

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

July 1, 1930

#### Money Market in June

Business demands for funds continued during the past month to show the same tendencies as in several preceding months. The demand for short-term commercial credit remained light during most of the month, but the demand for new capital through the bond market continued large. This large demand for capital and light demand for commercial credit has been accompanied by corresponding changes in member bank credit—investments and security loans have increased while other loans, largely commercial, have declined.

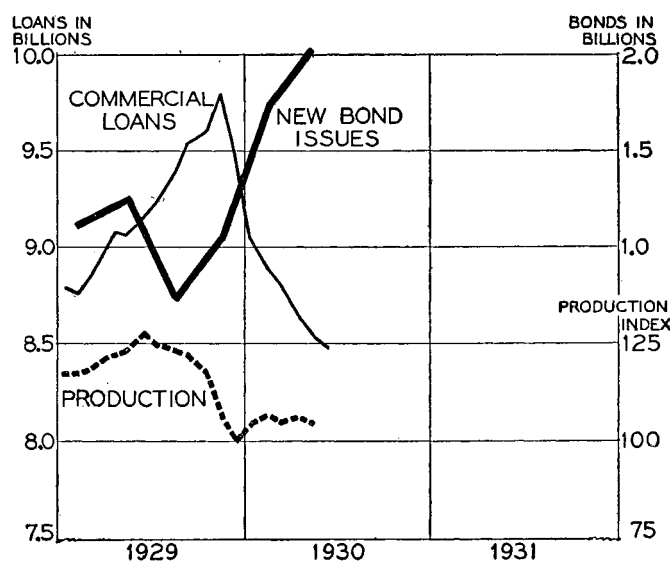
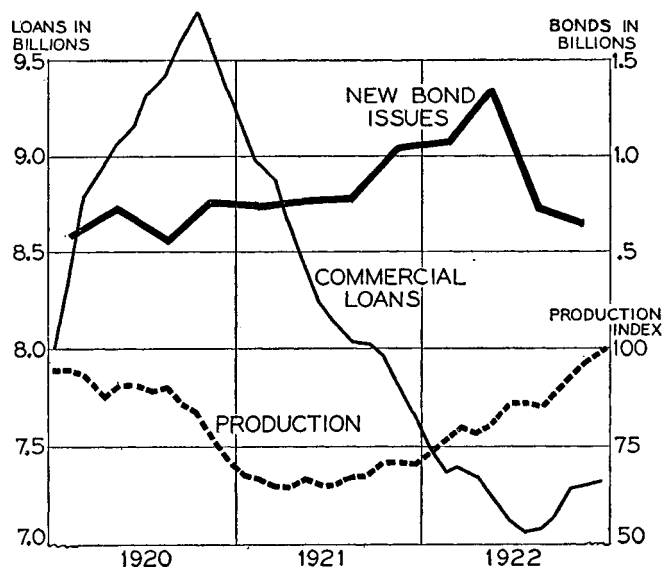
A review of previous periods of business recession since the War indicates that these tendencies are similar to those evident in 1921-1922, in 1924, and in 1927-1928. That is to say, in each of these periods, business movements like the present have been accompanied by a decrease in commercial loans, and by an increase in bank investments and bond flotations. In the extent of the decline, the liquidation of commercial loans during recent months has no parallel since 1921, when, accompanying an even more drastic decline in commodity prices than has occurred recently, the decline was much

larger, and continued for several months after industrial activity had turned upward. In 1924 and in 1927-1928 also, an increase in bank investments and loans on securities, accompanying large new capital issues, occurred well in advance of an increase in business activity, while no material increase in commercial loans occurred until after a recovery in business had begun.

