

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

June 1, 1930

Money Market in May

Open market money rates declined in May to levels even lower than those reached temporarily in March, in several instances to the lowest levels since the latter part of 1924 or early 1925, and there were evidences of a somewhat more plentiful supply of funds. The tendency toward easier money conditions was apparent before the reduction in the rediscount rate of the Fed-

Money Rates at New York

	May 31, 1929	April 30, 1930	May 29, 1930
Stock Exchange call loans.....	*6.00	*3½-4	*3.00
Stock Exchange 90 day loans...	8½	4	3½
Prime commercial paper.....	6	3¾-4	3½-¾
Bills—90 day unindorsed.....	5½	2¾	2¾
Customers' rates on commercial loans.....	†5.78	†4.59	†4.39
Treasury certificates			
Maturing Sept. 15 (yield)...	5.06	3.02	2.00
Maturing Dec. 15 (yield)...	5.02	3.19	2.42
Federal Reserve Bank of New York rediscount rate.....	5	3½	3
Federal Reserve Bank of New York buying rate for 90 day bills.....	5½	3	2½

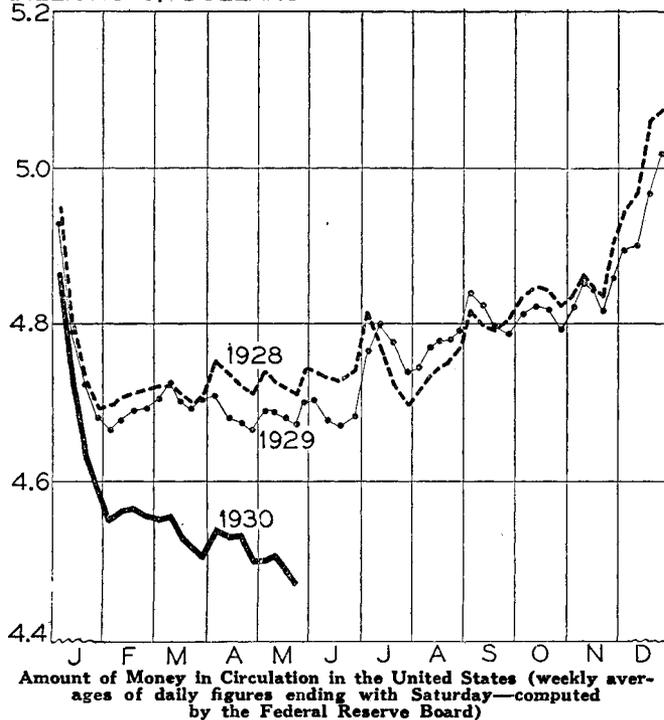
*Range for preceding week †Average rate of leading banks at middle of month; April average revised

eral Reserve Bank of New York from 3½ to 3 per cent on May 2, and was accelerated after that event.

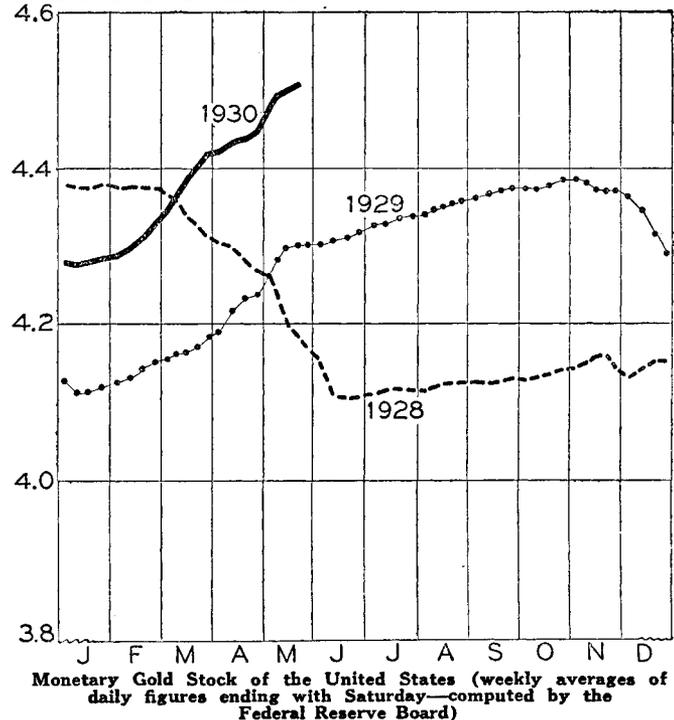
The causes of the May decline in money rates were not of as temporary a character as that which caused the low rates during the March tax period. Two of the most important factors, which are illustrated in the charts below, were a renewed decline in the amount of currency in circulation and a continued inflow of gold.

As the first diagram indicates, nearly \$60,000,000 of currency has been retired from circulation since the middle of April, leaving the volume outstanding \$200,000,000 smaller than a year ago. The average per capita amount of currency in circulation at the end of April was reported by the United States Treasury Department to have been the smallest since the War. The decline in the use of currency during recent months has probably been due to the combined influence of at least three factors. One of these—the tendency to use checks drawn against demand deposits in place of currency—is not a recent development, but has been operative for a number of years. Other factors which probably have been more largely responsible for the unseasonable decline of the

BILLIONS OF DOLLARS



BILLIONS OF DOLLARS



past few months are reduced payrolls, accompanying the recent low level of industrial activity, and lower commodity prices.

Gold imports also have contributed to the ease in the money market during recent weeks. In the last few days of April and the first three weeks of May a total of more than \$60,000,000 of gold was received from abroad, chiefly from South America and Japan. This brought the total net inflow of gold since the beginning of the year to over \$200,000,000, so that the gold stock of this country reached in May the highest level since the autumn of 1927.

Through a gradual but fairly steady transfer movement, some of the surplus funds which accumulated in banks in other districts as the result of the retirement of currency from circulation or gold imports, came to New York, and tended to keep the supply of funds in the money market ample.

