

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

*Federal Reserve Agent*

*Federal Reserve Bank, New York*

*April 1, 1930*

#### Money Market in March

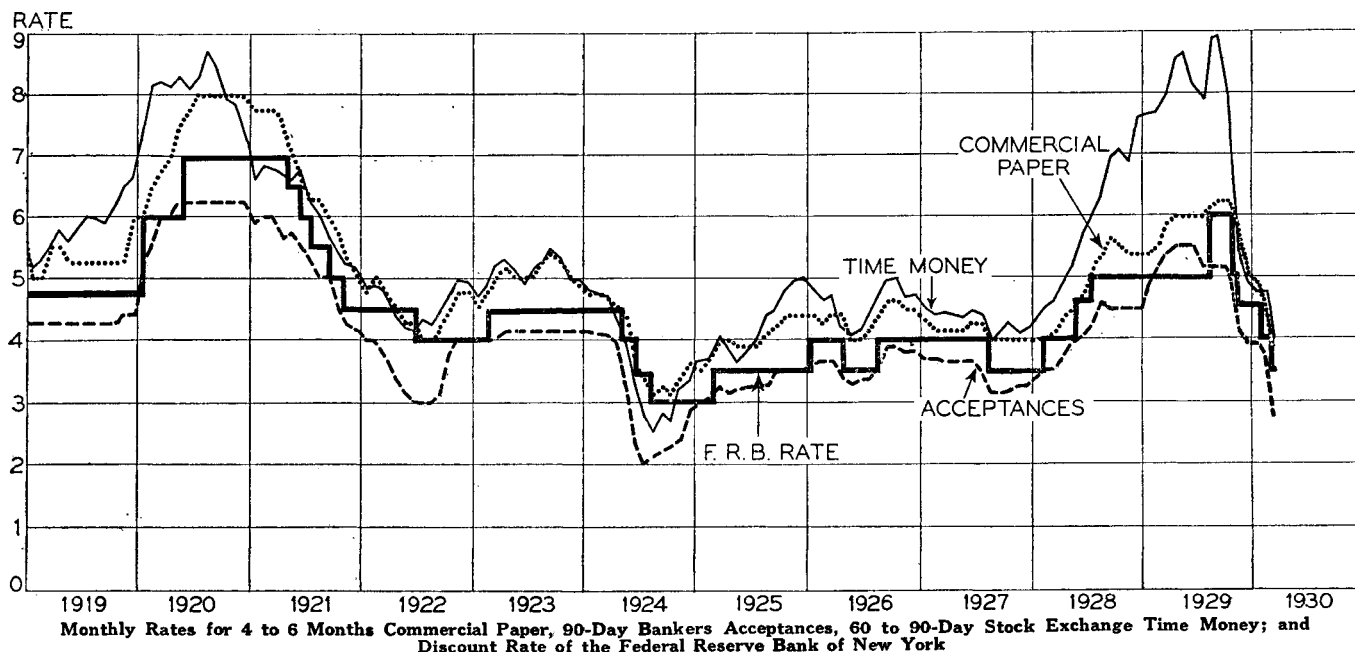
During March money rates declined rapidly to the lowest levels since early in 1925, and accompanying this ease in money the bond market made a vigorous recovery both as to prices of outstanding issues and the capacity of the market for absorbing new issues. The recovery in the bond market was of special importance because various programs of public works and other new undertakings have been dependent on the possibility of the sale of bonds in considerable quantities.

Lower money rates during the month resulted in part from the continuation of causes which have been operative in recent months, but were in part the result of a temporary surplus of funds in the market due to Treasury tax day operations.

The general tendency toward lower rates in recent months has reflected primarily gold imports, a reduction of more than seasonal proportions in the country's currency requirements, and a rather slack commercial demand for bank credit. Imports of gold and releases from earmark during March totaling about \$60,000,000 brought the net gain of gold for the first three months of the year to about \$125,000,000. The amount of currency in circulation, apparently reflecting reduced industrial payrolls, declined in March to an even lower level than in the latter part of January, whereas the beginning of spring industrial and commercial activity

is ordinarily accompanied during this period by increased demands on the banks for currency. Similarly the unclassified loans, largely commercial, of reporting member banks, which usually show an increase at this time of year in response to seasonal business requirements, declined during March.

But the operation of these more basic causes became confused in the second and third weeks of the month by Treasury tax period operations. When the Treasury redeems its maturing obligations on the 15th of March, June, September, and December, this operation usually throws into the money market a considerable amount of free funds, for these Treasury disbursements precede the collection of income taxes and for an interval of a few days the Treasury borrows from the Federal Reserve Banks sums ranging from \$100,000,000 to over \$200,000,000 on special one day certificates of indebtedness. During the period when Treasury disbursements exceed tax receipts and the gap is bridged by this temporary borrowing, the money market receives from \$100,000,000 to over \$200,000,000 of free funds. Under ordinary circumstances the member banks in principal centers are sufficiently in debt at the Reserve Banks so that they employ the free funds made available by the Treasury in the reduction of their indebtedness for a few days. Thus ordinarily the Treasury operation has no considerable effect on money rates.



On this recent occasion, however, member banks in New York, Chicago, and other principal centers were practically out of debt at the Reserve Banks when the Treasury put about \$200,000,000 into the money market. A small part of this sum was absorbed by dealers in acceptances to rebuy bills they had sold to the New York Reserve Bank under repurchase agreement. But there was no means of absorbing the rest of the funds, and as a consequence many banks found themselves in possession of excess funds which they had no means of employing except by buying acceptances and placing the funds in the call market or some other short-time use. The result was so vigorous a demand for bills as to depress the rates rapidly from  $3\frac{1}{8}$  per cent on March 14 to  $2\frac{1}{2}$  per cent on March 20, and corresponding declines in rates took place in other money markets.

The extreme ease in money rates continued for only a few days, for as the Treasury collected income taxes, the excess funds were withdrawn from the money market, and on Friday, March 21, the member banks in New York City found it necessary to borrow more than \$100,000,000 to adjust their reserve position for the three day period from Wednesday to Friday. In the few days succeeding, the market readjusted itself to a more normal position, reflecting the more basic tendencies of money conditions. Bill rates rose to  $2\frac{3}{4}$  per cent for 90 day maturities, and call money returned to an average of  $3\frac{1}{2}$  to 4 per cent. The New York banks in a few days again paid off most of their loans at the Reserve Bank, as Reserve Bank bill holdings increased.

The following table shows the level of short time money rates at the end of March, as compared with the prevailing rates at the end of February. On March 13 the Federal Reserve Bank of New York reduced its discount rate from 4 to  $3\frac{1}{2}$  per cent, and the Reserve Banks of Philadelphia, Cleveland, and San Francisco reduced their rates during the course of March from  $4\frac{1}{2}$  to 4 per cent.

