

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

March 1, 1930

Money Market in February

The movement toward a lower level of money rates proceeded gradually in February. The principal changes were a further reduction of $\frac{1}{8}$ per cent in acceptance rates, following a reduction of similar amount at the end of January; a reduction in rates on open market commercial paper of $\frac{1}{4}$ of one per cent; and the most substantial reduction in the rates charged by large New York City banks on commercial loans to their customers which has been made since November. The rates on customers' loans reported at the middle of February were 5 to $5\frac{1}{4}$ per cent in most cases, with a predominance of the 5 per cent rate, whereas in January the prevailing range had been $5\frac{1}{4}$ to $5\frac{1}{2}$, with the $5\frac{1}{2}$ per cent most frequently indicated. Stock Exchange call and time money rates were little changed.

Money Rates at New York

	Feb. 28, 1929	Jan. 31, 1930	Feb. 28, 1930
Stock Exchange call loans.....	* $6\frac{1}{2}$ -10	* $4-4\frac{1}{4}$	* $4-4\frac{1}{4}$
Stock Exchange 90 day loans.....	$7\frac{3}{4}$	$4\frac{3}{4}$	$4\frac{1}{4}$
Prime commercial paper.....	$5\frac{1}{2}$ - $\frac{3}{4}$	$4\frac{3}{4}$ -5	$4\frac{1}{2}$ - $\frac{3}{4}$
Bills—90 day unindorsed.....	$5\frac{1}{4}$	$3\frac{3}{8}$	$3\frac{3}{4}$
Customers' rates on commercial loans..	†5.50	†5.41	†5.09
Treasury certificates			
Maturing June 15 (yield).....	4.45	3.72	2.98
Maturing September 15 (yield).....	4.67	3.85	3.24
Federal Reserve Bank of New York			
rediscount rate.....	5	$4\frac{1}{2}$	4
Federal Reserve Bank of New York			
buying rate for 90 day bills.....	$5\frac{1}{8}$	4	$3\frac{1}{4}$

* Range for preceding week

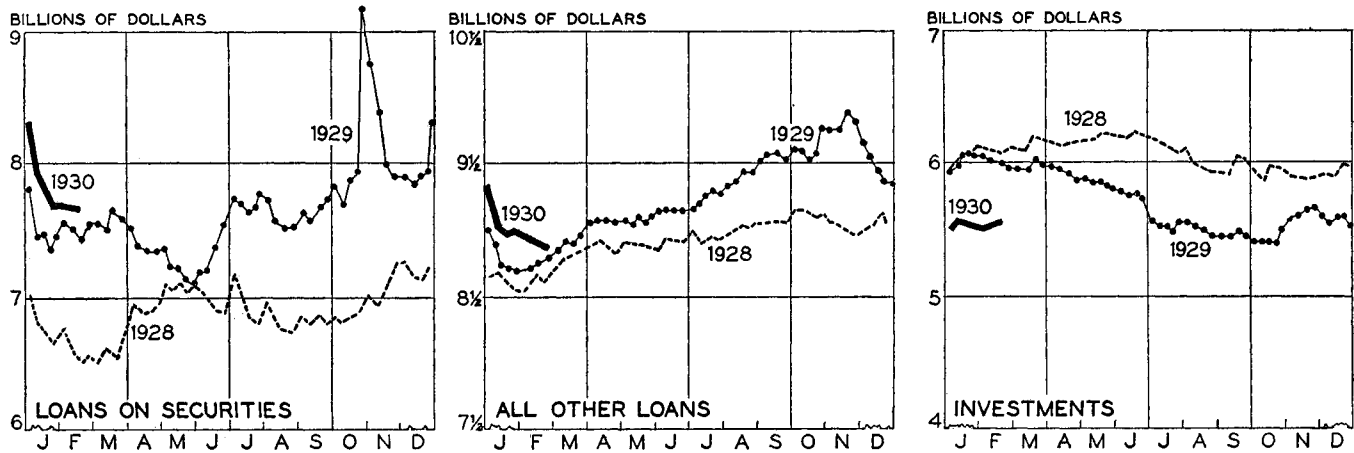
† Average rate of leading banks at middle of month

The way had been paved for these reductions in money rates by rapid declines in member bank indebtedness during the preceding months, and the movement was

accelerated by further reductions in the rediscount rates of Federal Reserve Banks. Borrowings of New York City member banks from the Reserve Bank have been smaller during the past month than at any time in the past three years, and borrowings of member banks elsewhere throughout the country declined in February to the smallest amount since January 1928. A reduction in the rediscount rate of the Federal Reserve Bank of New York from $4\frac{1}{2}$ to 4 per cent was made on February 7, and this was followed by corresponding reductions at Chicago, Boston, and Kansas City. The Reserve Banks of Richmond, Cleveland, Minneapolis, Dallas, and St. Louis, which had retained 5 per cent discount rates until February, reduced their rates to $4\frac{1}{2}$ per cent during the month.

Notwithstanding the decline in money rates, and the fact that the position of member banks with respect to indebtedness is more comfortable than at any time since 1927, there have been few indications of any pressure of surplus funds seeking investment, and the weekly reports received from member banks have indicated up until the third week of the month a further contraction, rather than expansion, of bank credit.

The diagram below shows the recent changes in the principal classes of loans and investments of reporting member banks, and the present position with reference to the developments of recent years. The first section shows that in the case of security loans there has been no evidence in February of a continuation of the January decline, which, in fact, represented largely a liquidation of temporary year-end loans, and the present volume of security loans remains close to the highest level reached up to the time of the heavy credit demands on



Loans on Securities, All Other Loans, and Investments of Weekly Reporting Member Banks; 1930 Compared with 1929 and 1928.

the banks which occurred in connection with the break in the stock market last October.

Other loans of the reporting banks, largely commercial loans, the movement of which is indicated in the second section of the diagram, have shown considerably more than the usual seasonal liquidation in recent months. Even excluding the unseasonal increase of late October and November, which was probably related more largely to the events in the security markets than to business developments, the decline since early last October has amounted to about 750 million dollars, a decline much larger than the ordinary seasonal movement. The reduction in business activity and in prices has probably been an important factor in this decline in loans. The decline has continued in February when a seasonal increase usually begins.