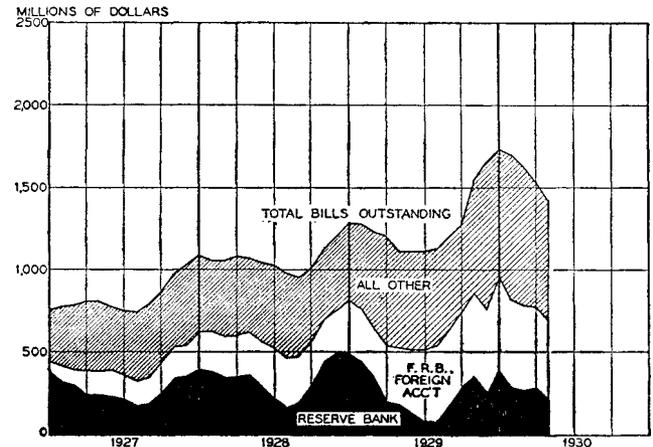
The April decline in volume of bond trading and the gradual recession in prices was checked, and bond prices in May averaged somewhat higher than in the latter part of April. Probably due at least in part to the large volume of new bonds coming onto the market, however, no great strength developed in the market for outstanding issues.

MEMBER BANK CREDIT

A rather slack demand for bank credit during the past month has been indicated by the weekly reports from member banks in leading cities in this district and throughout the country. Security loans of all reporting banks on May 21 showed little change from a month previous, and all other loans, largely commercial, showed a further decline of \$145,000,000. As in other periods when there has been a small demand for loans, and a considerable proportion of the banks have been out of debt at the Reserve Banks, there has been a tendency for banks to turn to investments in bonds for the employment of their funds. During the past month the reporting banks have increased their investments nearly \$65,000,000, bringing their total investment holdings to a volume \$350,000,000, or more than 6 per cent, larger than in the first week of February. Undoubtedly this increase in bank investments has been an important factor in the absorption of the unusually large volume of bond issues during recent months, and so has aided in the financing of public and corporation construction programs.

BILL MARKET

Following a downward revision in the closing days of April, open market rates for bills were reduced progressively during May, so that by the end of the month offering quotations were $\frac{1}{2}$ to $\frac{5}{8}$ per cent lower than at the end of April. Unendorsed bills of not more than 90 days maturity reached by the third week of May an offering rate of $2\frac{3}{8}$ per cent, which is $\frac{1}{8}$ per cent below the quotation reached for a few days during the middle of March, and is the lowest rate for these maturities since the closing months of 1924. Four months bills at $2\frac{1}{2}$ per cent and 5 and 6 months maturities at $2\frac{5}{8}$ per cent equaled the lowest levels reached in March. Accompanying the declines in open market rates, the New York Reserve Bank's buying rates were reduced, the rate for maturities up to 90 days being



Total Volume of Bankers Bills Outstanding, Showing Amount Held by Federal Reserve Banks, by Foreign Correspondents of Federal Reserve Banks, and by Other Investors

lowered by a total of $\frac{1}{2}$ per cent during the month to $2\frac{1}{2}$ per cent.

During the first three weeks of May, the investment demand for bills was reported to have been in substantial volume and generally in excess of the amount of new bills being offered to the dealers. This condition gave impetus to the reductions in bill rates and resulted in a decline in dealers' portfolios to a comparatively small figure—especially their holdings of 90 day bills, which were in greatest demand. After the latest reduction of $\frac{1}{8}$ per cent in the rate on 30 to 90 day bills effected on May 19, there was a moderate increase in the supply of bills, so that dealers' portfolios returned to about the same level as at the beginning of the month.

The bill holdings of the Federal Reserve System declined somewhat further in May, accompanying the seasonal decrease in the total volume of bills outstanding. As the diagram indicates, the retirement of Federal Reserve bill holdings from the year-end peak during the first four months of this year was less rapid than in 1929, although the total volume of bills outstanding declined by a larger amount than a year ago. From a December 1929 figure which was much higher than a year previous, acceptance outstandings dropped \$318,000,000 during the first four months of this year to \$1,414,000,000 on April 30, a reduction of 18 per cent, while Reserve System holdings during the same period declined \$182,000,000. In the first four months of 1929, the liquidation of outstanding acceptance credits amounted to \$173,000,000 or 13 per cent, and Federal Reserve bill holdings decreased \$310,000,000. Holdings of bills for foreign correspondents by Reserve Banks and holdings of bills outside of the Reserve System declined during the first four months of this year, whereas in the high rate period last year sizable increases occurred.

COMMERCIAL PAPER MARKET

Commercial paper rates in the open market tended gradually lower throughout May, so that by the end of the month the principal selling range at $3\frac{1}{2}$ - $3\frac{3}{4}$ per cent showed a reduction of $\frac{1}{4}$ per cent from the quotations prevailing at the end of April. Prime commercial paper is now being sold through the open market at the lowest rates since February 1925. Coincident with

declines in the return on other types of short-term investments, the banks throughout the country came into the market for a large amount of paper, especially after the middle of the month. During part of the time, available supplies of paper in dealers' portfolios fell short of the investment demand, and to that extent the activity of the market was curtailed.

The 21 dealers who report to this bank had \$553,000,000 of commercial paper outstanding on April 30, which represents a further increase of \$24,000,000, or 5 per cent, during that month, and a rise of \$288,000,000, or more than 100 per cent, from the low level reached last September. Although the excellent buying of paper by bank investors has made it possible for the dealers to offer increasingly attractive rates to commercial customers, the absence of a need for additional funds on the part of a number of commercial and industrial concerns has been given as a reason why the volume of commercial paper has not increased even more rapidly.

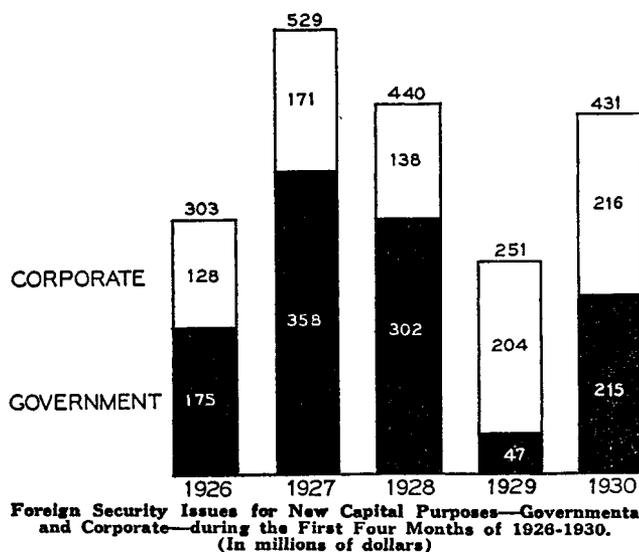
Security Markets

Continuing the downward tendency that developed in the latter part of April, stock prices underwent a sharp decline in the first few days of May, accompanied by the largest turnover of shares in several months. Following this decline, a recovery occurred until the middle of the month, after which the general movement of prices was irregular. In the second half of May there was a marked falling off in the activity of the market, sales on the Stock Exchange declining on a number of days to between 1,900,000 and 2,400,000 shares. As the net result of the diverse movements during the month, the average level of share prices in the closing days of May was about 6 per cent below the highest quotations of the first part of April. This recent level, however, still shows a net recovery of 47 per cent of the loss sustained in the break of last autumn, but is about one-fourth lower than the peak level of last September.