Money Rates at New York

|   | Mar. 28, 1929      | Feb. 28, 1930                   | Mar. 31, 1930       |
|---|--------------------|---------------------------------|---------------------|
| Stock Exchange call loans.....  | *8-20              | *4-4 $\frac{1}{2}$              | *3 $\frac{1}{2}$ -4 |
| Stock Exchange 90 day loans.....                                      | 8 $\frac{1}{2}$    | 4 $\frac{1}{2}$                 | 4                   |
| Prime commercial paper.....   | 5 $\frac{1}{2}$ -6 | 4 $\frac{1}{2}$ - $\frac{3}{4}$ | 3 $\frac{1}{4}$ -4  |
| Bills—90 day unindorsed.....  | 5 $\frac{1}{2}$    | 3 $\frac{1}{4}$                 | 2 $\frac{3}{4}$     |
| Customers' rates on commercial loans..                                | †5.60              | †5.09                           | †4.93               |
| Treasury certificates   |                    |                                 |                     |
| Maturing June 15 (yield).....   | 4.89               | 2.98                            | 2.58                |
| Maturing September 15 (yield).....                                    | 4.88               | 3.24                            | 2.77                |
| Federal Reserve Bank of New York<br>rediscount rate.....              | 5                  | 4                               | 3 $\frac{1}{2}$     |
| Federal Reserve Bank of New York<br>buying rate for 90 day bills..... | 5 $\frac{1}{2}$    | 3 $\frac{1}{4}$                 | 3                   |

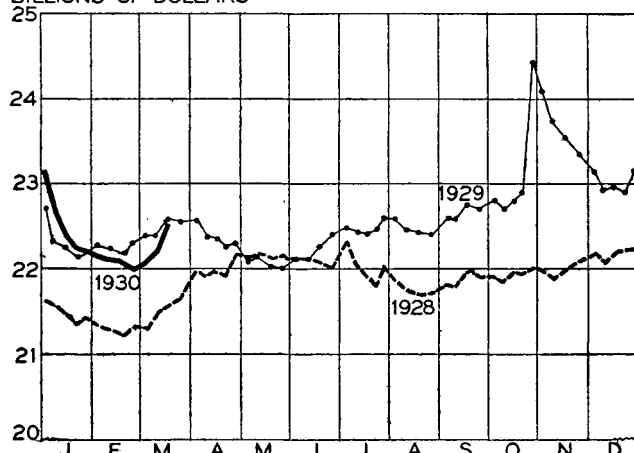
\*Range for preceding week †Average rate of leading banks at middle of month

The strength of the bond market which is described more fully in a later paragraph represented a response in part to the more basic tendencies in money, but was also affected in no small degree by the temporarily easy conditions in the middle of the month.

#### MEMBER BANK CREDIT

After declining steadily during January and February, the total loans and investments of reporting member banks increased substantially in March, as the accompanying diagram shows. An unusually small commercial demand for bank credit was reflected in the

BILLIONS OF DOLLARS



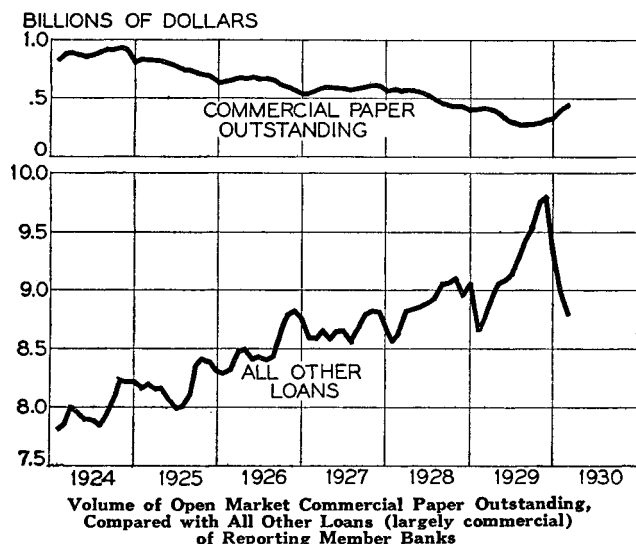
Total Loans and Investments of Weekly Reporting Member Banks, 1930 Compared with 1929 and 1928

further decline in unsecured loans previously noted, and there were evidences also of the gradual liquidation of loans on securities made directly to customers. Reductions in these types of bank credit were more than offset, however, by a large increase in bank loans to brokers. There was also a substantial increase in bank investments in the third week of March, part of which doubtless represented subscriptions to the new issue of Treasury securities on March 15.

#### COMMERCIAL PAPER MARKET

A series of reductions occurred during March in open market rates for commercial paper. Beginning the month at  $4\frac{1}{2}$ - $4\frac{3}{4}$  per cent, prime commercial paper had declined by the end of the month to a prevailing range of  $3\frac{3}{4}$ -4 per cent, the lowest offering quotations since January 1928. Investment demand on the part of the banks continued in excellent volume throughout the month, and the size of dealers' aggregate sales was limited principally by the lack of supplies of paper. Although dealers obtained some additional paper, partly in response to the inducement offered by lower rates, it was reported during the latter part of the month that dealers' lists in general were very short.

As a result of a further increase of 13 per cent during February, the amount of commercial paper outstanding at the end of the month through the 21 principal dealers that report to this bank reached a figure of \$457,000,000, or 11 per cent more than the outstandings a year ago. This is the first time since January 1928 that dealers have reported a larger volume outstanding than a year previous. As the accompanying diagram indicates, commercial borrowings through the open market have been increasing during the past five months, while in the last three months of this period the "all other" loans (largely commercial) of the reporting member banks have shown a large reduction, even though these loans include such open market commercial paper as is held by the reporting banks. While part of the decrease in commercial bank loans is a seasonal development, and part doubtless a reflection of the slowing up in production and business activity, at least some small part may reflect the obtaining of loans by well known commercial



and industrial concerns through the note brokers, rather than from the banks, because of somewhat lower rates. Open market rates are more flexible than are banks' rates on loans to their commercial customers, and have been reduced much more from the high levels of early autumn; open market commercial paper rates have fallen nearly  $2\frac{1}{2}$  per cent, while the average customers rate on commercial loans charged by the leading New York City banks has thus far declined only about half as much.

#### BILL MARKET

During the first three weeks of March, there were successive reductions in open market bill rates, which carried offering quotations for unendorsed bills of 1 to 4 months maturity from  $3\frac{3}{4}$  per cent down to  $2\frac{1}{2}$  per cent, and rates for 5 and 6 months bills from  $3\frac{7}{8}$  to  $2\frac{5}{8}$  per cent, the lowest levels for bills since November 1924. Investment demand throughout this period was generally larger than the volume of new bills that came into the market, and as a consequence dealers' portfolios were reduced by about one-half.

With the passing of the influence of Treasury tax period operations, however, investment demand decreased and was materially exceeded by offerings of bills to the dealers. This resulted in a considerable increase in dealers' portfolios of bills and large offerings of bills to the Reserve Bank under repurchase agreements, and caused the dealers to make an upward revision of  $\frac{1}{4}$  per cent in their rates for 2, 3, and 6 months bills, and of  $\frac{3}{8}$  per cent in 1 and 4 months bills. Consequently, toward the close of the month, 90 day unendorsed bills were being offered at  $2\frac{3}{4}$  per cent, a net decline of 1 per cent for the month.

The increase in repurchase agreement holdings at the New York Bank was more than offset by an excess of maturities of bills over new acquisitions of bills by the Reserve Banks, so that total holdings of bills by the Reserve System showed a net decline of about \$40,000,000 for the month.