Although member banks are no longer under the pressure of heavy indebtedness at the Reserve Bank, as they were during much of the past two years, the reporting banks have as yet made little increase in their investments. There was a moderate increase last November following a substantial decline from July 1928 to October 1929, but since the first week of this year the tendency has been downward, rather than upward, except for the effect of the purchase of a \$56,000,000 issue of Treasury bills in the third week of February. Consequently, the investments of these banks remain well below their volume at the corresponding time in 1928 or 1929.

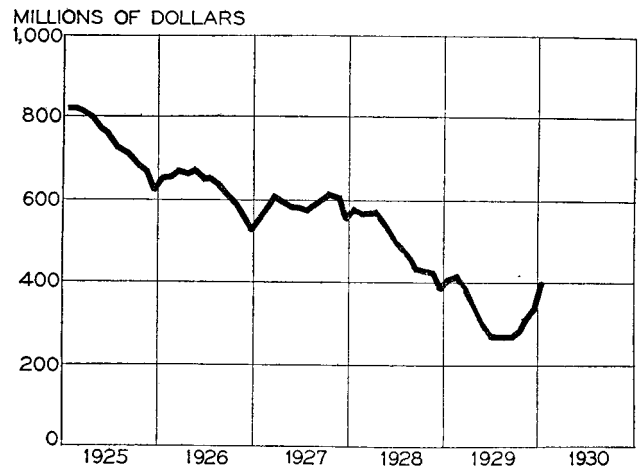
BILL MARKET

Following the rate reduction of $\frac{1}{8}$ per cent effected by the dealers on January 31, open market bill rates were reduced a further $\frac{1}{8}$ per cent on February 6, bringing the offering rate for unendorsed 90 day bills to $3\frac{3}{4}$ per cent. During the whole month of February, both the demand for and the supply of bills were considerably smaller than in January, but as the dealers' purchases and sales approximately balanced, open market portfolios of bills showed little net change for the month. Offerings of bills to the Reserve Bank by dealers and banks were heavier after the reduction in the Bank's buying rate for bills of 1-45 day maturity to $3\frac{3}{4}$ per cent on February 11, and the extension of that rate to bills of maturities up to 90 days on February 24. Total System holdings of bills, however, showed only a small increase for the month, as the excess of outright purchases over maturities during this period was largely offset by a further decrease of bills held under repurchase agreements at the New York Reserve Bank.

The total volume of dollar acceptances outstanding declined \$40,000,000 during January from the record level reached at the end of 1929, but at \$1,693,000,000 on January 31, the amount was still \$414,000,000 above a year ago. Seasonal declines in import and export transactions were offset to some extent by a continued expansion in the use of American acceptances in financing shipments of goods between foreign countries and the storage of goods abroad.

COMMERCIAL PAPER MARKET

The open market for commercial paper continued active during the first week of February, and following the reduction in the New York Reserve Bank's discount rate, the prevailing offering range for prime paper de-



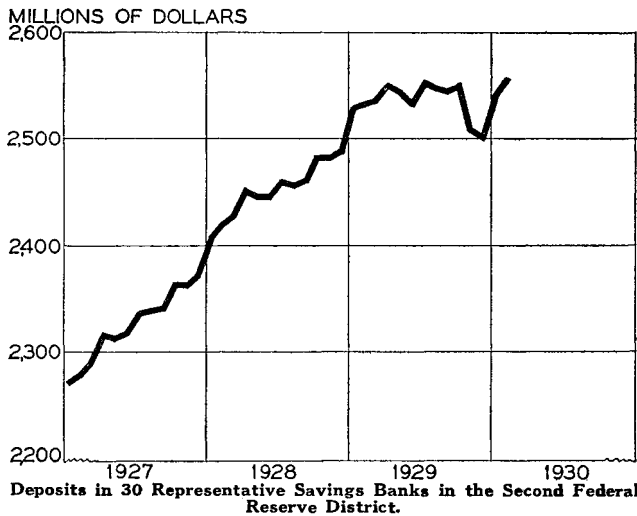
Volume of Open Market Commercial Paper Outstanding Through 21 Dealers.

clined from $4\frac{3}{4}$ -5 per cent to $4\frac{1}{2}$ - $4\frac{3}{4}$ per cent. Bank investment demand at the lower range remained in the same generally good volume that existed prior to the change, and the dealers reported a rather widespread distribution of paper outside of New York City. New paper coming into dealers' hands about kept pace with the investment demand, but in the latter half of the month it was reported that new supplies of the highest grade paper were rather more difficult to obtain, though on the whole the creation of new paper continued in fairly good volume.

The more active market for commercial paper during recent months has been accompanied by successive increases in the amount of paper outstanding, dating back to last October. During February some of the paper firms reported that their new purchases included names of concerns which have not been in the market for many months, and that there were instances of the purchase of notes of concerns which had never before utilized the facilities of the open market. The recent upturn in commercial paper outstandings is shown in the accompanying diagram. Outstandings of 21 paper houses on January 31 reached \$404,000,000, the largest amount since February 1929; the increase over the December figure was 21 per cent, and the total increase from the low level of last summer has amounted to 52 per cent.

Savings Bank Deposits

Deposits in 30 representative savings banks, from which reports are received by this bank, showed a somewhat larger increase between the 10th of December and the 10th of February than has occurred in the corresponding period of recent years. This increase, as the accompanying diagram shows, follows a substantial withdrawal of deposits from October to December, during and following the decline in stock prices. As a result of the renewed growth during the last two months, savings deposits in these banks on February 10 were for the first time slightly above the previous high figure reached last July. The increase over a year ago is still smaller than usual, however, due to the fact that deposits showed unusually small increases or even decreases during most of 1929. The year-to-year increase between February 1929 and February 1930 was less than 1 per cent, as compared with an average annual increase of about $5\frac{1}{2}$ per



cent during the three preceding years.

Both the 15 representative savings banks in New York City and the 15 banks elsewhere in the district more than regained during the December to February period the amounts of deposits lost in the previous two months. The deposits of the reporting banks outside of New York City, however, remained slightly below the total of a year previous, whereas deposits of the New York City savings banks, which at no time fell below the level of a year previous, widened somewhat the increase over a year ago.