Bond prices, after a moderate advance in the closing days of April and the first few days of May, held steady for the balance of the past month at levels slightly below those reached in mid-March. Throughout the month of May, the bond market was called upon to absorb rather large amounts of new bond flotations, and this tended to limit buying power for previously outstanding issues and to prevent any material advance in prices. Trading in bonds on the New York Stock Exchange was generally in rather small volume, considerably below the active turnover of March.

New Financing

New security issues in April totaled \$950,000,000, a larger amount than in any preceding month of 1930, and \$150,000,000 above the total of April 1929. All but \$50,000,000 of the April total represented issues for new capital purposes, and of the \$900,000,000 of new money obtained, 70 per cent was through the medium of bond flotations. Stock offerings, even excluding the American Telephone and Telegraph Company issue which is payable in August, were somewhat larger than in immediately preceding months, but the amount remained much smaller than a year ago.



Domestic corporate new capital issues during the first four months of this year have aggregated \$2,000,000,000, but due to the great decline in stock financing of investment trusts and financial companies, have been \$800,000,000 smaller than in the corresponding period of last year. In new bond offerings, however, there has been a large increase—from about \$850,000,000 in 1929 to \$1,400,000,000 this year, an expansion of 65 per cent. State and municipal financing, which is greatly facilitated by a favorable bond market, has shown an increase of 40 per cent between the two years. In the field of foreign financing also, a notable resumption of borrowing has occurred; the total for the first four months of 1930 was over 70 per cent larger than in the corresponding period last year, and practically as large as in 1928. The accompanying diagram compares the volume of foreign government and corporate financing in this market during the first four months of this year with that of the corresponding period in recent years. The corporate issues include security offerings by American concerns in cases where the funds were for employment in foreign countries; the inclusion of such issues considerably increased the amount of corporate securities shown for 1929 in the diagram.

The volume of new securities brought out during May appears to have compared favorably with the amount offered during the previous month. Some increase occurred in domestic industrial and public utility company flotations, while railroad financing, which had been large in the preceding two months, declined in May. Numerous State and municipal issues were announced, and the total for this group was substantial. The total of foreign issues does not appear to have quite kept pace with the \$158,000,000 average of March and April, since the only very large offering was the \$50,000,000 Japanese Government issue.

On May 19, the United States Treasury effected its fourth sale of Treasury bills. The allotted \$104,600,000 of bills, maturing on August 18, 1930, were sold by the Treasury at an average discount equivalent to an annual rate of 2.54 per cent on a bank discount basis. This rate

compares with a cost to the Treasury of 3.28 per cent on a 90 day issue floated last December, 3.31 per cent on the issue of last February, and 2.93 per cent on the issue sold on April 15.

Central Bank Rate Changes

The trend towards lower money rates abroad was further accelerated during May, twelve foreign central banks—eleven in Europe and one in South America—reporting reductions in their official discount rates. Five central banks made their reductions in the first three days of the month, as follows; on May 1, England and Belgium lowered their respective rates from 3½ to 3 per cent; on the 2nd the Bank of France rate was reduced from 3 to 2½ per cent and the Bank of Danzig rate from 5½ to 5 per cent. On the 3rd the Danish bank rate was cut from 4½ to 4 per cent. The Belgian rate has not been as low as 3 per cent since October 1909; the French rate was last below 3 per cent in October 1898; Denmark has not had a 4 per cent rate since 1913; and the Danzig rate is the lowest since that bank was founded in 1924.

The second group of changes came soon after the middle of the month. On the 19th the Bank of Italy rate was moved from 6 to 5½ per cent, this being its third reduction since the beginning of March. The Reichsbank rate was lowered on the 20th by ½ per cent to 4½ per cent, the lowest German bank rate since July 1914. This was followed by a reduction from 6 to 5½ per cent in the Austrian rate on the 24th, and a drop in the rate of the National Bank of Czechoslovakia from 5 to 4½ per cent on the 26th. The Czech bank rate had remained unaltered since March 1927. On the 30th, the National Bank of Hungary reduced its rate by ½ per cent to 5½ per cent, the lowest since this central bank was organized in 1924. Reference was made last month to press reports of a reduction in the Yugoslav bank rate in April. The National Bank of Yugoslavia did not lower its rate until May 28. This reduction was from 6 to 5½ per cent, and was the first change since the war.

On May 21 the Bank of the Republic of Colombia lowered its discount rate from 9 to 8 per cent, the higher rate having been in force since November 20, 1929.

Gold Movement

The receipt of \$2,400,000 of gold from Peru was the only import of substantial amount at the Port of New York during May, but gold continued to arrive at San Francisco from the Far East, \$12,000,000 coming from Japan and \$900,000 from China. In addition there was a release of \$2,000,000 of gold earmarked for foreign account. Exports for the month were negligible. The net gain in May to the country's gold stock through these movements showed a considerable decline from previous months, amounting to only \$17,800,000. The preliminary figure of gold added to the gold stock in the first five months of 1930 is \$218,900,000 as compared with \$151,500,000 in January-May, 1929.

The principal movement abroad in May was the series of withdrawals of gold from the Bank of England for shipment to France, amounting to over £11,000,000, offset in part by the receipt of £5,000,000 in sovereigns from Australia and £800,000 from South Africa. The

movement from Australia to London appears to have ended on May 17 with a cumulative total of £22,000,000. Of the £2,500,000 South African gold offered in the London market in May, Germany secured £1,250,000 and France £515,000, the balance going mainly to the trades and to India.