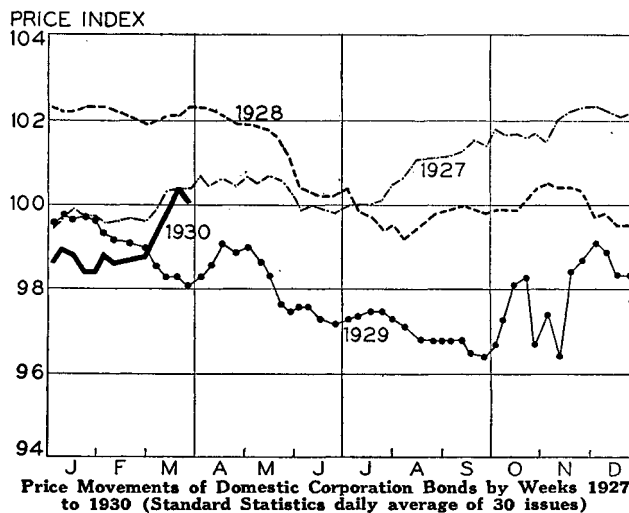
A further seasonal decline of \$69,000,000 occurred during February in the volume of bankers acceptances outstanding, but the total at \$1,624,000,000 remained nearly \$400,000,000 larger than a year ago. The decline

was largely in export and domestic warehouse credits, and the amount of acceptances based on foreign shipped or stored goods showed relatively little decrease.

#### Security Markets

Bond trading increased greatly in volume during March, and prices advanced substantially. In previous months bond prices had shown a slight upward tendency which raised quotations somewhat above the 1929 lows, but in March the bond market showed greater strength than in many months, and, despite the flotation of fairly large amounts of new bond issues, average prices rose to the highest levels since 1928. Domestic corporate bonds, the course of which during recent years is shown in the accompanying diagram, rose between  $1\frac{1}{2}$  and 2 points on the average in March. After practically two years of falling prices, these bonds within a few months have recovered nearly two-thirds of their declines.

United States Government bonds also had a substantial upward movement. An average of the prices of eight issues now outstanding advanced about  $1\frac{1}{4}$  points further, and toward the end of March Government securities were selling at higher prices than at any time since 1928. In the foreign bond list, an advance of over 2 points occurred, carrying average prices to the highest levels in more than a year.



Although attended by considerable irregularity, the trend of stock prices continued generally upward during March. In fact, stocks have been advancing almost continuously during the past three months, and toward the close of March had regained over 50 per cent of the loss sustained in the 1929 break. Public utility shares at March closing prices showed by far the largest net recovery from the November low points—about 69 per cent; industrials were up 38 per cent; and rails 20 per cent.

#### New Financing

Accompanying a stronger bond market, domestic bond financing was considerably accelerated during March. The total value of such bond flotations was substantially larger than in February and appears to have

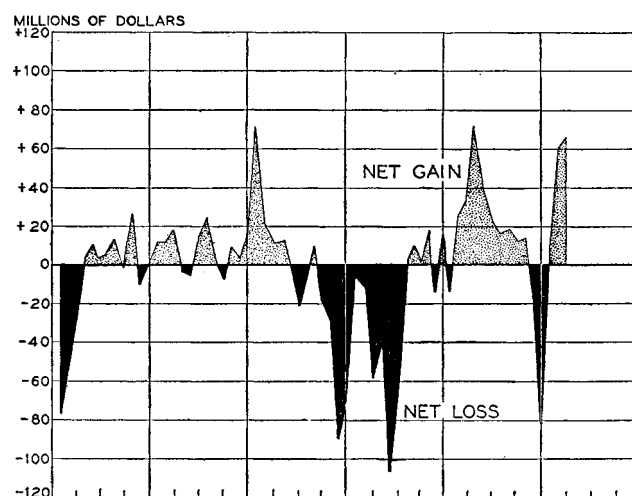
been well in excess of the offerings of March 1929. Railroad financing continued to be the largest element in the domestic offerings; a \$60,000,000 new capital issue of the Pennsylvania Railroad was included and numerous issues of from \$15,000,000 to \$25,000,000. Industrial bond offerings likewise increased between February and March. State and municipal bond and note issues were somewhat larger than in the previous month and were materially larger than a year ago. There appears, according to a preliminary calculation, to have been an increase in the amount of security issues, the proceeds of which finance operations abroad. The largest of these flotations was by an American concern—that of nearly \$50,000,000 American and Foreign Power Company debentures of a refunding nature—but there were also a \$40,000,000 issue of Royal Dutch Company bonds, the principal part of which was offered in this market; the major part of a Rhine-Westphalia Electric Power Corporation \$20,000,000 issue; and a number of smaller offerings.

Complete February figures on domestic corporate financing indicate that the volume, exclusive of refunding issues, was smaller than in the previous month or a year ago. New bond issues at \$238,000,000 were only about one-half the January volume, but were some \$60,000,000 more than the amount offered during February 1929. Issues of stock for new capital purposes increased slightly between January and February but were less than one-fourth of the stock flotations of February a year ago. Railroad financing increased substantially, and offerings of securities by industrial and manufacturing concerns were much larger, but there was a considerable contraction in public utility company flotations from the extremely large volume of January. Municipal and State financing showed a drop of about 25 per cent from January, but was somewhat heavier than in the corresponding period of last year. The nominal amount of new capital raised in this country for use in foreign countries was about the same as in January, and was somewhat larger than the new flotations of February 1929; the amount issued for refunding purposes was considerably larger than in the previous month or a year ago.

### Gold Movement

Of principal interest during March was the continued importation of gold from Japan at San Francisco, amounting to \$38,500,000, and the receipt of about \$2,000,000 from China. Since the removal of the embargo on gold exports in January, Japan has shipped abroad about \$79,000,000, with consequent strengthening of yen exchange. Imports at the Port of New York amounted to about \$7,000,000, made up largely by the arrival of \$5,500,000 from Brazil and \$1,000,000 from Colombia. There was also a gain of \$13,000,000 to this country's gold stock through the release of gold previously earmarked for foreign account. Exports were negligible, and a preliminary calculation indicates a net gain to the country in excess of \$60,000,000. The accompanying chart shows the monthly net gain or loss to the country's gold stock during the past five years.

The Bank of England's gold holdings showed an increase of £5,000,000 during March, accounted for mainly



Monthly Net Gain or Loss to the Gold Stock of the United States  
(March 1930 preliminary)

by the arrival of £4,000,000 in sovereigns from Australia. Further shipments totaling £5,000,000 are reported en route from Australia. The Bank of France lost about 70,000,000 francs of gold to Germany during March, and 165,000,000 francs to Belgium.

### Foreign Exchange

The strengthening tendency of the principal exchanges, which became evident in the last week of February, continued during March. Excepting the Spanish peseta, the Argentine and Brazilian currencies, and the Shanghai silver unit, all the exchanges quoted below are at higher levels than those of one year ago. Outstanding are the Canadian dollar, which touched parity on March 24 and 25 for the first time since November 1928, and the Japanese yen, which has approached the point at which gold shipments to San Francisco cease to be profitable.