Foreign Exchange

The more active European exchanges were weak throughout most of the first three weeks of February, but were slightly firmer in the latter part of the month. Sterling declined gradually from \$4.86½ on the 1st to \$4.85 31/32 on the 19th, but was slightly higher thereafter. Following the reduction of the Bank of France rate on January 31, French francs declined from \$0.0392 7/16 on February 1st to \$0.0391 on the 19th, but recovered to \$0.0391 3/16 on the 27th. Reichsmarks declined from \$0.2389¼ on the 1st to \$0.2385¾ on February 18, but made a partial recovery thereafter. Guilders sold at \$0.4012¾ on February 1, declined irregularly to \$0.4008¼ on the 15th, and after strengthening to \$0.4010½ on the 24th declined to \$0.4008½ on the 27th. Belgas fluctuated between \$0.1392¼ on February 1 and \$0.1394 on the 26th. Italian lire reached a new high for the year on the 26th at \$0.0524 3/16, which, how-

ever, was well under their parity of \$0.0526. The Spanish peseta fell steadily from \$0.1318 on February 1 to a low of \$0.1228 on the 17th, and after slight recovery dropped to \$0.1227 on the 27th.

The Japanese yen remained below the gold point, though it advanced irregularly from \$0.4915 at the month's opening to \$0.4920 on the 20th. The discount on Canadian dollars was reduced from 1 1/16 cents on the 1st to ½ cent on the 24th; Argentine pesos continued their decline, dropping from around \$0.90 at the beginning of the month to around \$0.86 at the close.

Gold Movement

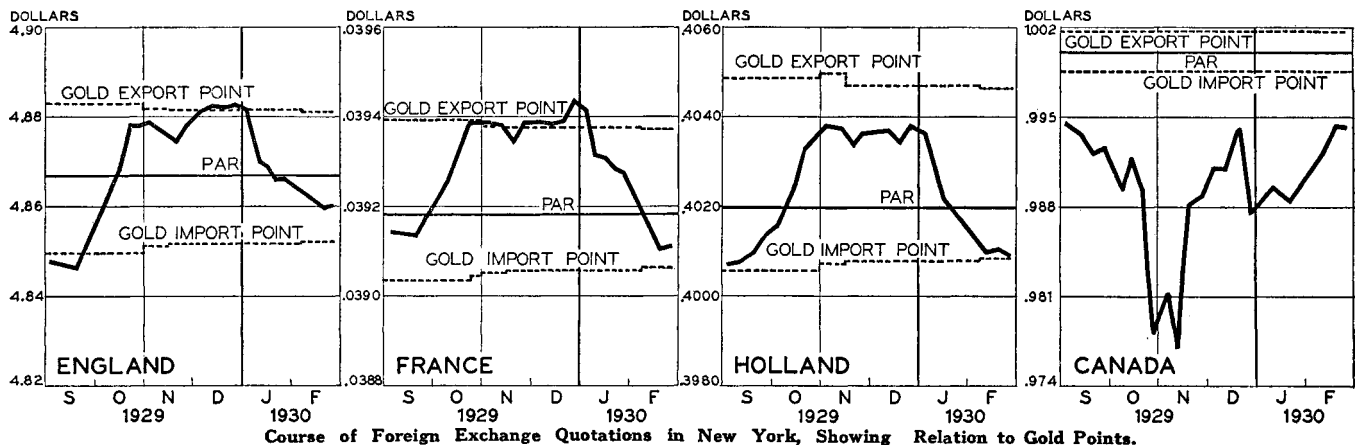
The inflow of gold which began late in January continued during February, and in the course of the month a net amount of about \$48,500,000 was received. Imports at the Port of New York consisted principally of \$11,800,000 from Brazil and \$2,000,000 from Bolivia. In addition about \$34,000,000 was received from Japan at San Francisco. Exports were negligible and there was no change in gold earmarked for foreign account.

Germany continued to take gold offered in the London market, to the amount of £6,200,000 in the four weeks ended February 25, and there were also two withdrawals of gold from the Bank of France totaling 90,000,000 francs for shipment to Germany.

Central Bank Rate Changes

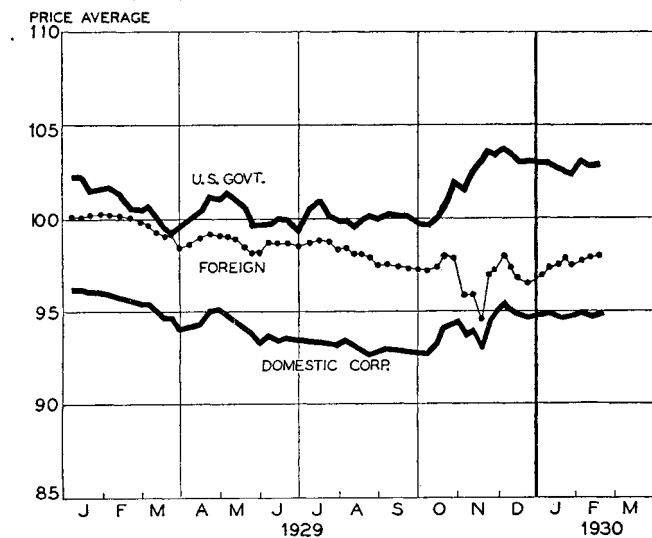
The movement in the direction of lower money rates inaugurated at the end of last October, continued during February, when four European central banks and one Far Eastern bank lowered their official discount rates. The reduction in the Bank of France rate from 3½ to 3 per cent on January 31 was followed by a decrease in the Reichsbank rate from 6½ to 6 per cent on February 5 and a lowering of the Bank of England rate from 5 to 4½ per cent on the 6th. Both the Austrian and the Hungarian banks of issue reduced their rates from 7 to 6½ per cent, the Austrian National Bank on the 11th and the Hungarian National Bank on the 13th. The Reichsbank rate is back to its level of September 1927; the Bank rate in London is again where it stood prior to February 6, 1929; the Austrian rate is now where it was one year ago; and the Hungarian rate is at its lowest since October 1928.

The discount rate of the Bank of Java was lowered from 5½ to 5 per cent on February 10.