Foreign Exchange

The steadiness which characterized the foreign exchanges in April was followed by a slight decline early in May. Through the middle of the month changes were few, but in the last week a sagging tendency reappeared and towards the month-end a number of quotations were somewhat below those of April 30. Despite this tendency, only the Spanish, Argentine, and Brazilian currencies and the Shanghai tael continue to be quoted below last year's levels. Sterling fluctuated within narrow limits, and French francs and lire were practically unchanged throughout the month. Guilders, which had risen sharply in April, lost nearly half their gain by May 14 but recovered part of the decline in the last week. Pesetas fell rather sharply in the first two weeks and then became steadier at almost their lowest level. Japanese yen and Canadian dollars showed a net gain for the month.

Cable Rates

Country	May 31, 1929	April 30, 1930	May 27, 1930
Belgium.....	\$. 1390	\$. 1397	\$. 1396
England.....	4. 8488	4. 8622	4. 8603
France.....	.0391	.0392	.0392
Germany.....	.2385	.2388	.2387
Italy.....	.0523	.0524	.0524
Netherlands.....	.4018	.4026	.4022
Spain.....	.1403	.1242	.1221
Sweden.....	.2674	.2688	.2684
Switzerland.....	.1925	.1939	.1935
Canada.....	.9919	.9988	.9995
Argentina.....	.9533	.8726	.8681
Brazil.....	.1188	.1188	.1185
Japan.....	.4419	.4940	.4943
Shanghai (tael).....	.5850	.4706	.4275

Employment and Wages

The number of workers employed in representative factories throughout the United States declined only seasonally between the middle week of March and the middle week of April. Consequently, for the first time since last July, this bank's national index of factory employment, adjusted for seasonal variations, did not decline. In New York State, factory employment decreased slightly more than usual in April, but the seasonally adjusted index showed only a small decline following steady and substantial declines in each of the preceding six months.

The rate of voluntary labor turnover showed an unusually small increase in April, which is usually a month when many factory employees change their jobs. Lay-offs were fairly numerous, and the number of new employees hired was small, so that it appears to have continued to be difficult for those out of work to secure factory employment. A slightly more favorable situation is reflected in the ratio between orders for workers and applications for employment at New York State employment bureaus; this ratio increased more than seasonally in April in response to the expansion of outdoor activities, and showed a further advance in the first three weeks of May, so that comparisons with 1929 were more favorable than in a number of months.

Business Profits

The earnings reports of 257 industrial and mercantile companies available at this time show that first quarter net profits this year were smaller than in 1929 by 22 per cent. The aggregate profits of these companies, however, remained 5 per cent larger than in the first quarter of 1928. Of the 19 groups of companies shown in the table below, 14 reported smaller net income than a year ago.

The largest reduction in actual amount of profits was suffered by the automobile companies, and this group also showed one of the largest percentage reductions. Profits of the industry as a whole were down 43 per cent from the first quarter of 1929, and excluding General Motors Corporation, whose net return was 27 per cent lower, the profits of the remaining companies which so far have reported, were 75 per cent smaller. The profits of the automobile parts and accessories industry were only about half of those of a year ago, and the copper companies likewise reported a shrinkage of over 50 per cent. The next largest percentage declines occurred in the net income of machinery, oil, building supply, office equipment, tobacco, and miscellaneous mining and smelting concerns. Steel companies' profits showed a contraction somewhat smaller than the average for all concerns, and the chemical and electrical equipment groups reported reductions of only 6 and 10 per cent, respectively. The food and food products group showed unusual stability in earning power, with net profits off less than 1 per cent. Motion picture companies continued to expand earnings; the first quarter net profits of reporting companies in this group were 39 per cent larger than in 1929, and three times as large as in 1928. Other groups whose profits were in excess of a year ago included the coal and coke, paper, printing and publishing, and railroad equipment concerns.

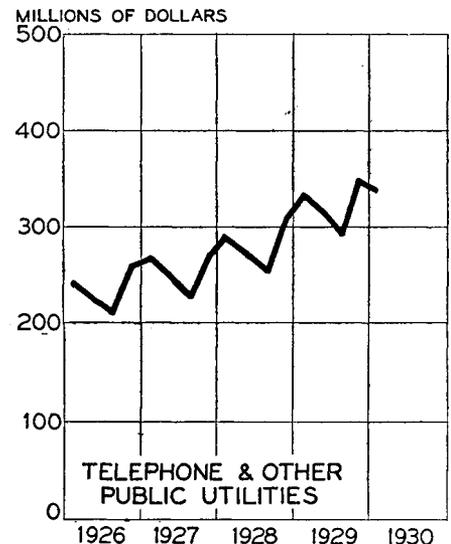
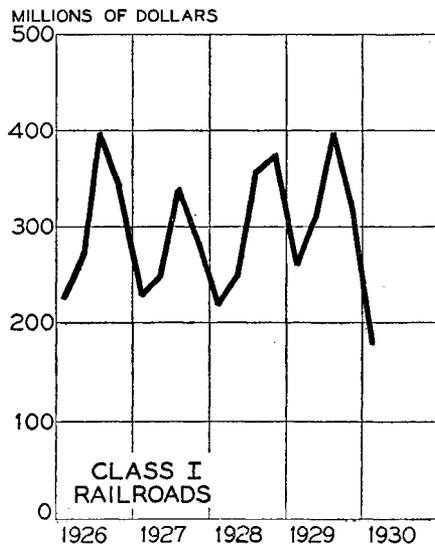
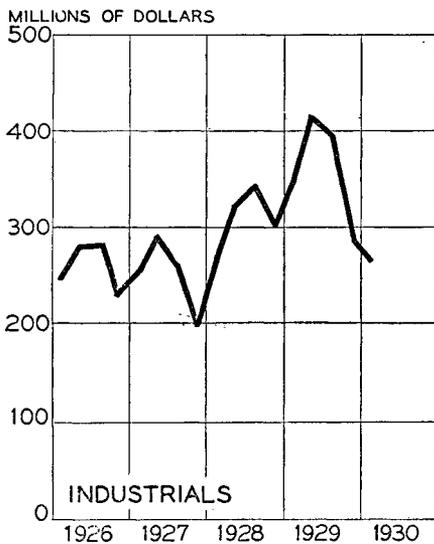
As the first part of the accompanying diagram indicates, industrial corporation profits in the first quarter

of 1930 were below those of the last quarter of 1929, following a large decrease in that period. In each of the past three years, first quarter profits have been larger than those of the preceding quarter. Net operating income of Class I railroads, depicted in the second part of the diagram, declined considerably further in the first three months of this year, to an amount 32 per cent below a year ago, and the smallest since the first quarter of 1922. Telephone companies and other large public utility corporations earned less in the first quarter of 1930 than in the preceding quarter, contrary to the usual seasonal movement, but total public utility profits were slightly above the level of a year ago.