Cable Rates

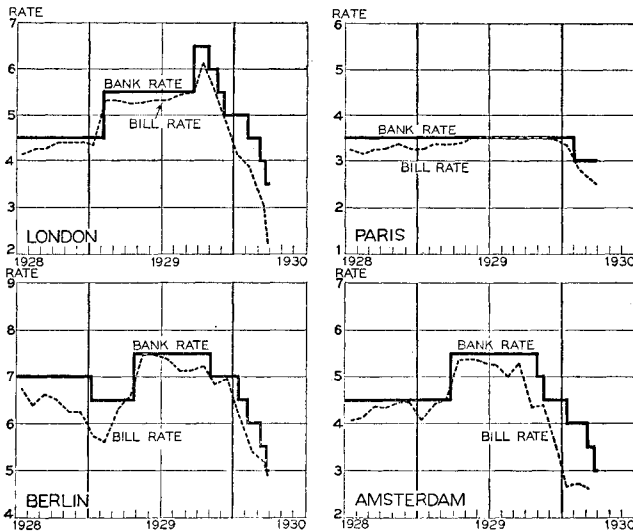
| Country             | March 30, 1929 | February 28, 1930 | March 28, 1930 |
|---------------------|----------------|-------------------|----------------|
| Belgium.....        | \$ .1389       | \$ .1394          | \$ .1396       |
| England.....        | 4.8525         | 4.8603            | 4.8659         |
| France.....         | .0391          | .0391             | .0392          |
| Germany.....        | .2372          | .2386             | .2389          |
| Italy.....          | .0523          | .0524             | .0524          |
| Netherlands.....    | .4008          | .4008             | .4014          |
| Spain.....          | .1510          | .1215             | .1241          |
| Sweden.....         | .2670          | .2684             | .2689          |
| Switzerland.....    | .1924          | .1930             | .1937          |
| Canada.....         | .9950          | .9945             | .9997          |
| Argentina.....      | .9560          | .8562             | .8673          |
| Brazil.....         | .1178          | .1120             | .1168          |
| Japan.....          | .4455          | .4925             | .4947          |
| Shanghai, tael..... | .6238          | *.4700            | .4713          |

\* February 27

### Central Bank Rate Changes

The almost world-wide movement toward lower money rates continued during March. The course of this movement, as illustrated by the open market and central bank discount rates in the four leading European money centers, is shown in the accompanying diagram.

Following is a table of official discount rates at those European central banks where changes have been made since January 1, 1930, which shows the current rates in comparison with the highest rates established in 1929.



Central Bank Rate and Open Market Rate for 3 Months Bills in Leading European Money Markets

Of the 13 banks in this list, 11 reduced their rates at least once during March.

The Bank of England has lowered its rate in six successive steps of one-half per cent each since the 1929 high of  $6\frac{1}{2}$  per cent on September 26. Austria, Germany, and the Netherlands have had five reductions from the 1929 high levels; Hungary has had four reductions; Danzig, Norway, Poland, and Sweden have lowered their rates three times, Denmark twice, and France and Italy once.

Among the non-European central banks, the Bank of Java reduced its discount rate from 5 to  $4\frac{1}{2}$  per cent on March 11.

European Central Bank Rates (per cent)

| Country          | High 1929      | Current rate   | Date of last reduction |
|------------------|----------------|----------------|------------------------|
| Austria.....     | $8\frac{1}{2}$ | 6              | Mar. 22                |
| Belgium.....     | 5              | $3\frac{1}{2}$ | Jan. 1                 |
| Danzig.....      | 7              | $5\frac{1}{2}$ | Mar. 8                 |
| Denmark.....     | $5\frac{1}{2}$ | $4\frac{1}{2}$ | Mar. 7                 |
| England.....     | $6\frac{1}{2}$ | $3\frac{1}{2}$ | Mar. 20                |
| France.....      | $3\frac{1}{2}$ | 3              | Jan. 31                |
| Germany.....     | $7\frac{1}{2}$ | 5              | Mar. 25                |
| Hungary.....     | 8              | 6              | Mar. 29                |
| Italy.....       | 7              | $6\frac{1}{2}$ | Mar. 3                 |
| Netherlands..... | $5\frac{1}{2}$ | 3              | Mar. 25                |
| Norway.....      | 6              | $4\frac{1}{2}$ | Mar. 21                |
| Poland.....      | 9              | 7              | Mar. 14                |
| Sweden.....      | $5\frac{1}{2}$ | 4              | Mar. 7                 |

## Commodity Prices

Further declines in wholesale commodity prices in February brought the index of the Bureau of Labor Statistics to 92.1, which with the single exception of January 1922 is the lowest since 1916.

Every one of the ten groups composing the Bureau of Labor Statistics index showed a decline in February from the level of the month preceding, a rare occurrence.

Weekly commodity indexes have shown a further decline in March. A substantial majority of important commodities moved lower in the first half of the month, and many commodities established new low levels over rather extensive periods. Wheat was the lowest since the break of last May and June, and corn was the lowest since the first half of 1927. Cotton, at 14.00 cents, also

reached a new low since the early part of 1927, and was  $3\frac{1}{2}$  cents under the level of January. New lows for recent years were established by domestic wool, refined sugar, and the nonferrous metals except copper. Pig iron was the lowest since the 1927-1928 business recession.

Recoveries were made in the latter half of March in a few commodities, especially cotton, but these advances were from unusually low levels, and other important commodities at the close of the month were still hovering around their lowest levels. It appears that the average prices for the month of March as a whole were somewhat lower than in February, and that general indexes of wholesale prices for March will be close to the January 1922 levels, the lowest reached in the post-war decline.

## Building

Building contracts awarded in the 37 States east of the Rockies, included in the F. W. Dodge Corporation report, showed in February a decline of 2 per cent from the January volume, and were 12 per cent smaller than in February 1929. Residential contracts were up only slightly from the very low level of January, and public works and utilities projects declined 23 per cent, but other non-residential building increased somewhat. For the first two months of this year total contracts awarded have been 17 per cent smaller than in the corresponding period of 1929, when a tendency toward curtailment of building activity was already apparent. Residential contracts were 47 per cent smaller than in the first two months of last year, and the volume of non-residential work other than public works and utilities decreased 20 per cent, while public construction projects showed a 59 per cent increase.

In Metropolitan New York and vicinity, February contracts were 10 per cent larger than in January, and were 20 per cent ahead of the amount in February 1929. In up-State New York also, there were increases over the previous month and a year ago, amounting to 42 per cent and 8 per cent respectively. These increases reflected chiefly larger amounts of commercial building and of public works projects.

In the first three weeks of March contracts let showed a substantial increase over the February level, and a much smaller decrease from the level of the previous year.

## Foreign Trade

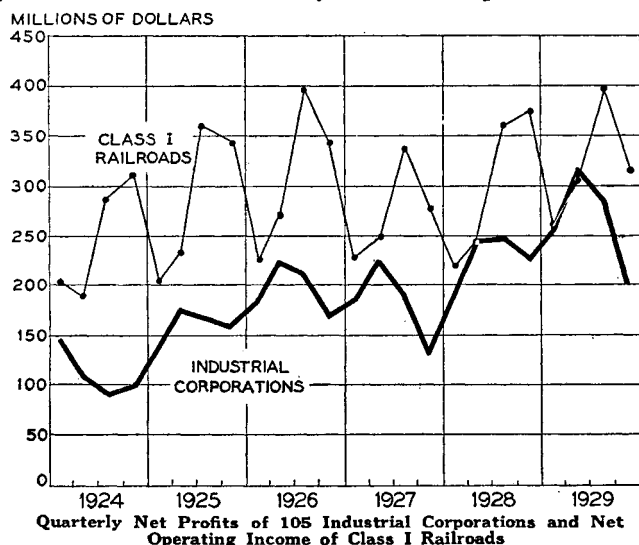
The foreign merchandise trade of this country showed a considerable decline during February. Exports, valued at \$351,000,000, had at least the usual decrease from January, and imports, valued at \$281,000,000, had a much larger decrease from the previous month than the normal seasonal movement. The value of exports was less than in February of any year since 1923, and the value of imports was less than in the corresponding month of any year since 1922.