Security Markets

Stock prices continued during the first part of February the advance which had developed toward the end of January, and, at the highest level reached around the middle of February, a general average of stock prices was about 3 per cent above the top of the early December recovery. The net advance from early December amounted in industrials to only 1 per cent, and in the railroad stocks to about 4 per cent, but the net rise in public utilities was approximately 10 per cent. During the latter half of February stock prices tended slightly lower, but at the close of the month the general level still remained somewhat higher than in early December, and also above the quotations at the end of January. The daily turnover on the New York Stock Exchange was unusually steady around 3,600,000 shares until the last week of the month when it declined to an average of below 3,000,000 shares.

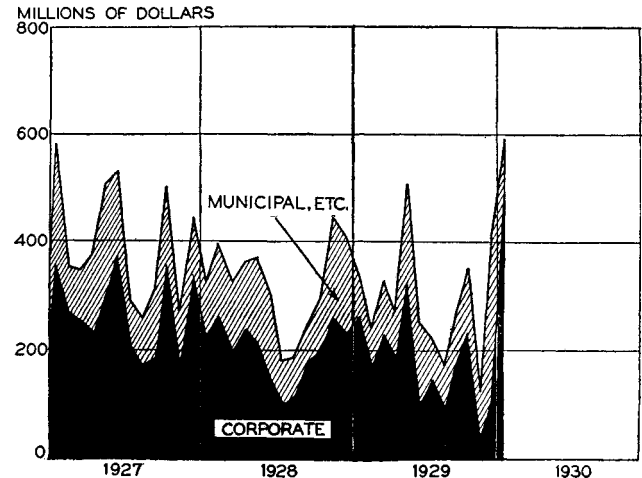


Price Movements of U. S. Government, Foreign, and Domestic Corporate Bonds.

Bond prices fluctuated irregularly during February. Slight advances in prices occurred during weeks when new bond flotations were relatively small, while a general easing in prices occurred when the volume of new issues increased, as in the second week of the month. For the month as a whole there were small net advances in domestic corporation bond averages, in foreign bonds, and in United States Government issues. It was reported that there was an improved demand for bonds on the part of institutional investors, such as life insurance companies and savings banks. On the other hand, commercial banks have shown little tendency to increase their investment holdings during recent weeks, and it is reported that the demand from individual investors has not been unusually active. The accompanying diagram shows the movements of bond prices since the beginning of last year.

New Financing

January offerings of domestic bonds, exclusive of refunding issues, increased 47 per cent from the December figure to nearly \$600,000,000, and, as the accompanying diagram indicates, were larger than at any pre-



New Bond Financing by Domestic Corporations, and by Municipalities, States, and Farm Loan Agencies (Commercial and Financial Chronicle figures; refunding issues excluded).

vious time during the past three years. In December there already had been some increase in bond flotations from the low level of November, chiefly in State and municipal financing. In January more than 80 per cent of the issues were those of corporate borrowers, as against only about 25 per cent in December. Most prominent in the corporate bond issues of January were flotations by public utility companies to provide for additions, improvements, and other capital expenditures.

New financing by means of stock issues totaled about \$125,000,000 in January, continuing the reduced volume that had characterized the two previous months.

Foreign security issues, exclusive of American company financing the proceeds of which are to be used abroad, continued in small volume in January. The total nominal amount of new capital obtained by foreign borrowers through public offerings was only about \$15,000,000, which is somewhat below the total for any previous month since last April.

During February no unusually large domestic issues were announced, with the result that the total new financing for the month fell considerably below the January volume. The amount, however, compared favorably with the February 1929 volume. Stock offerings continued to be of minor importance. In the field of foreign financing, there appears to have been a moderate increase over the figures for either the previous month or a year ago. The largest foreign offering of the month in this market was the major part of a \$40,000,000 Republic of Cuba 5½ per cent issue priced to yield 5.70 per cent. There were also a number of smaller flotations, including the Siemens & Halske A. G. debenture issue, which is estimated to have raised about \$10,000,000 in this country through public subscription, in addition to a larger amount placed privately.

Production

Industrial production in the aggregate increased somewhat in January, due largely to partial recoveries in a few important industries, but remained considerably lower than a year ago. The largest expansion of the month occurred in the automobile industry, particularly

in production of passenger automobiles, the January output of which was more than double the much curtailed production of December. This increase was unusually large even for the month of January, but the total output for the month remained 32 per cent below that of January 1929.

Production of steel ingots increased 21 per cent from December to January, as compared with a usual seasonal increase of around 15 per cent, but this bank's index of pig iron production, adjusted for seasonal change and year-to-year growth, declined slightly to a new low level since December 1927. Output of copper was further curtailed in January, a month when production usually shows an increase, and after seasonal and growth allowance reached the lowest level since April 1923. Output of zinc showed the usual seasonal increase, but tin deliveries increased less than is usual for January. Production of coal declined, after seasonal allowance, while petroleum production increased. Average daily mill consumption of raw cotton increased more than usual in January, but there was little change in this bank's indexes of wool mill activity and of mill consumption of silk.

From such data as are at present available, it appears likely that a number of February indexes of production will show further increases. Operations in the steel industry were at a higher average level than in January, although there was some decline in the final week of the month. At the beginning of February, furnaces in blast were making pig iron at a daily rate of 96,755 tons, as compared with a daily average of 91,209 tons for the month of January as a whole, so that even if no further increase had occurred during the month, February output would show more than the usual seasonal increase of about 3 per cent. There were also reports of an increase in automobile production, but specifications for