(Net profits in thousands of dollars)

Corporation groups	Number	First quarter		
		1928	1929	1930
Automobile.....	15	88,686	93,484	52,945
Automobile parts and accessories (exclusive of tires).....	28	10,971	19,167	9,149
Oil.....	25	12,435	23,970	16,939
Steel.....	13	34,216	68,424	56,562
Food and food products.....	29	34,168	38,959	38,595
Machinery.....	14	5,867	7,764	5,099
Copper.....	8	6,016	15,321	6,545
Coal and coke.....	7	1,482	1,869	2,539
Other mining and smelting.....	12	6,163	10,612	7,596
Motion picture.....	5	4,841	10,428	14,516
Building supplies.....	10	2,912	3,797	2,622
Chemical.....	14	15,193	20,169	19,057
Electrical equipment.....	8	16,400	22,265	20,160
Office equipment.....	6	4,596	6,173	4,655
Paper.....	7	3,579	2,650	4,205
Printing and publishing.....	6	7,207	8,130	9,228
Railroad equipment.....	6	5,394	7,215	8,629
Tobacco.....	4	1,701	1,965	1,521
Miscellaneous.....	40	41,527	47,033	37,231
Total 19 groups.....	257	303,354	409,395	317,793
Telephone (net operating income)	106	62,700	69,600	66,000*
Other public utilities (net earnings)	95	226,100	263,000	270,000
Total public utilities.....	201	288,800	332,600	336,000
Class I railroads (net operating income)	172	217,400	259,300	176,300

*March 1930 estimated

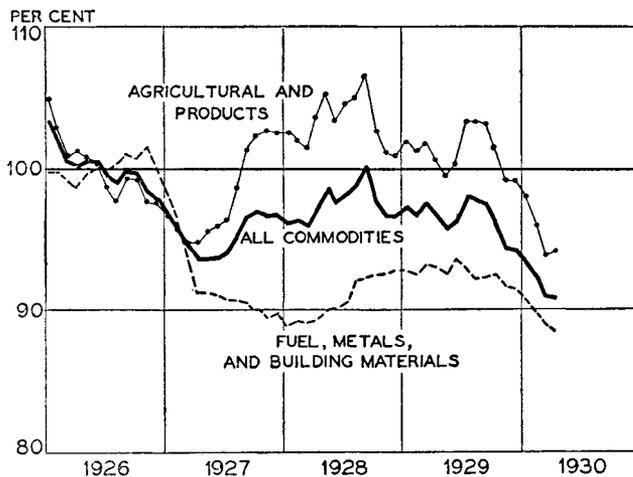


Quarterly Net Profits of 163 Industrial Companies, Net Operating Income of 172 Class I Railroads, and Net Operating Income of 106 Telephone Companies and Net Earnings of 95 Other Public Utilities Combined

Commodity Prices

Further declines in commodity prices occurred in May, and the general level consequently reached a new low since 1916. The most substantial declines were in metal prices, while the agricultural commodities were irregular. At some time during the month, new low levels for recent years were established by finished steel, lead, zinc, tin, crude rubber, domestic wool, and raw silk. Pig iron also declined further, and was the lowest since September 1928. The price of domestic copper was reduced further from 14 to 12½ cents, the lowest since July 1927, but there was a recovery of ½ cent from this level. Scrap steel declined rapidly; from the high of \$19.75 a ton, reached in January 1929, the price had dropped to \$15.25 in December, and after recovering to \$17.00 in February, declined to \$14.75 in the fourth week of May.

The general index of the Bureau of Labor Statistics declined only a fraction of a point further in April, as recoveries in some of the agricultural commodities and their products, which are heavily weighted in the index, nearly offset further declines in other groups, principally in the metals. This is illustrated in the accompanying diagram, where the more important groups have been combined into two major divisions. The diagram shows that the agricultural commodities in March were 13 points under the high level of September 1928, and were about 1 point under the low of March 1927; in April, however, a small recovery occurred. The group composed of fuels, metals, and building materials, however, has declined almost continuously since the middle of last year.



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

Production

Increases in individual lines of industrial production slightly more than offset decreases in April, after allowance is made for the usual seasonal changes, and the net result was a small advance in total productive activity. This followed some reduction in activity during March. A continued rather low level of production is

indicated, however, by the fact that all but one of the twenty-four indexes of production of this bank now available for April were below the high levels of April 1929, and sixteen were below the long-time trend of growth, calculated from the records of past years.

Production in the metal industries was virtually unchanged in April, and this bank's index of total automobile production likewise was practically the same in April as in March, as output showed just about the usual seasonal expansion. The fuel industries, however, generally increased their activity. In the textile industries there was a sharp decline in mill consumption of raw silk, and although a moderate increase in cotton consumption occurred, this bank's index of textile output declined to a new low level since 1924.

In May, operations in the steel industry declined seasonally, and production of bituminous coal failed to show the usual increase in the first three weeks of the month, while output of anthracite increased more than in the corresponding period in most previous years, and average daily production of petroleum was larger than in April. A sharp curtailment in the production of cotton goods was reported.