#### BANK INVESTMENTS

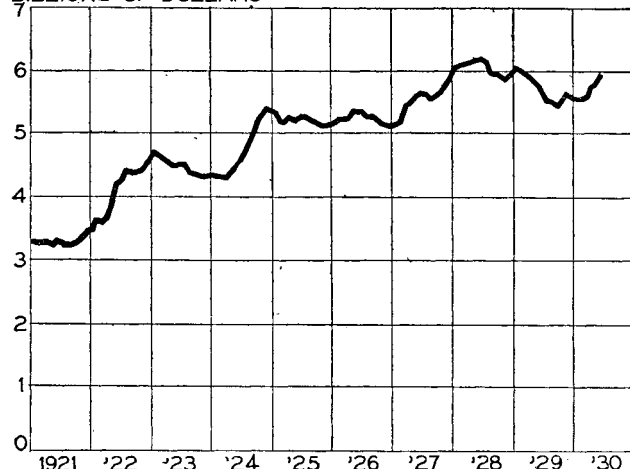
The increase in the investments of reporting banks in recent months, while following the general tendencies of previous periods, has not been sufficient to equal the liquidation of commercial loans, nor has it been as large as the increase in investments in previous years of business recession. As the diagram on the following page shows, the investments of these banks have not yet reached the volume of two years ago.

A further interesting comparison of the size of the investment holdings of the banks is to be found in a comparison of the ratio of investments to total earning assets as compared with the ratio of time deposits to total time and net demand deposits. These figures indicate that whereas in 1921, investments constituted the



Liquidation of Loans Other than Security Loans (largely commercial) of Reporting Member Banks, and Increase in New Bond Issues during Two Periods of Business Recession, 1920-1922 and 1929-1930

BILLIONS OF DOLLARS



Total Investment Holdings of Reporting Member Banks in Leading Cities. (Monthly Averages of Weekly Figures)

same proportion of total loans and investments as time deposits were of total time and net demand deposits, at present the investment proportion is noticeably smaller.

	Percentage of time deposits to total time and net demand deposits	Percentage of investments to total loans and investments
June 1921 .....	22	22
June 1924 .....	27	27
June 1927 .....	31	28
June 1930 .....	34	26

### SECURITY LOANS

The security loans of reporting member banks have increased substantially during recent months and are now \$1,200,000,000 larger than a year ago. This is due to the fact that the reporting banks, especially the New York City institutions, have been called upon to replace a part of the funds withdrawn from the call loan market by corporation, foreign, and other lenders, as money rates have declined. Loans to brokers and security dealers by other lenders, including the report of the New York City member banks and the report of the New York Stock Exchange, indicated a total of approximately \$1,600,000,000 on June 18, as compared with nearly \$5,400,000,000 at the high level of early October 1929, and are now in the smallest volume since the beginning of 1928. While liquidation in the security markets has resulted in a large reduction in security loans of all kinds, the reporting banks' security loans for their own account have increased about \$750,000,000 from the level of just prior to the stock decline of last October.

During the four weeks ended with June 25, the volume of brokers loans placed by New York City banks was reduced \$600,000,000, of which roughly one-half was in loans placed for the account of out-of-town banks and the other half in loans for the account of other lenders. Total brokers loans placed by New York City reporting member banks on June 25 were the smallest since February.

### MONEY RATES

The withdrawal of funds by lenders other than banks from employment in brokers loans was accelerated during the past two weeks by the decline in call loan rates to the lowest levels in many years, and by the reduced demand for loans which has accompanied the decline in stock prices. The June decline in money rates continued the tendency of recent months, but was expedited by the purchase of an additional \$50,000,000 of U. S. Government securities by the Reserve Banks in the early part of June, and by the reduction in Federal Reserve Bank rediscount rates from 4 to 3½ per cent at Cleveland on June 7, and at Chicago on June 21, and from 3 to 2½ per cent at New York on June 20. Following the general decline in open market money rates, which is shown in the following table, New York Clearing House banks reduced maximum demand deposit rates by ½ per cent, and the maximum time deposit rate by 1 per cent, effective June 26.

Money Rates at New York

	June 28, 1929	May 29, 1930	June 30, 1930
Stock Exchange call loans.....	*7-10	*3.00	*1¼-3
Stock Exchange 90 day loans...	7¼-¾	3½	2¾
Prime commercial paper.....	6	3½-¾	3¼-½
Bills—90 day unindorsed.....	5½	2¾	1¾
Customers' rates on commercial loans.....	†5.79	†4.39	†4.21
Treasury certificates			
Maturing Sept. 15 (yield)...	4.59	2.00	1.58
Maturing Dec. 15 (yield)...	4.66	2.42	1.86
Federal Reserve Bank of New York rediscount rate.....	5	3	2½
Federal Reserve Bank of New York buying rate for 90 day bills.....	5½	2½	2