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

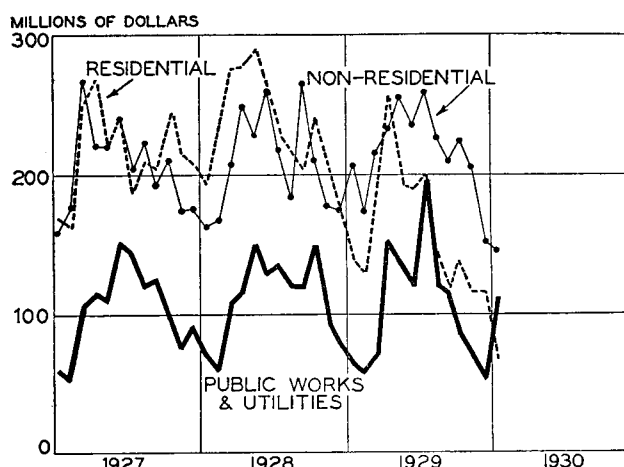
	1929			1930
	Jan.	Nov.	Dec.	Jan.
Metals				
Pig iron.....	115	107	95	94
Steel ingots.....	109	94	86	91
Copper, U. S. mines.....	118	107	107r	92
Lead.....	99	103	94	
Zinc.....	83	84	83	83
Tin deliveries.....	132	97	94	84
Automobiles				
Passenger cars.....	137	61	39	87p
Motor trucks.....	142	119	74	99p
Fuels				
Bituminous coal.....	92	84	88	87p
Anthracite coal.....	106	92	114	107p
Coke.....	112	110	104	104
Petroleum.....	116	105	106	107p
Gasoline.....	101	100	100	
Textiles and Leather Products				
Cotton consumption.....	104	90	80	89
Wool mill activity.....	98	84	76	75p
Silk consumption.....	109	105	103	104
Leather, sole.....	104	114	109	113p
Boots and shoes.....	96	100r	85p	92p
Food and Tobacco Products				
Livestock slaughtered.....	99	97	95	90
Wheat flour.....	103	91	88r	81p
Sugar meltings, U. S. ports.....	98	103	92	93
Tobacco products.....	103	102	103	99
Miscellaneous				
Cement.....	131	109	111	108
Tires.....	129	73	65	88
Paper, newsprint.....	91	88	86	91

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shipments of automobile steel declined toward the end of the month. Production of petroleum increased in the first part of February and output of coal showed a small gain, after seasonal allowance.

Building

An increase of 2 per cent occurred between December and January in the volume of building contracts awarded in the 37 States east of the Rockies that are included in the F. W. Dodge Corporation report, contrary to the usual tendency for building contracts to decline at that time of the year. The January total, however, was 21 per cent smaller than a year ago, and in fact was the smallest for January of any year since 1925. The December to January increase was due to awards of public works and utilities contracts, which more than doubled between the two months. This is shown in the accompanying diagram, which indicates the course of the three main groups of building work during the past three years. Residential building contracts, which have



Amount of Residential, Non-Residential, and Public Works and Utilities Contracts Awarded in 37 States included in the F. W. Dodge Corporation Report.

been on the decline ever since the first part of 1928, continued to diminish in January. Two years ago they constituted the largest main group of construction contracts, but since that time they have fallen from that position to a volume well below that of non-residential work, and even, in January, to a level below that of public works and utilities.

The slight increase in building contracts reported for January does not appear to have continued in February. Daily average awards during the first three weeks of the month were well below the January level, and continued to show substantial decreases from a year ago.

Foreign Trade

January exports of merchandise, valued at \$417,000,000, were \$71,000,000 less than a year ago, but were slightly larger than in January 1928. The decline from December, however, was considerably smaller than is usual between the two months. Imports, valued at \$312,000,000, showed a slight increase over the low figure for December, but remained \$57,000,000 smaller than in January 1929.

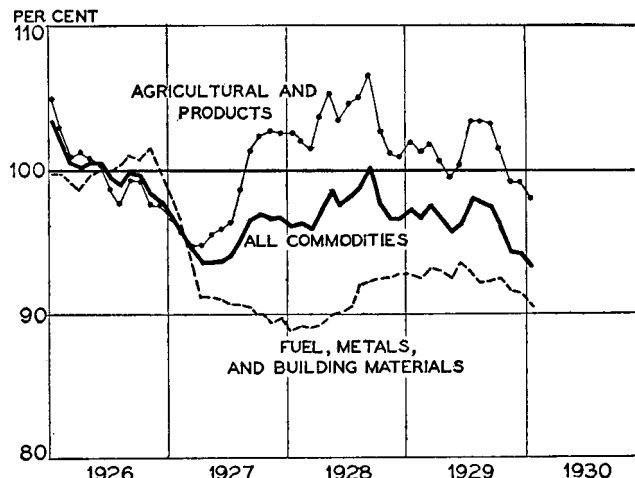
Compared with a year ago, each major group of imports and exports continued to show a decrease. A decline in the value of shipments abroad of raw cotton accounted for a large part of the decrease in exports of crude materials. The reduction of \$33,000,000 in the value of imports of crude materials was due mainly to decreases of 26 per cent in the quantity of raw silk receipts and of 9 per cent in the quantity of crude rubber imports, together with price declines in each case.

Exports of crude foodstuffs, notably wheat and wheat flour, were in somewhat larger volume than in the previous month, contrary to the usual seasonal tendency, and exports of finished manufactures increased in value \$11,000,000, or 6 per cent. The value of imports of semi-manufactures increased \$11,000,000, or 18 per cent over December.

Commodity Prices

The general level of wholesale commodity prices has continued in recent weeks the decline which has proceeded almost without interruption since last July. In fact, with the exception of a moderate advance in the latter part of 1927 and in 1928, the general trend of commodity prices has been downward since the autumn of 1925. In January 1930 the general wholesale commodity price index of the United States Bureau of Labor Statistics was 10.6 per cent lower than in November 1925; it was just under the lowest level reached in April 1927, and was the lowest since the early part of 1922.