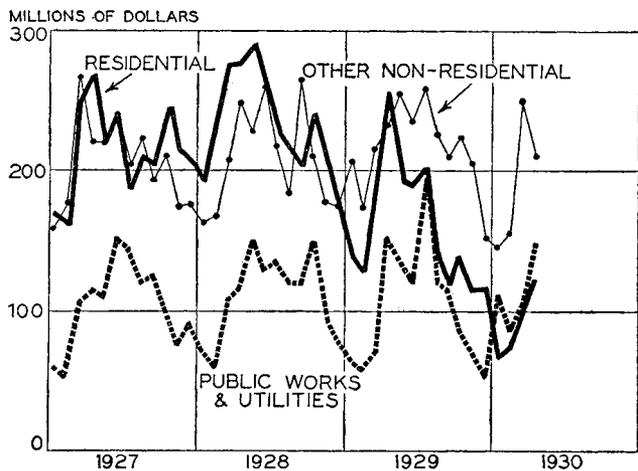
(Adjusted for seasonal variations and usual year-to-year growth)

	1929	1930		
		Apr.	Feb.	Mar.	Apr.
Metals				
Pig iron.....	118	101	101	102
Steel ingots.....	122	109	99	101
Copper, U. S. mines.....	134	87	83	84 _p
Lead.....	114	89	91	93 _p
Zinc.....	99	81	78	76
Tin deliveries.....	114	73	115	89
Automobiles				
Passenger cars.....	137	88	90	90 _p
Motor trucks.....	146	109	117	113 _p
Fuels				
Bituminous coal.....	90	81	70	85 _p
Anthracite coal.....	100	100	67	77 _p
Coke.....	118	103	103	108 _p
Petroleum, crude.....	112	107	98 _r	99 _p
Petroleum products.....	100	94	93	
Textiles and Leather Products				
Cotton consumption.....	104	86	83	86
Wool mill activity.....	103	75	67	67
Silk consumption.....	123	108	98	85
Leather, sole.....	101	118	109	116 _p
Boots and shoes.....	97	90	88 _p	95 _p
Foods and Tobacco Products				
Live stock slaughtered.....	101	94	89	96
Wheat flour.....	109	95	94	106 _p
Sugar meltings, U. S. ports.....	96	75	75	80
Tobacco products.....	112	102	98	103
Miscellaneous				
Cement.....	114	110	111	108
Tires.....	132	87	80	96 _p
Paper, newsprint.....	87	92	84	80
Wood pulp.....	105	114	109	

_p Preliminary _r Revised

Building

Some further seasonal increase in building contracts occurred during April, but the total for 37 States reported by the F. W. Dodge Corporation, while the largest for any month since last August, was 25 per cent below the rather high total for April 1929. The accompanying diagram indicates the recent movements of the three major classifications of construction work. Both residential building and public works and utilities con-



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

tracts increased seasonally between March and April, while other non-residential work, composed principally of industrial and commercial building, declined. Ever since January, public works and utilities projects have been a more important element in the general building situation than have residential contracts, and the total volume in the first four months of the year has been 30 per cent greater than in 1929, while residential building has been little more than half of last year's volume. The total volume of building contracted for, due largely to the decline in residential awards, has been 17 per cent smaller than in 1929.

In the New York and Northern New Jersey district the building contract total for the period from the first of the year to April 30 has been 14 per cent smaller than for the corresponding period of 1929. This decline has been entirely due to a drop of 60 per cent in residential contracts, as other principal types of construction have all shown at least small increases over a year ago; in fact, contracts for public works and utilities have increased substantially. A decrease of \$94,000,000 in apartment house construction has accounted for much of the decline in residential contracts, though in addition contracts for other residential work have also shown considerable percentage reductions.

The daily average amount of building contracts awarded during the first three weeks of May was somewhat smaller than in the preceding month, and remained well below the level of a year ago.

Indexes of Business Activity

General business activity showed little change between March and April, and remained at a relatively low level. Car loadings of merchandise and miscellaneous freight increased moderately over the level of March, and loadings of bulk freight were practically unchanged when usually there is a sharp decline, but both remained considerably under the levels of recent years. Foreign trade showed no consistent change from March, and remained substantially lower than a year ago.

Department store sales in the Second District increased more than usual between March and April, even after allowance for the fact that this year's Easter busi-

ness was done in the latter month. The number of business failures declined less than usual in April, however, and after seasonal adjustment were as numerous as in any month in about eight years. The number of new corporations formed in New York State showed only a seasonal change, and was much smaller than in 1929.

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

	1929		1930	
	Apr.	Feb.	Mar.	Apr.
Primary Distribution				
Car loadings, merchandise and misc.	102	94	91	94
Car loadings, other	102	89	77	87
Exports	100	84	87 _p	81 _p
Imports	122	97	92 _p	99 _p
Panama Canal traffic	91	80	79	
Distribution to Consumer				
Department store sales, 2nd Dist.	101	99	104	105
Chain store sales, other than grocery....	94	96	93	90 _p
Life insurance paid for	102	106	109	103
Advertising	97	89	87	89
General Business Activity				
Bank debits, outside of New York City..	109	98	101	98
Bank debits, New York City	170	126	142	136
Velocity of bank deposits, outside of New York City	124	115	116	111
Velocity of bank deposits, New York City	195	143	159	150
Shares sold on N. Y. Stock Exchange....	304	267	299	396
Postal receipts	85	79	73	80
Electric power	102	94	91 _p	
Employment in the United States	103	94	93	93
Business failures	112	116	118	121
Building contracts, 37 States r	117 _r	90 _r	88 _r	83 _r
New corporations formed in N. Y. State.	112	101	93	94
Real estate transfers	82	69	70	
General price level*	179	173	173	174
Composite index of wages*	226	226	228	226
Cost of living*	171	170	168	

p Preliminary r Revised * 1913 average=100

Foreign Trade

Both exports and imports of merchandise during April continued to show considerable decreases from a year ago. Exports of merchandise, valued at \$334,000,000, declined somewhat more than usual from March, and were 22 per cent smaller than in April 1929. Imports, valued at \$308,000,000, showed a slight increase over March, but were 25 per cent less than a year ago.

All of the principal economic groups of exports and imports participated in the decline compared with April 1929. The finished manufactures group, however, showed the smallest percentage loss, both in exports and in imports. The value of exports of grains and grain products in April remained low as compared with a year ago. The quantity of raw silk imported declined slightly from the previous month, and was 20 per cent less than in April 1929. Receipts of crude rubber were larger than in March, and were only 8 per cent less than a year ago.

Chain Store Trade

The total April sales of reporting chain stores averaged 14 per cent higher than a year ago, due to the unusually large increases in sales reported by ten cent, shoe, variety, and candy chain store systems, which no doubt reflected the inclusion of Easter trade this year, whereas it was included in March figures in 1929. Grocery chains also reported a substantial increase in sales compared with a year previous, but drug store sales continued slightly below last year.

