1, 1929. The current rate is the lowest fixed by this bank since October 1925. After some loss of gold and a considerable decline in devisen during the spring of last year, the Netherlands Bank has again recovered the international assets it held at the beginning of 1929, and its ratio of gold to notes and demand deposits was 55.4 per cent on January 13.

The official rate of the Austrian National Bank was reduced on January 25, from 7½ to 7 per cent, as compared with a 1929 peak rate of 8½ per cent on September 28. Between November 23 and January 7 the gold stock of the Austrian National Bank remained unchanged, but its devisen reserves increased \$2,400,000 and its non-reserve exchange holdings increased \$1,980,000. Notes in circulation and deposits are at a higher level than a year ago, but the reserve ratio of January 7, 1930 was 39.1 per cent as against 41.1 per cent one year earlier.

Also on January 25, the National Bank of Hungary lowered its rate from 7½ to 7 per cent, following a reduction from 8 to 7½ per cent on November 4. This bank's gold stock has remained unchanged at \$28,500,000 since July 1929. Its foreign exchange holdings fluctuated a good deal and have tended to decline, but commercial deposits are down by more than 50 per cent from a year ago, while the note circulation is at the same level, so that the ratio of cover, at 42.2 per cent, is down only 1 per cent from a year ago.

Effective January 31, the Bank of France lowered its discount rate from 3½ to 3 per cent, which is the lowest official bank rate prevailing in Europe. Throughout the first nine or ten months of 1929 some monetary stringency was reported in Paris, despite continued acquisition of gold and a corresponding increase in the note

circulation. This stringency was attributed in the main to unusually heavy collection of both direct and indirect taxation, which had in recent months immobilized, in the Treasury and Amortization Office accounts at the Bank of France, between 13 and 14 billion francs. Beginning early in October the Amortization Office began to put funds into the Paris market by the progressive redemption of various floating debt issues of the French Government. From a peak of 7,003 million francs on October 11, its deposit account at the central bank declined to 3,432 million on January 24, 1930. The effect of this alleviation is seen in a decline in bills discounted at the Bank of France from a peak of 10,620 million francs on November 29, to 8,584 million on December 27, when year-end preparations ordinarily increase borrowings at the central bank, and to 6,555 million francs on January 17, the lowest level since June 21, 1929. Persistent ease has been reported by the Paris money market since the first of the year, and private rates have tended to weaken.

Effective January 31, the Bank of Poland reduced its discount rate from 8½ to 8 per cent, which follows a reduction from 9 to 8½ per cent on November 15. On January 10 of this year the Bank of Poland held reserves of \$123,400,000 and had total sight liabilities of \$196,400,000, its reserve ratio standing at 62.8 per cent.

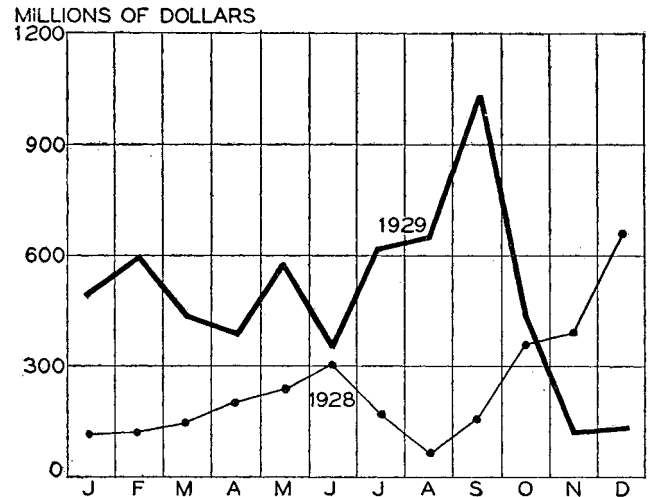
On January 14 the Central Bank of Ecuador lowered its discount rate for member banks from 10 to 9 per cent and its rate to the public from 11 to 10 per cent, the higher rates having been in force since April 13, 1929.

New Financing

Complete figures for the year indicate that flotations of new securities by domestic corporations in 1929 reached a total of \$9,400,000,000, as compared with \$6,900,000,000 in 1928, and \$6,500,000,000 in 1927. Issues for new capital purposes aggregated \$8,000,000,000, an increase of \$2,700,000,000 over 1928 and of \$3,400,000,000 over 1927. On the other hand, refunding issues of \$1,400,000,000 in 1929 were \$200,000,000 smaller than in 1928, and \$500,000,000 below the total for 1927, which was the recent high point of refunding operations. The increase in new capital issues over 1928 occurred entirely in financing by means of stock issues, which, due largely to the marked growth of investment trust and financial trading and holding company financing, reached the heretofore unapproached figure of \$5,900,000,000, an amount twice as large as in 1928. In the accompanying diagram is shown the very large expansion in stock offerings during the first nine months, which, notwithstanding the sharp contraction in the final three months of the year, resulted in the exceptionally high total for the year.