The decline in commodity prices has not been confined to this country, however, for price indexes in practically all of the gold standard countries have participated in the downward movement. The Board of Trade index for Great Britain, for example, has declined from 159 in

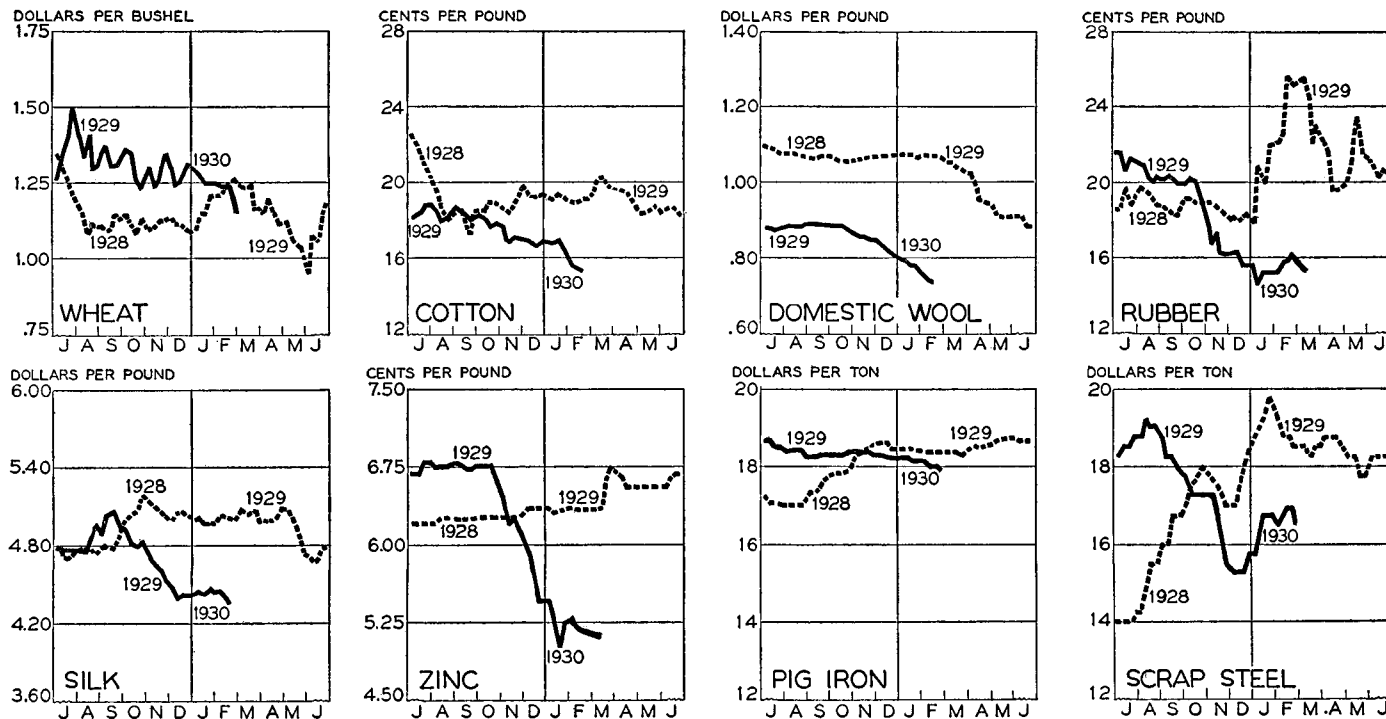


U. S. Bureau of Labor Statistics Wholesale Commodity Price Index and Group Indexes Showing the Movements of Prices of Agricultural Commodities and Their Products, and of Fuel, Metals, and Building Materials (1926 = 100 per cent).

May 1925, when the pound was stabilized, to 131 in January 1930, a decrease of 18 per cent.

Neither has the decline been centered in any one particular commodity or group of commodities. Of the ten main groups into which the Bureau of Labor Statistics index is divided, declines have occurred since November 1925 in nine of the groups, while an increase has occurred in only one.

The more important groups have been combined in the accompanying diagram into two major divisions—agricultural commodities and their products, which are largely influenced by crop conditions, and fuel, metals, and building materials, which are largely influenced by industrial conditions. This diagram indicates that al-



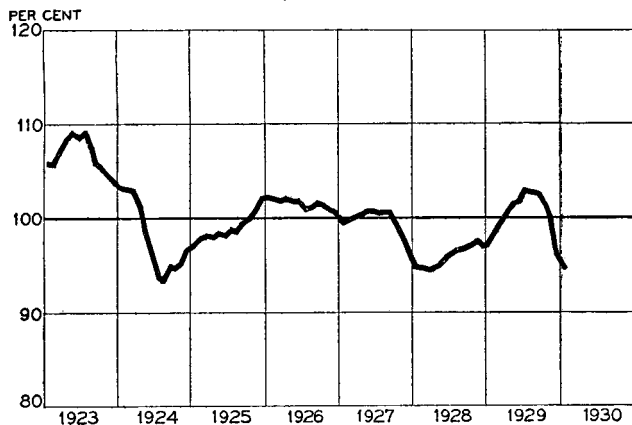
Price Movements of Selected Commodities, July 1928 to February 1930.

though the decline of the past six months has carried the agricultural group to the lowest in more than two years, the January level remained somewhat above that reached early in 1927. The fuel, metals, and building materials group has followed somewhat the course of industrial activity. Prices of these commodities rose moderately in 1928 and early 1929, accompanying increasing industrial output, and have turned downward with the curtailment of industry in the last six months. The recent decline, however, has been much less severe than that of 1927, when this group was affected by a rapid decline in prices of petroleum and its products.

The group of diagrams shown below illustrates some of the outstanding recent declines in individual commodities.

Employment and Wages

The number of workers employed in representative factories in New York State showed a further net decline of more than seasonal proportions between the middle of December and the middle of January, and, as the accompanying diagram indicates, this bank's index dropped to the lowest level reached in the spring of 1928. The week-to-week movement during January was upward, but the increases in the first two weeks of the month apparently followed even larger declines in the last two weeks of December. For the country as a whole, January employment, after seasonal adjustment, was at a lower level than at any time since November 1924.



Index of Factory Employment in New York State, 1925-1927 = 100 per cent (Federal Reserve Bank of New York index, adjusted for seasonal variations; 1923 to 1927 figures adjusted to census data).

As in 1927, a more than seasonal decline in manufacturing activity, accompanied by winter declines in building operations, road construction, and farm work, has resulted in a considerable amount of unemployment. Voluntary labor turnover, which is an index of employment opportunities, continued at the low level reached in December, and the ratio between orders for workers and applications for employment at New York State employment bureaus remained well below the levels of a year ago, and averaged somewhat lower than in 1928. In the first two weeks of February, there was little change in the employment bureau ratio.

Some further increase in factory employment has been reported during the past month, but it is doubtful whether this has exceeded the usual increase at this time of year.