The Easter trade was reflected also in sales per store, especially in the case of candy stores. All lines except drug chains showed at least slight increases in sales per unit.

Type of store	Percentage change April 1930 compared with April 1929		
	Number of stores	Total sales	Sales per store
Grocery.....	+ 3.6	+15.5	+11.5
Ten cent.....	+ 8.0	+11.0	+ 2.8
Drug.....	+ 7.4	- 0.8	- 7.6
Shoe.....	+ 9.2	+22.6	+12.3
Variety.....	+19.4	+20.0	+ 0.4
Candy.....	- 2.8	+42.9	+47.1
Total.....	+ 7.2	+14.1	+ 6.4

Department Store Trade

The total sales of the reporting department stores in this district showed an increase of more than 10 per cent over a year ago in April, the largest increase since August 1926, undoubtedly due in large part to the Easter trade, which occurred in April this year, but in March last year. However, the total sales of these stores for March and April combined were 2 per cent larger than in the corresponding period last year. Unusually large increases in sales were reported in April by stores in New York City, Rochester, Newark, central New York State, the Capital District, and the Westchester District. The Buffalo and Syracuse reporting department stores also showed increases in sales, following decreases in each month since August, and moderate increases in sales were reported in Bridgeport, southern New York State, the Hudson River Valley District, and in northern New York State. Reflecting Easter purchases of clothing, the reporting apparel stores showed about an 8 per cent increase in their sales compared with last year.

Stocks of merchandise on hand were smaller than a year ago for the fourth consecutive month. The percentage of outstanding charge accounts collected during April continued below the corresponding month last year.

Sales and stocks in major groups of departments are

Locality	Percentage change April 1930 compared with April 1929		Per cent of accounts outstanding March 31 collected in April	
	Net sales	Stock on hand end of month	1929	1930
New York.....	+10.4	+ 0.4	52.7	51.7
Buffalo.....	+ 5.4	- 5.0	.....	.....
Rochester.....	+12.7	- 9.6	42.6	38.9
Syracuse.....	+ 1.9	+ 0.4	.....	.....
Newark.....	+14.1	- 8.1	45.3	43.0
Bridgeport.....	+ 6.5	- 4.0	38.4	38.8
Elsewhere.....	+10.4	- 6.3	40.4	38.8
Northern New York State.....	+ 2.5	.....	.....	.....
Central New York State.....	+11.2	.....	.....	.....
Southern New York State.....	+ 8.3	.....	.....	.....
Hudson River Valley District.....	+ 5.4	.....	.....	.....
Capital District.....	+13.6	.....	.....	.....
Westchester District.....	+16.1	.....	.....	.....
All department stores.....	+10.4	- 1.9	47.8	46.3
Apparel stores.....	+ 7.7	- 5.4	49.7	47.6

compared with those of April 1929 in the following table. It will be noted that sales in the apparel departments showed the largest increases.

	Net sales percentage change April 1930 compared with April 1929	Stock on hand percentage change April 30, 1930 compared with April 30, 1929
Men's and Boys' wear.....	+51.4	- 5.8
Toys and sporting goods.....	+29.8	- 5.5
Luggage and other leather goods.....	+27.5	+ 2.3
Shoes.....	+24.2	- 7.0
Men's furnishings.....	+19.1	- 6.0
Hosiery.....	+14.7	- 3.0
Women's ready-to-wear accessories.....	+14.4	+ 9.3
Women's and Misses' ready-to-wear.....	+14.3	- 5.1
Woolen goods.....	+ 9.8	-18.9
Toilet articles and drugs.....	+ 9.1	+ 0.6
Books and stationery.....	+ 8.0	+10.6
Silverware and jewelry.....	+ 7.1	- 5.2
Furniture.....	+ 5.3	- 3.2
Home furnishings.....	+ 0.2	- 2.4
Musical instruments and radio.....	- 4.5	+18.2
Linens and handkerchiefs.....	- 4.7	+ 7.3
Cotton goods.....	- 8.8	+13.0
Silks and velvets.....	-14.9	-16.4
Miscellaneous.....	+ 8.7	- 9.3

Wholesale Trade

Wholesale dealers in this district reported April sales 10 per cent smaller than in 1929. Sales of diamonds showed an even greater decrease than in March, but in the sales of jewelry and men's clothing the declines, while substantial, were not so large in April as in the month previous. Grocery sales declined slightly following increases from a year ago in February and March, and decreases of varying size continued to be reported in the sales of cotton goods, hardware, stationery, and paper. The Machine Tool Builders Association reported machine tool orders far below the volume of last year, for the sixth consecutive month. Sales of silk goods, shoes, and drugs, however, showed increases compared with last year, following decreases in recent months.

Stocks held by grocery, cotton goods, and hardware dealers remained smaller than a year ago, but stocks of silk goods and drugs continued to be larger than in 1929. Wholesale shoe firms reported a decline in stocks from a year previous for the first time since December. Collections were slower than in April 1929 in a majority of lines.

Commodity	Percentage change April 1930 compared with March 1930		Percentage change April 1930 compared with April 1929		Per cent of accounts outstanding March 31 collected in April	
	Net sales	Stock end of month	Net sales	Stock end of month	1929	1930
Groceries.....	+ 0.9	-11.1	- 2.7	- 4.2	76.9	76.9
Men's clothing.....	-33.3	.....	-20.1	.....	36.7	33.1
Cotton goods.....	+ 2.7	- 0.5	-12.7	- 3.9	33.8	31.6
Silk goods.....	- 4.9*	- 4.4*	+ 6.3*	+13.9*	46.3	47.0
Shoes.....	- 4.9	-13.9	+ 8.8	- 5.7	47.8	50.7
Drugs.....	+19.5	- 7.1	+ 8.6	+ 7.4	49.3	35.1
Hardware.....	+ 4.4	+ 3.8	-21.3	- 9.5	49.7	48.7
Machine tools**.....	- 1.2	.....	-44.0	.....	.....	.....
Stationery.....	- 7.2	.....	- 6.7	.....	74.0	76.2
Paper.....	- 2.9	.....	- 7.8	.....	68.4	61.4
Diamonds.....	-14.2	- 8.2	-61.5	-39.2	27.3	25.3
Jewelry.....	- 2.5	- 0.1	-30.2	-17.8		
Weighted average..	- 6.2	.....	-10.2	.....	53.1	51.2

* Quantity not value. Reported by Silk Association of America

** Reported by the National Machine Tool Builders Association

FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, JUNE 1, 1930

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL activity increased slightly in April from the rate prevailing in March. Factory employment declined by the usual seasonal amount, while factory payrolls showed a smaller reduction than usual. Wholesale prices continued to decline in April and the first half of May. There was a further easing of open-market money rates.