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

### CONDITION OF NEW YORK BANKS

The replacement of brokers loans placed by "others" with bank loans, together with the recent increase in bank investments and the decline in commercial loans, has resulted in the employment of an increasing proportion of bank funds in security loans and investments during recent months. An analysis of the current position of reporting New York City banks indicates that on June 25 these banks had deposits and capital funds amounting to about \$9,100,000,000. The principal employments of these funds were as follows:

	Amount	Per cent
Cash and reserve with Federal Reserve Bank.....	\$ 837,000,000	9.2
U. S. Government securities.....	1,113,000,000	12.2
"All other" loans (largely commercial).....	2,462,000,000	27.0
Demand loans to brokers.....	1,321,000,000	14.5
Time loans to brokers.....	443,000,000	4.9
Security loans other than brokers loans.....	1,932,000,000	21.2
Investments other than U. S. Government's.....	958,000,000	10.5
Total.....	\$9,066,000,000	99.5

On the date shown these banks had over 21 per cent of their deposits and capital funds in vault cash, reserves with the Reserve Bank, and in U. S. Government securities. An additional 27 per cent was employed in loans other than security loans, of which between one-third and one-half are eligible for rediscount at the Reserve Bank. About 30 to 35 per cent of the funds, therefore, were in very liquid forms.

Of the 51 per cent of funds employed in security

loans and in investments other than Government securities,  $14\frac{1}{2}$  per cent was in call loans which under normal conditions may be regarded as liquid funds. In the past month the average indebtedness of the principal New York City banks at the Federal Reserve Bank of New York has been \$5,500,000 compared with \$165,000,000 a year ago and an average of \$115,000,000 over the past 5 years.

#### BILL MARKET

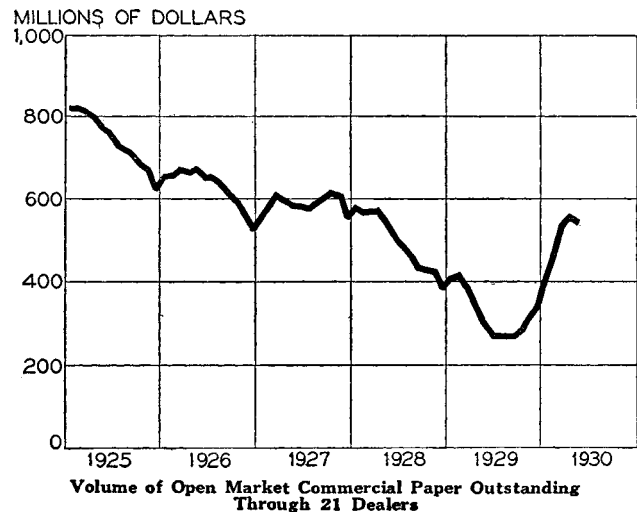
Throughout the larger part of June, dealers' sales of bills were in excess of their purchases, reflecting in part an active demand for bills on the part of banks and other investors; it was also reported that accepting banks were holding considerable amounts of newly created bills instead of selling them to discount houses. As a result of these conditions, dealers' portfolios showed a large decline and at the close of the month were less than half as large as at the opening, despite a total decline of  $\frac{1}{2}$  per cent in rates. The first two rate reductions of  $\frac{1}{8}$  per cent each came in the beginning of June, and the second series of two  $\frac{1}{8}$  per cent decreases followed closely the reduction in the New York Reserve Bank's discount rate in the third week of the month. The buying rate of the New York Bank for endorsed bills of 90 day maturity likewise was lowered a total of  $\frac{1}{2}$  per cent to 2 per cent, and the rate for short bills was reduced to  $1\frac{7}{8}$  per cent. The offering rates prevailing near the end of June were  $1\frac{7}{8}$  per cent for unendorsed bills of 1 to 90 days maturity, 2 per cent for 4 months bills, and  $2\frac{1}{8}$  per cent for 6 months; these rates were lower than at any time in the past, except for a quotation of  $1\frac{7}{8}$  per cent on 30 day bills intermittently during the period from July to September of 1924.

During June, the Reserve System's portfolio of bills decreased considerably further to \$102,000,000 on June 25. This decline is attributed to the small supply of bills in dealers' hands, and to the relatively good outside investment demand.