Indexes of Business Activity

Average daily car loadings of merchandise and miscellaneous freight increased somewhat in the early part of January from the low level at the end of December, but there was no further increase during the latter part of the month and the January average, though higher than that of December, remained considerably below the levels of the preceding four years. Loadings of heavy bulk freight also increased, but remained lower than in recent years.

Distribution of goods to consumers apparently showed more than the usual reduction from the holiday high level of December. Average daily sales of department stores in this district declined slightly more than usual, as did also the sales of chain store systems, other than grocery chains; and the index of advertising declined to about the lowest level in recent years. Bank debits were in substantially smaller volume than a year ago.

On the other hand, the amount of life insurance paid for continued to increase, after seasonal adjustment, and this bank's index equaled the level of last September, which was the highest since December 1926. The number of new corporations formed in New York State showed an increase of more than seasonal proportions in January from the low levels of November and December, but remained 17 per cent under the level of a year previous. The number of business failures increased more than usual to the highest figure for any January on record.

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

	1929			1930
	Jan.	Nov.	Dec.	Jan.
<i>Primary Distribution</i>				
Car loadings, merchandise and misc.	98	92	87	92
Car loadings, other	98	88	88	90
Exports	99	84 ^r	80	86 ^p
Imports	114	113	104	102 ^p
Panama Canal traffic	95	84	75	
Wholesale trade	104	103	96	
<i>Distribution to Consumer</i>				
Department store sales, 2nd Dist.	96	93	100	98
Chain grocery sales	96	89	92	
Other chain store sales	92	104	101	89
Life insurance paid for	106	104	107	111
Advertising	95	96	93	86
<i>General Business Activity</i>				
Bank debits, outside of New York City.	108	117	103	98
Bank debits, New York City	185	202	138	117
Velocity of bank deposits, outside New York City	121	130	115	115
Velocity of bank deposits, New York City	202	189	139	129
Shares sold on N. Y. Stock Exchange	442	239	289	241
Postal receipts	85	81	85	80
Electric power	107	104	102 ^p	
Employment in the United States	100	99	96 ^r	96
Business failures	102	100	100	111
Building contracts, 36 States	123	92	74	89
New corporations formed in N. Y. State	120	87	86	96
Real estate transfers	83	73	71	69
General price level*	179	174	174	174
Composite index of wages*	224	226	227	228
Cost of living*	172	172	172	170

^p Preliminary ^r Revised * 1913 average=100

Department Store Trade

The total January sales of the reporting department stores in this district showed an increase of 2 per cent over a year ago. There was an increase of 4 per cent in the sales of New York City stores, which is the largest

increase reported since October. The Rochester, Hudson River Valley District, and Albany District stores reported substantial increases in their total sales, and the reporting stores in the Westchester District showed a small increase, but other localities continued to report decreases in sales, some of which were larger than in the two preceding months. The large apparel stores reported a considerable decrease in sales for the third consecutive month.

Stocks of merchandise on hand in department stores at the end of January were 4 per cent lower than a year ago, the largest decrease in several years. Collections on charge accounts outstanding were noticeably slower than a year previous.

Locality	Percentage change January 1930 compared with January 1929		Per cent of accounts outstanding December 31 collected in January	
	Net sales	Stock on hand end of month	1929	1930
New York.....	+ 3.8	- 1.5	51.7	49.7
Buffalo.....	-10.7	- 2.9	49.4	44.8
Rochester.....	+ 6.4	- 7.7	49.0	44.8
Syracuse.....	- 7.4	+ 5.0	....	....
Newark.....	- 2.2	-18.7	....	....
Bridgeport.....	- 1.8	+ 1.7	40.4	41.6
Elsewhere.....	+ 1.7	- 4.4	44.6	42.9
Northern New York State.....	- 3.9	....	....	....
Central New York State.....	- 1.8	....	....	....
Southern New York State.....	- 5.1	....	....	....
Hudson River Valley District.....	+ 7.8	....	....	....
Capital District.....	+ 9.9	....	....	....
Westchester District.....	+ 2.1	....	....	....
All department stores.....	+ 1.8	- 4.0	50.8	48.7
Apparel stores.....	- 9.9	+ 0.2	53.3	50.9

Sales and stocks in major groups of departments are compared with those of January 1929 in the following table. The large distribution of radio sets showed the effect of price reductions, and furniture sales also showed a moderately large increase.

	Net sales percentage change January 1930 compared with January 1929	Stock on hand percentage change January 31, 1930 compared with January 31, 1929
Musical instruments and radio.....	+143.4	- 27.3
Furniture.....	+ 15.5	+ 6.4
Women's and Misses' ready-to-wear.....	+ 12.0	+ 0.4
Toilet articles and drugs.....	+ 8.0	+ 6.7
Silverware and jewelry.....	+ 7.9	+ 1.0
Toys and sporting goods.....	+ 7.1	+15.3
Books and stationery.....	+ 6.3	+12.3
Hosiery.....	+ 5.7	+ 1.8
Home furnishings.....	+ 5.2	-16.0
Shoes.....	+ 2.0	- 0.4
Women's ready-to-wear accessories.....	+ 1.3	+12.8
Luggage and other leather goods.....	+ 2.9	+17.7
Linens and handkerchiefs.....	- 3.8	+ 6.4
Men's furnishings.....	- 5.7	0
Cotton goods.....	- 7.3	+ 0.9
Woolen goods.....	- 7.4	-14.5
Silks and velvets.....	-10.0	-17.7
Men's and Boys' wear.....	-11.6	- 2.2
Miscellaneous.....	- 0.5	-12.2

Chain Store Trade

The total January sales of reporting chain stores in this district averaged 9 per cent higher than in the corresponding month in 1929. All lines except shoe organizations showed an increase in sales compared with last year. Sales of grocery and variety chains continued to be substantially larger than a year ago, while the sales

of five and ten cent stores reported a 3 per cent increase, following a decrease in December, and candy chain systems reported the largest increase in sales since March 1929. The increase in sales of drug chains, however, was smaller than in a number of months, and shoe chains reported a decrease of nearly 7 per cent in sales.

After allowing for the change in the number of stores operated, grocery and candy chains showed substantial increases in sales per store, while all other reporting types of chain stores showed decreases.