Domestic corporate bond issues, exclusive of refunding operations, were about \$300,000,000 smaller than in 1928, reflecting the difficulty of distributing bonds during the past year. State and municipal financing consummated during 1929 totaled slightly larger than in the previous year, but there was a complete absence of farm loan bond issues.

The market in this country for foreign security offerings was also affected adversely during the past year by the high money rates and slow bond market that pre-



Issues of New Stock by Domestic Corporations, 1929 Compared with 1928, Commercial and Financial Chronicle Figures

ailed during much of the time. In the second half of 1928 there had been some decline in foreign financing which had caused the total for the year to be moderately below that of 1927, and in 1929 a continuance of this condition resulted in a total volume of foreign borrowing here which was not greatly in excess of one-half billion dollars, or less than half the 1928 total. In addition, however, there were some flotations by American companies, the proceeds of which were to be employed abroad. The comparative monthly figures for 1928 and 1929 given in the following table represent net amounts after deducting refunding securities, issues of United States insular possessions, and also financing by American incorporated companies which employed the proceeds of the loans in foreign countries.

Foreign Issues Floated In United States
(In millions of dollars)

	1928	1929
January	87	25
February	98	30
March	114	67
April	109	0
May	211	52
June	182	173
July	46	36
August	0	28
September	92	18
October	68	58
November	65	38
December	47	30
TOTAL	1,119	555

In January, there was a large increase in offerings of domestic bonds, following a moderate increase in December. Whereas the increase in December represented chiefly State and municipal borrowings, in January corporate issues were the principal class. From a preliminary compilation of the January issues, it appears that total domestic bond flotations reached one of the largest amounts on record and were more than twice as large as in January 1929. Included in the corporate offerings were several large railroad issues and a number of sizable public utility issues, the largest of which was the \$150,000,000 bond flotation of the American Telephone & Telegraph Company. Foreign security offerings were in even smaller volume than in immediately preceding months.

Security Markets

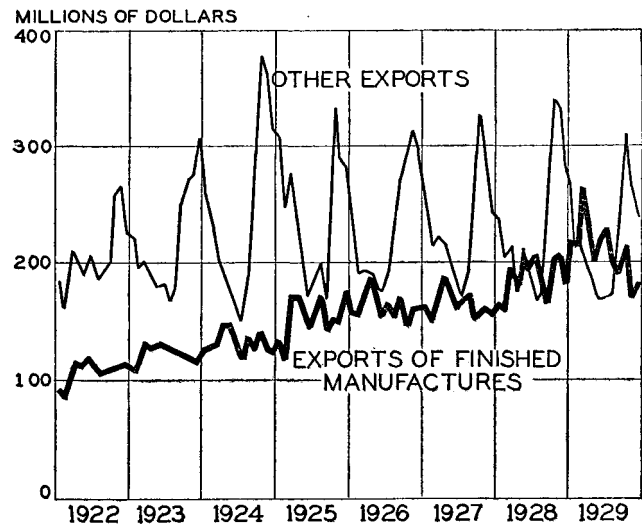
Following a short upswing in the last week of December, stock prices moved irregularly during the first three weeks of January with only a slight upward tendency indicated by representative averages, but in the final week prices moved moderately higher and closed the month at a level slightly above the highest point reached on the recovery which culminated on December 7. In relation to the lowest level reached on the October-November break, prices at the end of January were approximately 29 per cent higher. The irregular movement of stock prices was accompanied by a much reduced volume of trading during most of the month. Daily turnover on the New York Stock Exchange, following some reduction in December, was reduced for several weeks to an average of about 2 to 2½ million shares, which is the smallest volume since the summer of 1928 and follows more than a year when trading much of the time was from 4 to 5 million shares daily. Somewhat more active trading, however, accompanied the advance of prices toward the end of January.

Domestic corporation bond prices, after declining during most of December, advanced moderately in the first half of January, but after the middle of the month receded to a position not greatly above that of the opening of the month. The failure of bond prices to continue to advance probably reflected in part the large volume of new bond issues that was floated during this period. In United States Government long-term bonds little net advance occurred in the first part of the month and after the 10th of January a decline of ¾ of a point occurred, bringing the average price of these bonds down to a level 1½ points below the early December high and to the lowest point since late October. Foreign bond prices had a gradual moderate advance throughout the greater part of the month.