All principal groups of both imports and exports continued to contribute to the downward movement in total foreign trade. Undoubtedly lower commodity prices accounted partly for the decrease in value. Compared with a year ago, the exports of manufactured products were down \$35,000,000, or 16 per cent, and exports of crude materials and crude foodstuffs decreased 26 and

45 per cent, respectively. Imports of crude materials, the chief items of which are crude rubber and raw silk, showed a loss of \$39,000,000, or 28 per cent.

### Business Profits in 1929

Reports of 629 companies now available, comprising 33 main industrial and mercantile groups, showed net profits for the full year 1929 that were 19 per cent larger than in 1928 and 46 per cent larger than in 1927. This very favorable showing for the full year 1929 occurred in spite of a sharp drop in industrial profits during the final quarter which accompanied the business recession then in progress. In the fourth quarter, industrial profits declined to the lowest level since the first quarter of 1928, following an unusually high level in the preceding part of 1929, as is shown in the accompanying diagram. This diagram also shows that railroad profits declined considerably in the final quarter of 1929.

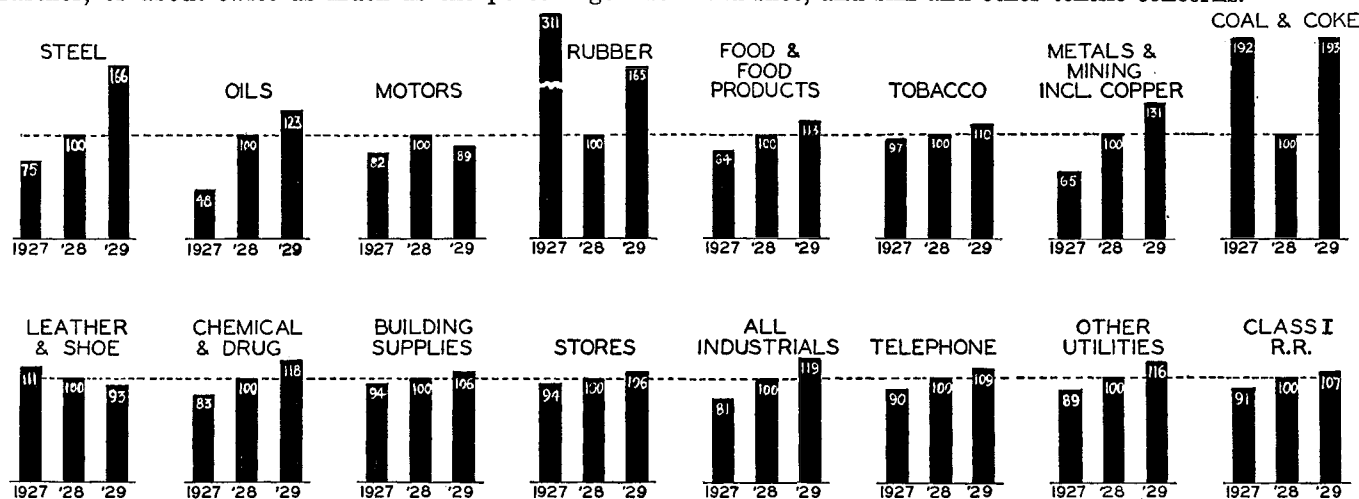


A large proportion of all the industrial groups had a materially higher margin of net profit for the full year 1929 than for 1928. The outstanding example was the steel group, which expanded net earnings 66 per cent further, or about twice as much as the percentage rise

(Net profits in thousands of dollars)

| Corporation Groups                               | Number     | 1927             | 1928             | 1929             |
|--|------------|------------------|------------------|------------------|
| Steel companies                                  | 24         | \$154,009        | \$205,310        | \$339,754        |
| R. R. equipment                                  | 13         | 33,236           | 23,587           | 37,169           |
| Oils   | 45         | 138,742          | 291,170          | 356,849          |
| Motors   | 14         | 302,985          | 370,842          | 331,216          |
| Motor parts and accessories (excl. tires)        | 41         | 42,416           | 78,116           | 89,197           |
| Rubber   | 13         | 58,754           | 18,921           | 31,284           |
| Bakery products                                  | 11         | 46,156           | 50,153           | 58,001           |
| Beverages  | 6          | 15,719           | 18,128           | 21,816           |
| Confectionery                                    | 8          | 16,573           | 18,395           | 20,903           |
| Meat packing                                     | 11         | 18,851           | 34,462           | 33,978           |
| Other miscellaneous food products                | 37         | 110,086          | 127,186          | 144,856          |
| Tobacco  | 17         | 96,008           | 99,435           | 109,675          |
| Leather and shoes                                | 13         | 29,820           | 26,854           | 24,868           |
| Paper  | 9          | 7,752            | 8,470            | 8,944            |
| Printing and publishing                          | 12         | 27,130           | 31,767           | 36,274           |
| Amusement  | 12         | 29,662           | 36,515           | 55,031           |
| Clothing   | 6          | 8,098            | 10,498           | 7,955            |
| Silk   | 13         | 7,788            | 8,551            | 7,116            |
| Other miscellaneous textiles                     | 28         | 27,273           | 18,111           | 17,671           |
| Metals and mining (excl. coal, coke, and copper) | 20         | 40,682           | 51,272           | 68,724           |
| Coal and coke                                    | 13         | 12,760           | 6,662            | 12,863           |
| Copper   | 12         | 25,310           | 49,849           | 63,259           |
| Machinery  | 31         | 31,915           | 37,541           | 44,801           |
| Chemicals and drugs                              | 27         | 101,733          | 122,451          | 144,836          |
| Electrical equipment                             | 10         | 46,962           | 54,577           | 73,381           |
| Heating and plumbing                             | 7          | 29,581           | 31,621           | 35,434           |
| Household equipment                              | 8          | 7,722            | 9,568            | 14,949           |
| Office equipment                                 | 9          | 23,868           | 29,333           | 38,063           |
| Realty   | 4          | 1,749            | 2,686            | 4,034            |
| Shipping   | 5          | 4,415            | 4,569            | 6,611            |
| Building supplies                                | 33         | 64,667           | 68,993           | 73,116           |
| Stores   | 36         | 152,145          | 162,272          | 172,206          |
| Miscellaneous industries                         | 81         | 213,009          | 273,059          | 338,586          |
| <b>Total 33 groups</b>                           | <b>629</b> | <b>1,927,576</b> | <b>2,380,924</b> | <b>2,823,420</b> |
| Telephone (net operating income)                 | 97         | 227,566          | 253,437          | 276,139          |
| Other public utilities                           | 95         | 775,177          | 868,703          | 1,006,500        |
| <b>Total public utilities</b>                    | <b>192</b> | <b>1,002,743</b> | <b>1,122,140</b> | <b>1,282,639</b> |
| <b>Class I R.R. (net operating income)</b>       | <b>180</b> | <b>1,085,142</b> | <b>1,194,488</b> | <b>1,274,774</b> |

from 1927 to 1928. Amusement, household equipment, realty, and shipping companies reported large increases in profits; also the railroad equipment, rubber, and coal and coke companies, but in the case of the three latter groups the advances represented recoveries from the low figures for 1928. Increases in net earnings of the oil, machinery, electrical equipment, office equipment, metals and mining companies, and miscellaneous were also above the average for all industrial companies. The only groups to show smaller profits in 1929 than in the preceding year were the automobile companies, which, exclusive of the Ford Motor Company, reported an 11 per cent reduction; and clothing, meat packing, leather and shoe, and silk and other textile concerns.