The total volume of bankers bills outstanding was reduced only \$31,500,000 further during May, following a decrease of \$126,000,000 in the previous month and a total decline of \$319,000,000 between the December peak and April 30. A continued decline in acceptances arising from export transactions accounted for the larger part of the May reduction in total outstandings.

#### COMMERCIAL PAPER MARKET

There continued to be an excellent investment demand for commercial paper during June. The banks throughout the country were actively in the market for investments of this type because of the further decline that occurred in yields on other short-term investments and also because of the rather slack demand for funds by industrial and mercantile concerns at the banks. Although the dealers offered increasingly attractive rates to potential borrowers, the available supplies of paper fell short of the investment demand during much of the time. The prevailing range of selling rates for prime names which had been quoted at  $3\frac{1}{2}$ - $3\frac{3}{4}$  per cent for about a month, declined to  $3\frac{1}{4}$ - $3\frac{1}{2}$  per cent after the reduction in the New York Bank's discount rate. Not



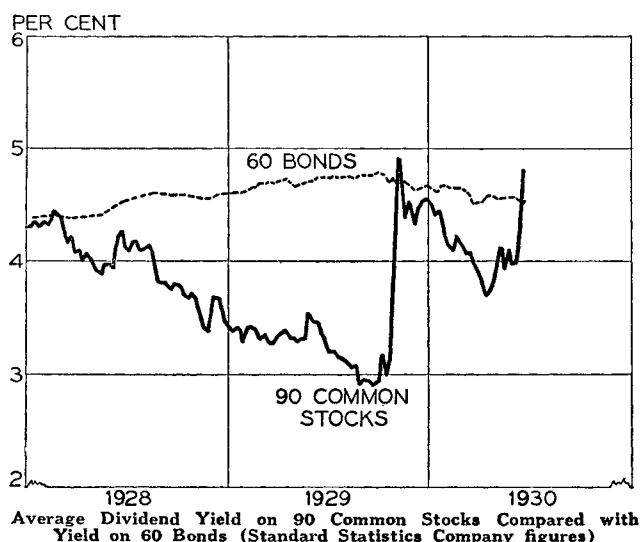
since November 1924 has commercial money been available in the open market at as low rates.

Reflecting the inability of dealers to secure new paper, due partly to a seasonal tendency toward reduced borrowing at this time of the year, the amount of commercial paper outstanding at the end of May was smaller by \$12,000,000, or 2 per cent, than at the end of April. The total of \$541,000,000 reported by 21 firms remained 78 per cent above the figure for the comparable month a year ago, however, and, excepting April, was larger than at any time since April 1928, as the accompanying diagram indicates.

#### Security Markets

During the month of June, a substantial decline in stock prices occurred, following a preceding moderate reaction from the spring advance which culminated early in April. The June decline progressed with only slight interruption and near the end of the month quotations for many stocks were below the lowest prices reached last November, while general averages of stock prices were not greatly above the bottom points reached in November. From the highest level of early April there has been a decline of about 25 per cent in the average of stock prices. Prices of railroad stocks as a group reached lower levels than were reached last autumn, and industrial stock averages went close to the 1929 lows, but prices in the public utility group remained well above. The decline was of an orderly nature, with sales on only three days in excess of 5 million shares, and for much of the time sales were less than 4 million shares.

In reflection of the June declines in prices, dividend yields on common stocks rose sharply and for the first time since November were higher than the yields obtainable on bonds, as the accompanying diagram indicates. The diagram also shows that gradual improvement in the bond market since last autumn has resulted in an average lowering of bond yields by about  $\frac{1}{4}$  per cent during that period, so that the current level is about the lowest since the middle of 1928.



In the bond market, June trading was of quite moderate volume and resulted in no material change in the general level of prices, except for a rise of  $\frac{1}{2}$  point in average prices of United States Government long-term issues to the highest level for 1929 and 1930. Domestic corporation and foreign bonds advanced slightly in the first part of the month, but subsequently there were declines which left them somewhat lower than at the close of May, and at least  $1\frac{1}{4}$  points on the average below the temporary peak of March.

### New Financing

The May total of new security offerings at \$1,180,000,000 was considerably larger than the figure for April, due largely to the inclusion of a \$235,000,000 American Telephone and Telegraph Company stock offering, payment for which is due August 1. As compared with the security flotations of May 1929, however, the total was some \$334,000,000 smaller, due chiefly to the large amounts of stock that were put out for refunding purposes in May a year ago. Excluding refunding issues, new capital flotations were nearly as large as in May 1929, and were about \$200,000,000 larger than in April.