Foreign Trade

The value of both exports and imports of merchandise continued to decline during December, though the decreases were smaller than in the previous month. Exports, valued at \$434,000,000, were \$8,000,000 less than in November and \$42,000,000 less than a year ago. Imports, valued at \$311,000,000, were \$28,000,000 less than in November and were also less than in December of any year since 1923. Each major classification of exports and imports was smaller in value than in December 1928. In the case of exports, the heaviest decline occurred among crude materials, whereas in the case of imports the largest decline occurred among partly and wholly manufactured products. Compared with a year ago, the decline in import and export values is accounted for at least partially by the decrease in commodity prices.

For the calendar year 1929, exports were valued at \$5,248,000,000, or about 2 per cent more than in 1928. Imports were valued at \$4,401,000,000, or nearly 8 per cent more than the comparatively low total for 1928. Thus, the export balance was reduced from \$1,037,000,000 in 1928 to \$848,000,000 in 1929. For the year as a whole, the groups comprising manufactured and semi-manufactured exports showed gains over 1928, but since the peak in March of last year, there has been a



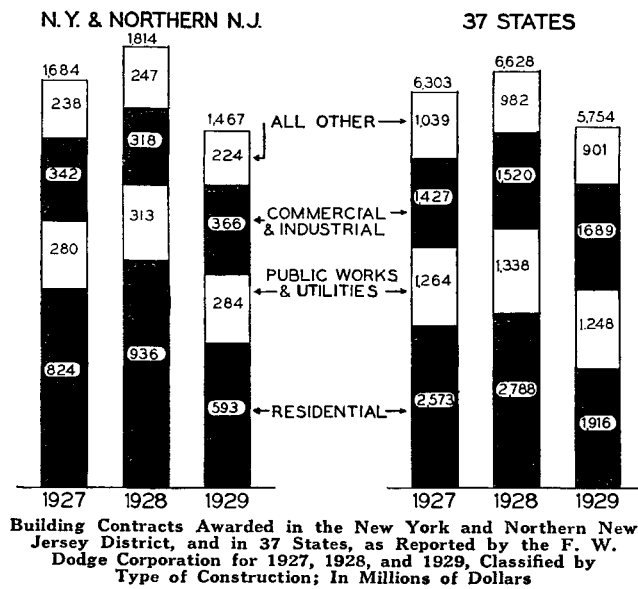
Monthly Exports of Finished Manufactures and All Other Exports

general declining tendency in exports of finished products, as the accompanying diagram indicates. The value of exports of crude materials and foodstuffs declined \$176,000,000 from the year previous, owing chiefly to a considerable reduction in shipments abroad of farm products, raw cotton, and grains. Nearly all groups of imports showed gains in value over the year previous, the largest of which was for semi-finished manufactures. There was also a considerable gain in the value and volume of raw silk imported. Crude rubber was received in much larger quantity, but the value was reduced by lower prices.

Building

As a result of a further 19 per cent decline from the November total, the volume of building contracts in the 37 States covered by the F. W. Dodge Corporation report reached in December a figure smaller than at any time since the beginning of 1925, and 37 per cent below the December 1928 total. The reduction from November to December was primarily due to decreases in commercial building contracts from the unusually large November total. All of the principal classes of building contracts, with the exception of industrial building, were smaller in the last month of 1929 than in December 1928. Contracts awarded in the New York and Northern New Jersey district were 31 per cent below the November total and 17 per cent smaller than a year previous.

The volume of construction contracts in the 37 States east of the Rockies recorded during 1929 was 13 per cent less than in 1928 and 9 per cent below the 1927 volume. The totals for these three years and the distribution according to the principal types of building work are shown in the second part of the diagram on the next page. This indicates that the slowing down of building activity was due in large measure to a decrease of nearly one-third in residential contracts from 1928 to 1929, and also to some reduction in public works and utilities projects, the total of which was about 7 per cent less in 1929 than in the preceding year. An increase of 11 per cent in commercial and industrial building offset only a small part of the decreases that occurred in the other classes of contracts.



The first part of the diagram shows a similar situation in the New York and Northern New Jersey district. Total contracts were 19 per cent smaller than in 1928, and 13 per cent less than in 1927. In this district also, a decline of 37 per cent in residential building was the principal factor in the reduced activity, though public engineering work was 9 per cent smaller than in 1928. On the other hand, commercial and industrial work was about 15 per cent larger.