Annual Net Profits of Industrial, Mercantile, and Public Utility Corporations, and Net Operating Income of Class I Railroads in 1929, Compared with 1928 and 1927 (1928 = 100 per cent)

## Employment and Wages

The number of factory workers employed in the country as a whole showed practically no change from January to February, whereas usually there is a seasonal increase of around 1½ per cent; consequently the general level of employment, after seasonal adjustment, declined further to a new low point since 1924. In New York State, factory employment declined about ½ per cent, in contrast to a usual gain of more than 1 per cent, and this bank's adjusted index fell slightly below the lowest level reached in 1924. Two other indicators of the employment situation—voluntary labor turnover, and the ratio between orders for workers and applications for employment at New York State employment bureaus—also remained at low levels in February.

Factory payrolls in New York State declined in February, whereas there is usually a seasonal increase in that month, and were substantially under the level of a year previous. Average weekly earnings of the factory workers who retained their employment also declined from January to February, and were lower than in any month last year.

In March the ratio of help wanted to applications for work increased somewhat. There were indications that factory employment showed little change, when usually there is a seasonal increase, but an expansion in out-of-door activities provided employment for more workers. The number of workers who were unemployed remained relatively large.

## Production

A number of important industries made further recoveries in February from the low levels to which productive activity fell in December, but operations in nearly all cases remained well below a year ago, and preliminary indications are that seasonally adjusted figures for March may show a decline. The largest February increase in production, relative to the usual seasonal movement, occurred in the steel industry, but there was also a substantial increase in pig iron output, and a 30 per cent increase in the average daily automobile production was slightly more than usual for the season. Other more than seasonal increases occurred in February in silk manufacture and the production of cement; slaughterings of live stock in the aggregate showed less than the usual decline; and petroleum production was somewhat higher. On the other hand, output of copper was further curtailed, and this bank's index, which is adjusted for the usual seasonal variations and year-to-year growth, reached a new low level since 1923. Consumption of raw cotton showed an unseasonal decline, and curtailment of activity was also reflected in this bank's indexes of zinc output and of tin deliveries. Production of coal dropped steadily throughout February, and figures for the month as a whole showed a decrease of more than seasonal proportions.

Operations in the steel industry, after reaching 82 per cent of capacity in the third week of February, decreased to slightly below 75 per cent in the third week of March, but there was a small recovery in the final week. Consequently, the average daily output for the month of March will probably show a decline, when usually there

is a considerable seasonal expansion. The rate at which pig iron was being produced at the beginning of March was less than 1 per cent above the average for the month of February as a whole, so that a decided increase would have been necessary in the remainder of the month in order to show the usual March expansion. A decline in automobile production was reported in the second half of February, and it appears doubtful whether the March output will show the usual seasonal increase over the February average. Petroleum production averaged less than in February, and coal production was decidedly lower.

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

|                                      | 1929 |      | 1930 |      |
|--------------------------------------|------|------|------|------|
|                                      | Feb. | Dec. | Jan. | Feb. |
| <b>Metals</b>                        |      |      |      |      |
| Pig iron.....                        | 115  | 95   | 94   | 101  |
| Steel ingots.....                    | 117  | 86   | 91   | 109  |
| Copper, U. S. mines.....             | 126  | 107  | 92   | 88p  |
| Lead.....                            | 86   | 94   | 79   | 89p  |
| Zinc.....                            | 111  | 83   | 83   | 81   |
| Tin deliveries.....                  | 104  | 94   | 84   | 73   |
| <b>Automobiles</b>                   |      |      |      |      |
| Passenger cars.....                  | 138  | 39   | 87   | 88p  |
| Motor trucks.....                    | 143  | 74   | 99   | 109p |
| <b>Fuels</b>                         |      |      |      |      |
| Bituminous coal.....                 | 99   | 88   | 87   | 82p  |
| Anthracite coal.....                 | 107  | 114  | 103  | 99p  |
| Coke.....                            | 110  | 104  | 104  | 103p |
| Petroleum.....                       | 119  | 106  | 104  | 107p |
| Gasoline.....                        | 102  | 100  | 93   |      |
| <b>Textiles and Leather Products</b> |      |      |      |      |
| Cotton consumption.....              | 105  | 80   | 89   | 86   |
| Wool mill activity.....              | 97   | 76   | 75   | 75p  |
| Silk consumption.....                | 99   | 103  | 104  | 108  |
| Leather, sole.....                   | 102  | 109  | 113  | 118p |
| Boots and shoes.....                 | 97   | 86   | 92p  | 87p  |
| <b>Foods and Tobacco Products</b>    |      |      |      |      |
| Livestock slaughtered.....           | 100  | 95   | 90   | 94   |
| Wheat flour.....                     | 103  | 88   | 94   | 95p  |
| Sugar meltings, U. S. ports.....     | 90   | 92   | 93   | 75   |
| Tobacco products.....                | 103  | 103  | 99   | 102  |
| <b>Miscellaneous</b>                 |      |      |      |      |
| Cement.....                          | 119  | 111  | 108  | 110  |
| Tires.....                           | 130  | 65   | 87r  | 85   |
| Paper, newsprint.....                | 86   | 86   | 91   | 92   |

p Preliminary  
r Revised

## Indexes of Business Activity

General business activity showed no consistent change in February, and at present it appears that March figures will show no material change. Average daily car loadings of merchandise and miscellaneous freight increased slightly more than usual in February, and showed a further increase of about seasonal proportions in the first half of March, while loadings of bulk freight have shown a little more than the usual decline. The total foreign trade of this country dropped to a level substantially under that of a year previous, and the index of imports, adjusted for seasonal variations and year-to-year growth, was the lowest since 1924. Department store sales in this district were little changed in February, while advertising and chain store sales showed small increases, after seasonal allowance. Average daily life insurance sales increased in February, but the gain was somewhat less than seasonal, and the adjusted index showed a decline for the first time since last October. This bank's index of bank debits in 140 centers outside of New York City remained in February at about the lowest level since 1924, and it now appears probable that the March index will show little change.