PRODUCTION

Production in basic industries in April was slightly larger than in March and the Board's index, which makes allowance for the usual seasonal changes, shows an increase of about 2 per cent, offsetting a large part of the decrease in March.

Output of automobiles showed the usual seasonal expansion. Steel output declined seasonally in April and the early part of May. The output of silk textiles was considerably reduced, and woolen mills curtailed operations, though less than seasonally. Cotton mills were more active in April and there was some increase in stocks. In the first half of May, however, a program of curtailment was instituted in the industry.

In comparison with the first four months of 1929, a year of exceptionally active business, production was smaller in almost all major branches of industry, with the exception of tobacco. In comparison with 1928, however, output was larger in the automobile, petroleum, and silk industries, slightly smaller in steel and coal, and considerably smaller in cotton and wool textiles, flour, meatpacking, automobile tires, and lumber.

Building contracts awarded during April, according to the F. W. Dodge Corporation, were 6 per cent larger than in March, reflecting further expansion in awards for public works and utilities, and some increase in residential construction, largely seasonal in character. In the first two weeks in May there was a further increase in building activity. In comparison with 1929, awards in the first four months of the year were 17 per cent smaller, reflecting chiefly the continued small volume of residential building, which more than offset increases in public works and in utility construction.

EMPLOYMENT AND PAYROLLS

Factory employment, which had been decreasing since last September, declined by about 1 per cent in April, which represents the usual development for that month, while the reduction in factory payrolls from March to April was smaller than usual.

DISTRIBUTION

Department store sales increased during the month by an amount estimated to be slightly larger than is accounted for by the late Easter holiday.

The value of foreign trade decreased further in April, and for the first four months of the year exports were about 20 per cent smaller than a year ago, when trade was exceptionally active. In part this decline reflected the lower level of wholesale prices.

WHOLESALE PRICES

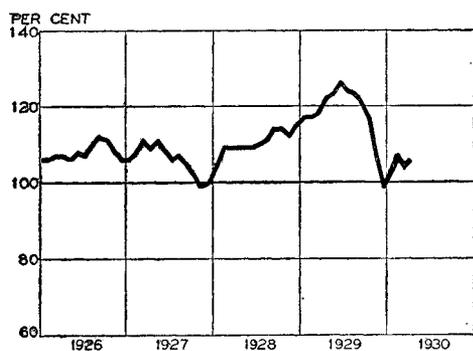
An increase in wholesale prices in the first week in April was followed by a substantial decline which continued into May and brought the level of prices to the lowest point in a number of years. Prices of important raw materials, such as wheat, cotton, and silk declined during most of the period, but steadied somewhat around the middle of May, while prices of silver, hides, and coffee were comparatively stable. There were fairly continuous price declines in steel, sugar, raw wool, and the textiles. Copper prices were reduced further early in May, but recovered somewhat following large purchases for domestic and foreign consumption.

BANK CREDIT

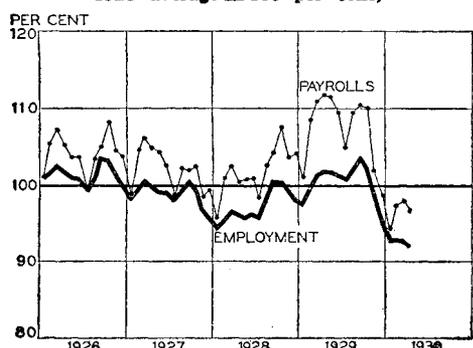
Loans and investments of member banks increased by about \$160,000,000 in the latter half of April, but declined by \$140,000,000 in the first two weeks in May, both movements reflecting chiefly fluctuations in loans on securities. Investments increased further, while "all other" loans continued to decline, and on May 14 at \$3,560,000,000 were the smallest in more than two years.

The volume of Reserve Bank credit declined further by \$125,000,000 between the weeks ended April 19 and May 17, largely as a result of the addition of about \$65,000,000 to the stock of monetary gold and of a further substantial reduction in the volume of money in circulation, which reflected chiefly smaller volume of payrolls and declines in retail prices. The System's holdings of bills declined, while United States securities and discounts for member banks showed little change.

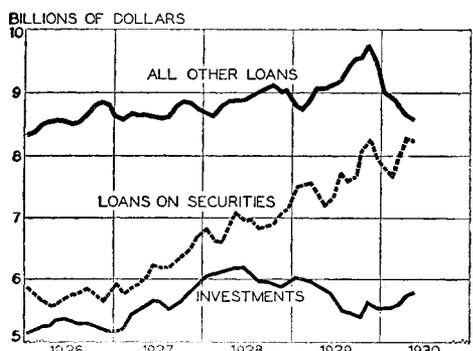
Money rates on all classes of paper declined further in May. The discount rate of the Federal Reserve Bank of New York was reduced from 3½ to 3 per cent on May 2, and that at the Federal Reserve Bank of Boston from 4 to 3½ per cent on May 8.



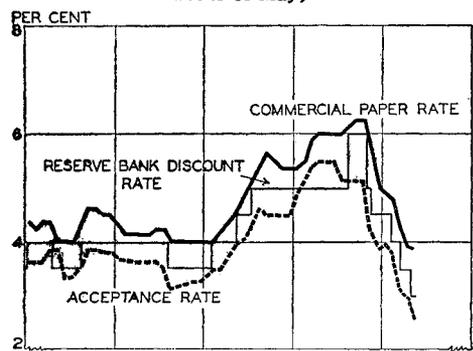
Index Number of Industrial Production of Manufactures and Minerals Combined. Adjusted for Seasonal Variations (1923-1925 average = 100 per cent)



Index Numbers of Factory Employment and Payrolls, Without Adjustment for Seasonal Variations (1923-25 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 May)



Money Rates in the New York Market (May rates are average for the first 20 days)