Reports of building contracts awarded during the first three weeks of January indicated that construction activity in general was somewhat higher than in December, but continued below the level of a year previous.

Employment and Wages

A further decline of more than seasonal proportions occurred in factory employment in December, reflecting the continued curtailment of manufacturing production. In both New York State and the country as a whole, the decline from the middle week of November to the middle week of December amounted to between 3 and 4 per cent, whereas according to this bank's calculations the decline usually averages around $\frac{1}{2}$ per cent. This bank's adjusted indexes consequently declined further; the New York State index declined to 96 per cent of the 1925-1927 average, as compared with a high of 103 per cent last July, and was slightly lower than in December 1927. The index for the country as a whole was below the lowest levels reached during the 1927-1928 recession, and was, in fact, the lowest since 1924.

During the months of November and December, the representative New York State factories which are included in the reports of the State Department of Labor released more than 30,000 workers, which means that for all factories in the State there was probably a decline of about 60,000 in the number employed. For the country as a whole, the number laid off since September probably exceeded 700,000 workers. In addition to the more than seasonal decline in factory employment, large numbers of workers were released by the cessation

of road building and farm work and a further decline in building activity.

The State employment bureau reports some improvement in employment conditions in January. Whereas usually there is a seasonal decline in New York State employment between the middle of December and the middle of January, this year there is some indication of a decline of less than seasonal proportions or even a slight increase. In the second half of the month the trend was distinctly upward. This increase included particularly the metal and textile industries. There appears to be more unemployment this winter than there was in 1929, but conditions generally are reported to be better than two years ago.

Factory payrolls in New York State declined substantially in December, and for the first time since October 1928 were under the level of a year previous.

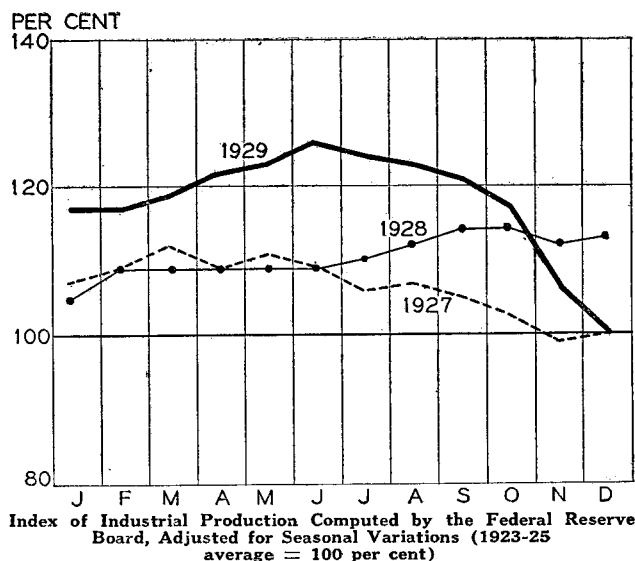
According to a calculation made by this bank, based on reports received from about twenty large employers of varied types of unskilled workers in this district, the average hourly hiring rate for unskilled labor was slightly higher on January 1, 1930 than a year previous. This increase in hourly wages, together with an increase in the average number of hours worked, raised the full-time weekly earnings of unskilled labor to a new high level about 2 per cent above a year ago. The reports generally indicated a surplus of unskilled labor; some of the reports stated that there was a surplus of skilled labor also, while other concerns reported that it was difficult to secure certain types of skilled labor.

Production

Production in leading industries was curtailed further in December, but it appears that the decline was somewhat less severe than that of November. This is indicated by the accompanying chart, which compares movements during the past three years of the index of industrial production computed by the Federal Reserve Board. This index, which is adjusted for the usual seasonal fluctuations of industry but not for year-to-year growth, indicates that the 1929 decline from the high level of last spring to December was much more severe than the recession of 1927, and carried industrial output down to about the level of November of that year.

Production of automobiles declined 45 per cent from November to December, and was 49 per cent below the level of a year previous. The severity of this decline was due largely to changes of model and temporary suspension of operations on the part of one very large producer, following substantial curtailment by other makers in the previous month.

Pig iron output declined substantially further in December to the lowest level since December 1927, and output of steel ingots was the lowest since October 1924. In the case of copper, however, the December decline was of only seasonal proportions, and zinc output and tin deliveries were down only slightly further, after seasonal allowance. Among other industries, there was a further contraction in mill consumption of cotton and of silk, in live stock slaughterings, in meltings of cane sugar, and in production of petroleum and wheat flour, while the only increases, after seasonal allowance, occurred in production of cement and of coal. The higher activity in



the coal industry may be at least partly ascribed to the unusually cold weather of December.