Domestic corporation bond flotations continued in large volume; issues to provide new capital were more than \$100,000,000 in excess of the amounts in the preceding month or in May 1929, and the total for the first five months reached a figure nearly \$700,000,000 more than in the corresponding period of last year. This increase has resulted largely from bond flotations by the railroads and public utilities in connection with their announced expansion and improvement programs for this year. State and municipal bond financing for the first five months of the year likewise has been \$100,000,000 ahead of a year ago, and the amount of new capital obtained for use in foreign countries has been \$200,000,000 more than last year.

The principal security issue during June was the German Government International  $5\frac{1}{2}$  per cent Loan, of which a par amount of \$98,250,000 was offered in this

market at 90, giving a yield of 6.20 per cent. This issue, together with a number of smaller ones, including \$25,000,000 of stock of the American and Foreign Power Company, resulted in a larger total of capital raised in this market for use abroad than in the preceding month. Domestic security flotations appear to have been in smaller volume than in May, although the total probably was larger than a year ago. This estimate does not take into account an offering of \$118,000,000 of Cities Service Company debentures, which were originally offered to stockholders and included in the May figures; the public offering in June represented the balance that was not subscribed for by stockholders.

### Foreign Exchange

There was no consistent tendency in the movement of foreign exchange rates during June. Sterling, French francs, guilders, and Swiss francs all moved slowly upward until the 10th or 11th and then lapsed into a period of irregularity; all but guilders, however, strengthened later and ended the month with a net gain. The Swedish crown also showed a net gain for the month. Reichsmarks moved uncertainly until the end of the third week, when an abrupt decline occurred. The other principal European currencies were steady except for pesetas which declined almost continuously to new lows. The same was true of the Argentine peso, Brazilian milreis, and Shanghai tael. Canadian dollars crossed par on June 5 for the first time in over a year and were quoted at slight premiums for most of the remainder of the month. The Japanese yen made a slight net advance during the month.

Cable Rates

Country	June 29, 1929	May 31, 1930	June 27, 1930
Belgium.....	\$ .1389	\$ .1396	\$ .1396
England.....	4.8500	4.8588	4.8613
France.....	.0391	.0392	.0393
Germany.....	.2383	.2387	.2382
Italy.....	.0523	.0524	.0524
Netherlands.....	.4015	.4023	.4020
Spain.....	.1422	.1218	.1123
Sweden.....	.2680	.2684	.2687
Switzerland.....	.1925	.1935	.1938
Canada.....	.9908	.9994	1.0000
Argentina.....	.9551	.8666	.8163
Brazil.....	.1188	.1185	.1132
Japan.....	.4375	.4943	.4948
Shanghai (tael).....	.5775	.4063	.3725

### Gold Movement

The release of \$2,000,000 of gold earmarked for foreign account was the only sizable gold transaction at New York during June, as exports and imports were negligible. At San Francisco, however, arrivals of gold from the Far East continued, \$7,000,000 coming from Japan and \$450,000 from China. The total received from Japan in the movement which began last January now amounts to \$114,000,000. A preliminary estimate of \$10,000,000 as the net gain to the country's gold stock in June indicates a considerable decline from the gains of recent months. Based on this preliminary figure for June, the first half of 1930 shows a net gain of \$237,000,000 in the gold stock as compared with \$174,000,000 in the first six months of 1929.

Withdrawals of gold from the Bank of England included £800,000 for export to Germany, and £300,000 for France, but these losses were partially offset by the receipt of £500,000 in sovereigns from South Africa. Of the £2,000,000 of South African gold offered in the London market in June, France obtained £1,300,000 and Germany £500,000, the balance going to India and the trades.

### Central Bank Rate Changes

The movement in the direction of cheaper money continued during June, five European central banks lowering their official rates of discount. On the 2nd the Bank of Portugal reduced its rate from 8 to 7½ per cent, the earlier rate having been in force since July 27, 1926. On the 13th the rate of the Bank of Poland, which had stood at 7 per cent since March 14, was reduced to 6½ per cent. On the 21st the Reichsbank rate was brought down from 4½ to 4 per cent, or 3½ per cent lower than the rate prevailing one year ago. This was followed on the 24th by a reduction in the rate of the Bank of Danzig from 5 to 4½ per cent. The National Bank of Czechoslovakia lowered its rate on the 25th to 4 per cent from the 4½ per cent level fixed on May 26 last; these two reductions within a month are the only ones made at Prague since March 1927.