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

|   | 1929 |      | 1930 |      |
|---|------|------|------|------|
|   | Feb. | Dec. | Jan. | Feb. |
| <b>Primary Distribution</b>                               |      |      |      |      |
| Car loadings, merchandise and misc. ....                  | 99   | 87   | 92   | 94   |
| Car loadings, other. ....                                 | 104  | 88   | 90   | 89   |
| Exports. ....   | 105  | 80   | 85   | 85p  |
| Imports. ....   | 117  | 104  | 104  | 95p  |
| Panama Canal traffic. ....                                | 91   | 75   | 85   |      |
| <b>Distribution to Consumer</b>                           |      |      |      |      |
| Department store sales, 2nd Dist. ....                    | 101  | 100  | 98   | 99   |
| Chain store sales, other than grocery. ....               | 99   | 101  | 89   | 96   |
| Life insurance paid for. ....                             | 104  | 107  | 111  | 106  |
| Advertising. ....   | 98   | 93   | 86   | 89   |
| <b>General Business Activity</b>                          |      |      |      |      |
| Bank debits, outside of New York City. ....               | 112  | 103  | 98   | 98   |
| Bank debits, New York City. ....                          | 187  | 138  | 117  | 126  |
| Velocity of bank deposits, outside of New York City. .... | 125  | 115  | 115  | 115  |
| Velocity of bank deposits, New York City. ....            | 210  | 139  | 129  | 143  |
| Shares sold on N. Y. Stock Exchange. ....                 | 313  | 289  | 241  | 267  |
| Postal receipts. ....                                     | 87   | 85   | 80   | 79   |
| Electric power. ....                                      | 106  | 102  | 103p |      |
| Employment in the United States. ....                     | 101  | 96   | 96   | 94p  |
| Business failures. ....                                   | 102  | 100  | 111  | 116  |
| Building contracts. ....                                  | 109r | 81r  | 88r  | 90r  |
| New corporations formed in N. Y. State. ....              | 119  | 86   | 96   | 101  |
| Real estate transfers. ....                               | 85   | 71   | 69   | 69   |
| General price level*. ....                                | 179  | 174  | 174  | 173  |
| Composite index of wages*. ....                           | 225  | 227  | 227r | 226  |
| Cost of living*. ....                                     | 170  | 172  | 170  | 170  |

p Preliminary \* 1913 average=100  
r Revised

### Department Store Trade

The total sales of reporting department stores in this district during February were practically unchanged from a year ago. Sales of New York City stores were 1.5 per cent larger than last year, and the Hudson River Valley district showed an increase of more than 5 per cent, but the sales of the Rochester, Northern New York State, and Capital district department stores showed little or no change from a year ago, and all other localities reported decreases. The sales of the reporting apparel stores continued to be substantially smaller than last year.

Stocks of merchandise on hand in department stores were slightly smaller than a year ago, and the average rate of stock turnover was a little higher. Collections on charge accounts outstanding continued to be slower than a year previous.

| Locality                           | Percentage change<br>February 1930<br>compared with<br>February 1929 |                                     | Per cent of<br>accounts<br>outstanding<br>January 31<br>collected in<br>February |      |
|------------------------------------|--|-------------------------------------|--|------|
|                                    | Net<br>sales   | Stock<br>on hand<br>end of<br>month | 1929   | 1930 |
| New York. ....                     | + 1.5  | - 0.2                               | 45.3   | 42.2 |
| Buffalo. ....                      | - 9.2  | + 5.0                               | ...  | ...  |
| Rochester. ....                    | + 0.2  | -10.3                               | 36.8   | 35.3 |
| Syracuse. ....                     | - 6.9  | + 2.7                               | 25.4   | 24.1 |
| Newark. ....                       | - 1.5  | - 4.8                               | ...  | ...  |
| Bridgeport. ....                   | - 4.1  | + 0.6                               | 36.2   | 37.0 |
| Elsewhere. ....                    | - 2.0  | - 5.7                               | 37.5   | 36.2 |
| Northern New York State. ....      | + 0.6  | ...                                 | ...  | ...  |
| Central New York State. ....       | - 1.9  | ...                                 | ...  | ...  |
| Southern New York State. ....      | - 8.5  | ...                                 | ...  | ...  |
| Hudson River Valley District. .... | + 5.9  | ...                                 | ...  | ...  |
| Capital District. ....             | + 0.3  | ...                                 | ...  | ...  |
| Westchester District. ....         | - 7.5  | ...                                 | ...  | ...  |
| All department stores. ....        | - 0.1  | - 0.9                               | 43.3   | 40.7 |
| Apparel stores. ....               | - 9.4  | + 1.1                               | 71.6   | 67.1 |

Sales and stocks in major groups of departments are compared with those in February 1929 in the following table.

|   | Net sales<br>percentage change<br>February 1930<br>compared with<br>February 1929 | Stock on hand<br>percentage change<br>February 28, 1930<br>compared with<br>February 28, 1929 |
|---|---|---|
| Toys and sporting goods. ....           | +15.9   | + 9.9   |
| Toilet articles and drugs. ....         | +10.5   | + 3.1   |
| Hosiery. ....                           | + 8.3   | - 7.7   |
| Shoes. ....                             | + 7.3   | + 2.0   |
| Women's and Misses' ready-to-wear. .... | + 6.4   | - 3.3   |
| Women's ready-to-wear accessories. .... | + 3.4   | +11.6   |
| Books and stationery. ....              | + 1.7   | +14.7   |
| Furniture. ....                         | + 1.4   | + 3.7   |
| Men's and Boys' wear. ....              | + 0.8   | - 2.6   |
| Cotton goods. ....                      | - 1.2   | + 7.7   |
| Men's furnishings. ....                 | - 1.2   | + 2.8   |
| Home furnishings. ....                  | - 1.2   | - 0.9   |
| Musical instruments and radio. ....     | - 2.4   | -13.6   |
| Linens and handkerchiefs. ....          | - 3.1   | + 8.4   |
| Silverware and jewelry. ....            | - 3.2   | + 0.7   |
| Woolen goods. ....                      | -10.7   | -17.0   |
| Luggage and other leather goods. ....   | -10.9   | +10.7   |
| Silks and velvets. ....                 | -12.5   | -15.4   |
| Miscellaneous. ....                     | - 4.4   | - 8.8   |

### Wholesale Trade

Wholesale dealers in this district reported an average decrease of 8 per cent in February sales as compared with a year previous, or about the same decrease as in January. Sales of groceries showed a very small increase over February 1929, but sales in all other reporting lines showed decreases. Following increases in January, the sales of men's clothing and paper declined in February, and sales of stationery showed the first decrease in almost a year. Large decreases continued to be reported in the sales of jewelry and diamonds, and there were fairly substantial declines also in sales of cotton goods, shoes, and hardware. Machine tool orders, reported by the Machine Tool Builders Association, were only a little over half as large as in February 1929. Quantity sales of silk goods, reported by the Silk Association, showed a comparatively small decrease, and drug dealers reported sales only slightly smaller than a year ago.