While there has been increased activity in a number of lines in January, it is not clear whether such increases in the aggregate have exceeded the usual seasonal gains in activity. Operations in the steel industry appear to have increased in about the usual seasonal proportions from the low level of December. A slow upward trend in automobile output was reported during the month, but the total for the month as a whole has probably not been very large. There are some indications of a further contraction in copper output in January, a month

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

	1928	1929		
	Dec.	Oct.	Nov.	Dec.
Metals				
Pig iron.....	114	118	107	95
Steel ingots.....	122	115	94	86
Copper, U. S. mines.....	124	115	107 ^r	106
Lead.....	100	104	103	94
Zinc.....	89	92	84	83
Tin deliveries.....	121	100	97	94
Automobiles				
Passenger cars.....	95	93	61	39
Motor trucks.....	83	110	119	74
Fuels				
Bituminous coal.....	84	88	84 ^r	88 ^p
Anthracite coal.....	92	112	92	114 ^p
Coke.....	109	115	110 ^r	104
Petroleum.....	113	114	105	104 ^p
Gasoline.....	103	106	100	
Textiles and Leather Products				
Cotton consumption.....	98	103	90	80
Wool mill activity.....	92	91	84	76
Silk consumption.....	114	116	105	103
Leather, sole.....	104	107	114	109
Boots and shoes.....	84	113	99	85 ^p
Foods and Tobacco Products				
Livestock slaughtered.....	104	101	97	95
Wheat flour.....	93	86	91	82
Sugar meltings, U. S. ports.....	117	89	103	92
Tobacco products.....	103	107	102	103
Miscellaneous				
Cement.....	126	113	109	111
Tires.....	118	91	73	66 ^p
Printing activity.....	110	106		
Paper, total.....	102	108		
Paper, newsprint.....	89	90	88	86
Wood pulp.....	99	103		

^p Preliminary ^r Revised

when production usually increases. Average daily production of crude petroleum tended to increase, while output of coal declined. The indications as to other industries are not clear enough to justify a conclusion.

Indexes of Business Activity

This bank's indexes give evidence of a further decline in business activity in December. Car loadings of merchandise and miscellaneous freight declined more than usual; loadings of heavy bulk freight, however, showed only about the ordinary seasonal decline. Foreign trade of this country declined, instead of showing the customary seasonal increase, and sales of chain stores, other than stores belonging to grocery chains, increased less than usual. Sales of department stores were in moderately good volume in December, however, following the November decline, and the amount of life insurance paid for increased more than usual. The number of new corporations formed in New York State, though remaining at a relatively low level, showed practically no further decline in December.

In the first half of January, average daily car loadings of merchandise and miscellaneous freight increased slightly, whereas usually there is a small decline. Loadings of heavy freight increased about in accordance with the expectation for this time of year.

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

	1928	1929		
	Dec.	Oct.	Nov.	Dec.
Primary Distribution				
Car loadings, merchandise and misc.....	95	98	92	87
Car loadings, other.....	91	92	88	88
Exports.....	89	100	85	82 ^p
Imports.....	106	125	113	101 ^p
Panama Canal traffic.....	86	92	84	
Wholesale trade.....	98	105	103	96
Distribution to Consumer				
Department store sales, 2nd Dist.....	101	98	93	100
Chain grocery sales.....	93	93	89	92
Other chain store sales.....	108	99	104	101
Mail order sales.....	113	119	115	122
Life insurance paid for.....	103	99	104	107
Advertising.....	93	100	96	93
General Business Activity				
Bank debits, outside of New York City.....	115	116	117	103
Bank debits, New York City.....	183	218	202	138
Velocity of bank deposits, outside New York City.....	121	137	130	115
Velocity of bank deposits, New York City.....	201	244	189	139
Shares sold on N. Y. Stock Exchange.....	330	540	239	289
Postal receipts.....	89	86	81	85
Electric power.....	103	110	104	
Employment in the United States.....	100	102	99 ^r	97
Business failures.....	96	103	100	100
Building contracts, 36 States.....	111	92	92	74
New corporations formed in N. Y. State.....	112	108	87	86
Real estate transfers.....	85	73	73	
General price level*.....	178	181	174	174
Composite index of wages*.....	226	228	226	227
Cost of living*.....	171	173	172	172

^p Preliminary * 1913 average=100 ^r Revised

Department Store Trade

Final reports on department store sales in December showed an increase of about 1 per cent over a year previous in the metropolitan area, as compared with preliminary indications of a 2 per cent increase. For the district as a whole, there was a decrease of less than 1 per cent. Total sales for 1929 were 3 per cent higher than in 1928. The leading apparel stores reported a 10 per

cent decrease in sales during December, and the 1929 yearly sales were less than 2 per cent above those of the year 1928.