Type of store	Percentage change January 1930 compared with January 1929		
	Number of stores	Total sales	Sales per store
Grocery.....	+ 2.6	+14.9	+12.0
Ten cent.....	+ 8.7	+ 3.4	- 4.9
Drug.....	+12.3	+ 5.8	- 5.8
Shoe.....	+10.7	- 6.6	-15.6
Variety.....	+24.4	+16.4	- 6.4
Candy.....	- 6.0	+11.4	+18.6
Total.....	+ 7.8	+ 9.1	+ 1.2

Wholesale Trade

The sales reported by wholesale dealers in this district for January averaged about 8 per cent smaller than in January 1929. Grocery sales were slightly smaller than a year ago; quantity sales of silk goods showed a moderate decline; substantial declines continued to be reported in sales of cotton goods, drugs, hardware, and jewelry; diamond sales were lower by one-half than a year ago; and shoe sales showed the largest decline in more than a year. Machine tool orders were slightly larger than in the previous month, but remained 38 per cent smaller than in January 1929. Stationery dealers, however, reported an increase in sales, as in each month since last April, and men's clothing sales showed a slight increase, following declines in recent months.

Stocks of groceries and drugs remained larger than a year ago, but declines continued to be reported in stocks held by cotton goods, hardware, and diamond and jewelry dealers. A substantial increase in stocks was reported by shoe firms for the first time in many months. Collections averaged about 3 per cent below January 1929.

Commodity	Percentage change January 1930 compared with December 1929		Percentage change January 1930 compared with January 1929		Per cent of accounts outstanding December 31 collected in January	
	Net sales	Stock end of month	Net sales	Stock end of month	1929	1930
Groceries.....	+ 2.4	- 3.8	- 0.9	+ 4.6	72.3	72.9
Men's clothing.....	+81.0	....	+ 1.2	....	43.5	40.3
Cotton goods.....	-39.2	+16.5	-10.0	- 0.1	30.5	29.8
Silk goods.....	+30.3*	- 6.7*	- 5.1*	+ 0.9*	47.8	47.9
Shoes.....	-28.4	+25.0	-18.4	+31.1	41.7	39.7
Drugs.....	+40.2	- 0.3	-11.5	+ 5.0	56.4	33.8
Hardware.....	-31.4	+ 9.8	-12.0	- 7.6	49.3	47.3
Machine tools**.....	+10.0	....	-37.7	....	....	....
Stationery.....	- 2.7	....	+ 5.6	....	73.2	72.8
Paper.....	+ 8.3	....	+ 0.1	....	67.4	69.8
Diamonds.....	-15.0	....	-50.0	....	....	....
Jewelry.....	-58.6	....	-19.7	....	46.4	43.8
Weighted Average....	+13.6	....	- 8.1	....	57.2	54.5

* 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, MARCH 1, 1930

Business Conditions in the United States
(Summarized by the Federal Reserve Board)

INDUSTRIAL production increased in January from the extreme low level of December. Factory employment, which was in relatively small volume in the middle of December, was further reduced by the middle of January, but preliminary reports indicate a slight increase in the three weeks following. There was a further liquidation of bank credit and a decline in money rates. Commodity prices continued to move downward.

PRODUCTION

Industrial production showed an increase of about 4 per cent in January, according to the Board's index, which makes allowance for the usual seasonal variations. This increase reflected principally a larger output of automobiles, steel, cotton textiles, and shoes. Output of copper, cement, lumber, anthracite coal, and flour declined, and the increase in bituminous coal output was smaller than is usual for the season. In the first two weeks of February steel plants increased their rate of operation further, but continued to be less active than in the corresponding period of last year.

Building contracts awarded showed little change in January, a substantial increase in public works and utilities being in large part offset by a decrease in residential construction. In the first half of February the daily average of contracts was lower than in January.

EMPLOYMENT AND PAYROLLS

The number of wage earners employed at factories declined further between the middle of December and the middle of January, and wage payments showed a larger reduction. In automobile and steel plants there was an increase in employment in the month ended January 15, and in recent weeks further increases have been reported for these industries. There were decreases in January in the number of wage-earners employed in the machinery, car-building and repairing, lumber, and cement industries.

During the three-week period ended February 3 the Bureau of Labor Statistics, on the basis of preliminary returns, reported a slight increase in factory employment.

DISTRIBUTION

Shipments of freight were in about the same volume in January as in December. Average daily loadings of miscellaneous freight and merchandise in less-than-carload lots decreased slightly during the month, but by a smaller amount than is usual at this season. During the first two weeks in February there was some increase in shipments, largely seasonal in nature.

Department store sales in January, according to preliminary figures received by the Federal Reserve System, were about 2 per cent lower than in the corresponding month of last year, this difference being about the same as was shown the month before.

WHOLESALE PRICES

Wholesale prices of commodities in January continued to move downward. In general, fluctuations were small until the latter part of the month, when decreases occurred in the prices of grains, cotton, wool, iron and steel, and petroleum. The prices of meats and live stock fluctuated over a wide range and averaged higher in January than in December.

In the first half of February the prices of hogs, pork, and cattle increased, while the prices of wheat, cotton, pig iron, petroleum, and textiles continued to decline.

BANK CREDIT

Liquidation of member bank credit in January and the early part of February was in substantially larger volume than in the corresponding period of 1929. Declines were reported in loans on securities and in all other loans, which continued to decrease in February contrary to the usual seasonal trend. There was little change in the banks' holdings of investments.

The volume of Reserve Bank credit outstanding declined by about \$140,000,000 between the middle of January and the middle of February. This decline was due in part to the reduction in member bank reserve balances which accompanied the decline in the banks' loans and investments; in part to the continued return flow of currency from circulation; and in part to gold imports, largely from Brazil and Japan.

Money rates in the open market eased further. Rates on commercial paper declined to a range of 4½-4¾ per cent, and rates on 60-90 day bankers acceptances declined from 4 to 3¾ and later to 3¼ per cent. Discount rates at the Federal Reserve Banks of New York, Chicago, Boston, and Kansas City were reduced from 4½ to 4 per cent, and rates at Philadelphia, Cleveland, Richmond, St. Louis, Minneapolis, and Dallas from 5 to 4½ per cent.