Stocks of silk goods, shoes, and drugs remained larger than a year ago, but stocks held by cotton goods and hardware dealers continued to be smaller than last year. Collections were slower than in 1929 in a majority of lines.

| Commodity              | Percentage change<br>February 1930<br>compared with<br>January 1930 |                          | Percentage change<br>February 1930<br>compared with<br>February 1929 |                          | Per cent of<br>accounts<br>outstanding<br>January 31<br>collected in<br>February |      |
|------------------------|---|--------------------------|--|--------------------------|--|------|
|                        | Net<br>sales  | Stock<br>end of<br>month | Net<br>sales   | Stock<br>end of<br>month | 1929   | 1930 |
| Groceries. ....        | -12.0   | - 5.2                    | + 0.4  | - 0.6                    | 66.3   | 67.7 |
| Men's clothing. ....   | +50.0   | ...                      | - 1.7  | ...                      | 42.9   | 34.6 |
| Cotton goods. ....     | +15.2   | + 1.8                    | -11.5  | - 4.3                    | 28.9   | 26.0 |
| Silk goods. ....       | - 9.8*  | - 0.3*                   | - 2.3*   | + 9.9*                   | 43.2   | 43.8 |
| Shoes. ....            | +24.1   | + 6.9                    | -12.7  | + 2.8                    | 35.2   | 32.4 |
| Drugs. ....            | -13.2   | +19.7                    | - 0.7  | +17.0                    | 39.0   | 31.4 |
| Hardware. ....         | - 6.9   | - 0.2                    | -12.2  | -12.7                    | 39.6   | 42.2 |
| Machine tools**. ....  | - 6.5   | ...                      | -49.3  | ...                      | ...  | ...  |
| Stationery. ....       | -17.3   | ...                      | - 3.2  | ...                      | 76.4   | 64.7 |
| Paper. ....            | - 9.5   | ...                      | - 5.6  | ...                      | 64.9   | 64.4 |
| Diamonds. ....         | - 7.0   | - 9.4                    | -37.1  | -30.6                    | 26.1   | 22.4 |
| Jewelry. ....          | + 7.4   | + 2.0                    | -33.5  | -10.6                    | ...  | ...  |
| Weighted Average. .... | + 6.4   | ...                      | - 7.9  | ...                      | 48.0   | 45.4 |

\* 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, APRIL 1, 1930

## Business Conditions in the United States

(Summarized by the Federal Reserve Board)

**I**NDUSTRIAL production increased in February, while the number of workers employed in factories was about the same as in January. Wholesale commodity prices continued to decline. Credit extended by member banks was further reduced in February, but increased in the first two weeks of March. Money rates continued to decline.

### PRODUCTION

In February industrial production increased about 2 per cent according to the Board's index, which is adjusted to allow for seasonal variations. This increase reflected chiefly a substantial gain in the output of iron and steel. Automobile production was in larger volume than during January, but was 30 per cent smaller than the large output of a year ago. Cotton and wool consumption by mills was substantially lower in February, and production of bituminous coal and copper also decreased.

In the first two weeks of March the output of steel mills declined in comparison with February, contrary to the usual seasonal movement. Bituminous coal output also was smaller.

The volume of building contracts awarded in February was about the same as in the preceding month. Residential building continued at an exceptionally low level while contracts for public works and utilities were large in comparison with the corresponding month in other recent years. Awards in the first two weeks of March were larger than in the first half of February.

### EMPLOYMENT

The volume of factory employment, which had reached a low point in January, showed little change in February, when an increase usually occurs. Factory payrolls increased during the month, but by a smaller amount than is usual at this season. In the steel, automobile, agricultural implement, and tobacco industries, employment increased during the four-week period, while further decreases occurred in the cotton and wool textile, lumber, automobile tire, electrical machinery, and machine tool industries.

### DISTRIBUTION

Freight car loadings on an average daily basis were slightly larger than in January, but smaller than in the corresponding month of any other recent year. Slight seasonal increase was reported during early March. Department store sales in February continued to be below the level of a year ago.

### PRICES

Wholesale prices of commodities declined further during February, and the Bureau of Labor Statistics index at 92.1 per cent of the 1926 average was at the lowest point since January 1922. Marked declines occurred during the month in the prices of many agricultural products—grains, hides, raw wool, and cotton; in certain imported raw materials, notably sugar and silk; and also in textiles, petroleum, and pig iron.

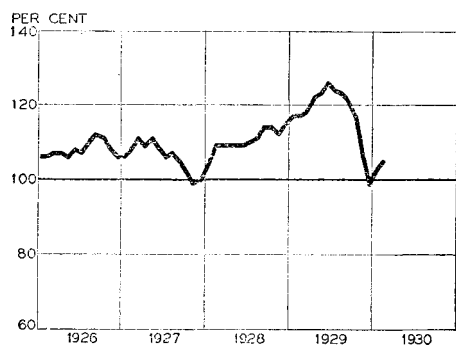
During the first part of March, a number of these commodities declined still further in price. Wheat and cotton prices were considerably lower, and silver reached the lowest point on record. By the middle of the month, however, prices of cotton, hides, and silver had recovered somewhat.

### BANK CREDIT

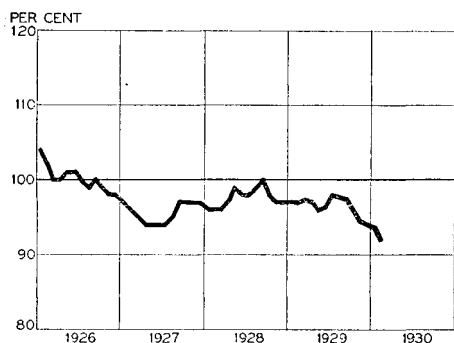
Liquidation of credit at member banks continued throughout February and on February 26 total loans and investments of member banks in leading cities were in about the same volume as in the early summer of last year. During the following two weeks, however, there was an increase of \$230,000,000 in loans and investments, chiefly in loans on securities. All other loans, largely for commercial purposes, increased slightly.

From the middle of February to the middle of March the volume of Reserve Bank credit outstanding decreased further by \$90,000,000. This decline reflected chiefly an increase in gold stock of \$75,000,000 and a further decline of money in circulation, offset in part by some increase in member bank reserve balances. Member bank indebtedness at the Reserve Banks declined to \$267,000,000, the lowest level since early in 1925; Reserve Bank holdings of bills declined, while those of United States securities increased.

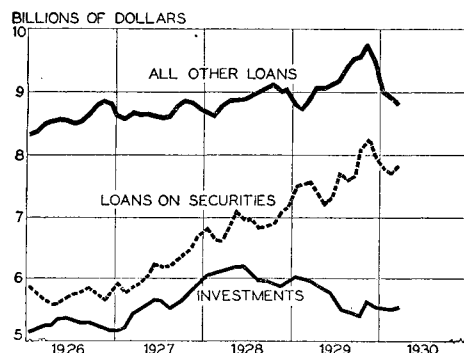
Money rates in the open market eased further and bond yields declined rapidly to the lowest level since 1928. At the middle of March the discount rate at the Federal Reserve Bank of New York was reduced from 4 to 3½ per cent, and the rate at the Cleveland, Philadelphia, and San Francisco banks from 4½ to 4 per cent.



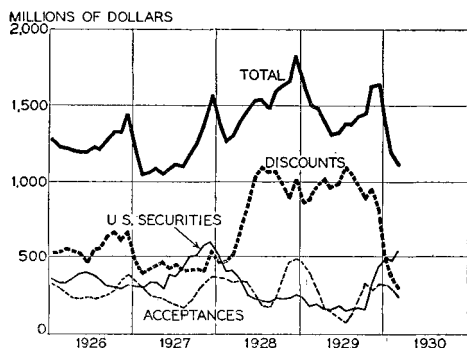
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variations (1923-25 average = 100 per cent)



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



Monthly Averages of Weekly Figures for Reporting Member Banks in Leading Cities (Latest figures are averages of first 2 weeks of March)



Reserve Bank Credit (Monthly averages of daily figures for 12 Federal Reserve Banks; latest figures are averages of first 18 days of March)