Stocks of merchandise on hand at the end of December, and the rate of stock turnover during the month were practically the same as a year previous, but for the full year the rate of stock turnover was higher than in 1928. The rate of collections on charge accounts during December continued to be slightly lower than a year ago.

Locality	Percentage change December 1929 compared with December 1928		Per cent of charge accounts outstanding November 30 collected in December		Percentage change year 1929 compared with year 1928	
	Net sales	Stock end of month	1928	1929	Net sales	Stock on hand
New York.....	+ 0.7	+ 2.3	48.3	46.8	+ 3.6	+ 1.9
Buffalo.....	- 7.8	- 3.1	52.1	50.2	- 0.5	- 1.6
Rochester.....	- 2.3	- 5.9	41.2	37.5	- 0.5	+ 0.4
Syracuse.....	- 4.8	+ 6.2	.....	.....	- 0.7	+ 5.6
Newark.....	- 0.9	- 5.8	33.4	35.1	+ 4.3	+ 2.1
Bridgeport.....	- 5.5	- 4.3	40.3	38.2	+ 0.4	+ 3.4
Elsewhere.....	- 2.3	- 2.5	35.8	34.8	+ 0.9	- 2.8
Northern N. Y. State	-13.0	.....	.....	.....	- 6.7	.....
Central N. Y. State..	- 4.5	.....	.....	.....	- 1.1	.....
Southern N. Y. State	- 2.0	.....	.....	.....	+ 2.2	.....
Hudson River Valley District.....	- 3.3	.....	.....	.....	+ 1.0	.....
Capital District.....	+ 3.9	.....	.....	.....	+ 3.8	.....
Westchester District.	- 2.4	.....	.....	.....	- 2.7	.....
All department stores	- 0.5	+ 0.4	44.3	43.4	+ 3.1	+ 1.4
Apparel stores.....	-10.2	- 3.9	48.9	45.9	+ 1.3	- 1.1

Sales and stocks by departments are compared with December 1928 in the following table.

	Net sales percentage change December 1929 compared with December 1928	Stock on hand Percentage change December 31, 1929 compared with December 31, 1928
Toys and sporting goods.....	+ 7.2	+ 2.8
Women's and Misses' ready-to-wear..	+ 6.2	+ 2.1
Toilet articles and druggs.....	+ 5.2	+ 1.2
Books and stationery.....	+ 4.1	+22.9
Cotton goods.....	+ 3.6	- 4.0
Men's furnishings.....	+ 3.5	- 3.0
Women's ready-to-wear accessories..	+ 3.2	+12.9
Hosiery.....	+ 2.8	+ 7.9
Shoes.....	+ 2.0	- 3.8
Luggage and other leather goods.....	+ 0.7	+23.4
Linens and handkerchiefs.....	+ 0.2	- 1.2
Furniture.....	- 1.2	+ 7.7
Men's and Boys' wear.....	- 1.6	+ 0.8
Home furnishings.....	- 1.8	- 1.0
Silverware and jewelry.....	- 6.5	+ 0.2
Woolen goods.....	- 7.6	- 7.4
Silks and velvets.....	-17.5	-11.3
Musical instruments and radio.....	-29.2	-10.9
Miscellaneous.....	- 8.1	- 9.1

Chain Store Trade

The December sales of the reporting chain stores in this district averaged 5 per cent higher than a year previous, the smallest increase since September. Grocery, drug, and variety sales remained substantially larger than in December 1928, while the sales of shoes and candy were only slightly higher than a year ago, following a considerable increase in November. Sales of the five and ten cent stores showed a decline for the first time since April 1928. An increase in sales per store was shown by the grocery and candy chain organizations, but decreases were reported by all other types.

Total reported chain store sales for the year 1929

showed a 10 per cent increase compared with 1928. All lines showed an increase, but after allowing for the change in the number of stores operated, the grocery stores were the only type that showed an increase in sales per unit.

Type of store	Percentage change December 1929 compared with December 1928			Percentage change year 1929 from year 1928	
	Number of stores	Total sales	Sales per store	Total sales	Sales per store
Grocery..	+ 1.6	+14.4	+12.6	+10.9	+ 9.6
Ten cent..	+ 8.6	- 1.3	- 9.1	+ 6.4	- 2.9
Drug.....	+12.3	+ 9.6	- 2.4	+13.3	- 1.2
Shoe.....	+11.0	+ 0.6	- 9.4	+ 7.3	- 1.1
Variety...	+34.9	+15.9	-14.1	+17.6	- 6.8
Candy...	- 2.9	+ 0.5	+ 3.6	+ 1.8	- 3.1
Total..	+ 7.9	+ 5.2	- 2.5	+10.0	+ 2.8

Wholesale Trade

According to reports received by this bank, the volume of business of wholesale dealers in this district in December 1929 was 9 per cent smaller than in the corresponding month in 1928. Sales of men's clothing, cotton goods, shoes, and hardware continued to show declines varying between 3 and 20 per cent, and sales of jewelry and diamonds were at least one-third smaller than in December 1928. Machine tool orders, reported by the National Machine Tool Builders Association, declined somewhat further and showed the largest decrease from a year previous in any month in more than two years. Following increases in recent months, the sales of drugs, paper, and the quantity sales of silk goods were also smaller than in December 1928. December sales of stationery showed a substantial increase over a year ago, however, and grocery sales increased slightly. Total reported sales of wholesale dealers for the year 1929 were 3 per cent above those of 1928.

Stocks of groceries, silk, and drugs at the end of December remained larger than in 1928, and stocks held by shoe, hardware, and diamond and jewelry dealers continued to be smaller than a year ago. Stocks of cotton goods were lower than last year, following an increase in November. Collections averaged slightly slower than in December 1928.

Commodity	Percentage change December 1929 compared with December 1928		Per cent of accounts outstanding November 30 collected in December		Percentage change in net sales	
	Net sales	Stock end of month	1928	1929	Dec. 1929 compared with Nov. 1929	Year 1929 compared with year 1928
Groceries.....	+ 1.1	+ 7.4	67.2	67.9	-14.7	+ 2.0
Men's clothing.....	-20.0	.....	51.0	45.4	-31.2	- 0.6
Cotton goods.....	- 5.7	- 1.3	39.7	36.5	+ 1.2	- 1.5
Silk goods.....	- 0.6*	+ 1.1*	44.8	49.7	+ 7.3*	+14.4*
Shoes.....	- 2.8	- 5.5	47.8	45.1	+ 9.4	+ 3.4
Drugs.....	- 9.4	+11.4	39.7	32.7	-37.9	+ 7.0
Hardware.....	- 6.9	- 1.0	47.4	47.7	+ 0.4	- 2.4
Machine tools**	-39.7	.....	.....	.....	- 7.4	+18.7
Stationery.....	+10.6	.....	71.0	71.4	+12.6	+ 6.7
Paper.....	- 1.3	.....	62.9	67.1	- 7.3	+ 6.1
Diamonds.....	-35.5	.....	.....	.....	- 2.8	- 6.1
Jewelry.....	-33.9	.....	32.8	30.0	-17.6	- 6.2
Weighted Av....	- 9.1	.....	55.9	54.3	-11.7	+ 3.2

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

FEDERAL RESERVE BANK OF NEW YORK
MONTHLY REVIEW, FEBRUARY 1, 1930

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL activity declined further in December. There was little change in commodity prices and conditions in the money market continued easy.

PRODUCTION AND EMPLOYMENT

Industrial production, as measured by the Federal Reserve Board's index, which is adjusted for seasonal variations, declined by 6 per cent in December, following upon a decline of 9 per cent for the preceding month. Nearly all industries reported larger than seasonal reductions in December, except the food industries, which showed little change, and coal, in which output increased. The largest declines in December, as in earlier months, were in automobiles and iron and steel. Production in the textile, shoe, lumber, and the nonferrous metals industries also decreased considerably. Stocks of cotton textiles, copper, zinc, and lumber increased in December.

In the first three weeks in January, steel plants increased their operations somewhat from the low rate prevailing at the holiday season, but were considerably less active than in January 1928 or 1929. There were further decreases in the output of copper and lumber, while production of crude petroleum increased.

Employment in factories in December declined more than the usual amount in the automobile, steel, textile, clothing, and lumber industries. Little change was reported for the food industries and car-repair shops, while at meat-packing plants and in the paper and printing industries there was some increase in employment.

Building contract awards also declined further in December. Residential contracts continued to be in small volume and there were large decreases in awards for commercial buildings and public works and utilities. During the first half of January awards were larger on a daily average basis than in December.

DISTRIBUTION

Freight-car loadings in December, as in the preceding month, showed more than the usual seasonal decline. The decline occurred principally in shipments of merchandise and of lumber products, while loadings of coal and grain were larger than in November.

Sales at department stores in leading cities were about 3 per cent smaller than in December 1928, according to reports to the Federal Reserve System. Decreases in sales were reported for ten Federal Reserve districts, an increase of 2 per cent for the Richmond District, and little change for the San Francisco District.

WHOLESALE PRICES

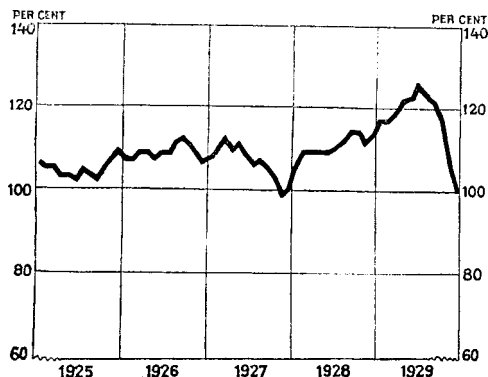
During December wholesale prices of commodities fluctuated rather narrowly. Grain, livestock, meat, and bituminous coal prices increased somewhat, while prices of hides and leather products, textiles, petroleum, and pig iron declined. In the first half of January there was little further change in prices.

BANK CREDIT

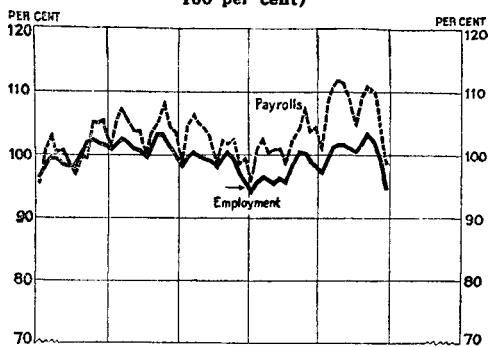
Member bank credit increased less than usual over the year-end and in January continued to reflect the liquidation which began early in November. On January 15, total loans and investments of member banks in leading cities were \$478,000,000 below the level of December 11, 1929. This decline occurred both at banks in New York City and outside and was in "all other loans", apparently reflecting a seasonal decrease in interbank loans together with a decreased demand for credit by commercial borrowers. Investments and loans on securities increased slightly during the period.

Reserve Bank credit outstanding increased during the latter half of December in response to seasonal demands for currency and gold exports, but declined in January as currency returned from circulation. Between the week ended December 14 and the week ended January 18, there was a net decline of \$277,000,000 in currency in circulation, and also a decline of \$37,000,000 in member bank reserve balances. Of the funds thus released \$64,000,000 served to offset a loss in the monetary gold stock of the country and \$244,000,000 was used to retire Reserve Bank credit. Reserve Bank holdings of Government securities showed an increase of \$90,000,000 for the period, acceptances showed little change, while discounts for member banks declined by \$347,000,000.

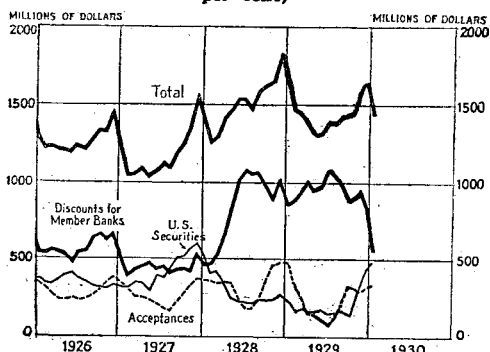
Money rates in the short-term open markets firmed somewhat over the year-end but eased early in January, and throughout the first half of the month remained generally at the lowest levels since the spring of 1928. The discount rate at the Federal Reserve Bank of Philadelphia was lowered on January 16 from 5 to 4½ per cent, the rate prevailing at six other Federal Reserve Banks.



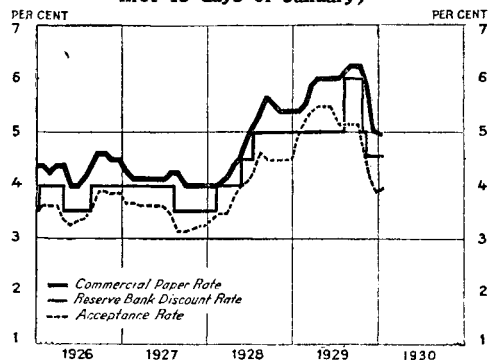
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variations (1923-25 average = 100 per cent)



Index Numbers of Factory Employment and Payrolls, Without Adjustment for Seasonal Variations (1923-25 average = 100 per cent)



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



Money Rates in the New York Market (January rates are averages for the first 20 days)