### International Payments of the United States

A recently published study by the Department of Commerce of the balance of international payments of the United States reports several interesting and important developments during the year 1929. The most marked change reported was a reduction of \$561,000,000 between 1928 and 1929 in the net export of capital from the United States. Accompanying high money rates and a depressed bond market here during 1929, the amount of American long-term investments made abroad was \$414,000,000 smaller than in 1928. A net increase of \$13,000,000 in short-term foreign funds in American banks, as compared with a \$226,000,000 decrease during 1928, and this movement of short-term funds toward this country, together with the reduction in long-term investments abroad, was offset only to a relatively small degree by a decline of \$92,000,000 in foreign long-term investments made here.

Concurrent with the decline in capital exports, the net merchandise exports of this country declined \$116,000,000 during 1929 and the net credit on "invisible" items of our international trade declined \$50,000,000, making the total net credit from these two sources \$166,000,000 smaller than in the preceding year. In order to balance the international settlement, \$120,000,000 net of gold was sent to this country, whereas in 1928 our excess of capital exports over the credit balance through commodity and invisible items resulted in the net loss to the United States of \$272,000,000 of gold.

In the invisible items, no large changes were reported during 1929. Receipts of interest on American private funds abroad continued to increase, and were larger than ever before, but this credit was counterbalanced

to a considerable extent by a larger interest return to foreigners from their funds employed in the United States. American tourist expenditures also increased further, but about half of the increase was offset by larger expenditures of foreign tourists here. This nation's freight bill was about 45 per cent larger in 1929 than in 1928.

The Department of Commerce Survey for 1929, together with comparative figures for 1928, is summarized in the following table.

(In millions of dollars; + = credit to U. S.; — = debit to U. S.)

	1928	1929
Commodity transactions:		
Net merchandise exports (adjusted).....	+850	+734
Miscellaneous invisible items:		
Interest on American private funds abroad (long and short term).....	+893	+976
Interest on foreign funds in U. S. (long and short term)...	—359	—414
Expenditures by American tourists.....	—804	—839
Expenditures by foreign tourists in U. S.....	+163	+180
Immigrant remittances (net).....	—225	—223
War debt receipts of United States.....	+207	+207
Freights.....	—80	—115
Other items (net).....	+5	—22
Total commodity and invisible items (net).....	+650	+484
New private loans, investments, and deposits:		
Net increase in American long term investments abroad.....	—1,196	—782
Net increase in long term foreign investments in U. S.....	+488	+396
Change in net debt of American banks to foreigners....	—226	+13
Net capital movement (long and short term).....	—934	—373
Gold shipments and earmark transactions, net.....	+272	—120
Net discrepancy.....	+12	+9

### Employment and Wages

A decline of nearly 2 per cent between the middle week of April and the middle week of May was reported for the number of workers employed in representative factories throughout the United States. This decline brought factory employment to the lowest level since 1922, when employment was recovering from the depression of the preceding year. At the 1921 low point, factory employment was fully 10 per cent smaller than at present. The April to May decline this year, according to this bank's calculations was slightly more than generally takes place, and the seasonally adjusted index also reached a new low level since 1922.

In New York State, factory employment declined a little over 1½ per cent, which is about the average seasonal decline. Consequently, the deseasonalized index remained at the April level which was the lowest of recent years.

Factory payrolls showed a more substantial decline than occurred in the number of workers employed. For the country as a whole, the reduction amounted to about 2½ per cent, and for New York State to a slightly higher figure. Average weekly earnings of factory employees in New York State showed the largest April to May decline in a number of years, and reached the lowest level since April 1928. The decline of the past few months follows an almost uninterrupted rise since 1922, and the drop of \$1.37 a week from last September's peak is the most substantial that has taken place since 1920-1922.

## Commodity Prices

Following several weeks of irregular fluctuations in the latter part of May and the first part of June, commodity prices declined more rapidly during the last three weeks of June than at any other time since the decline began last summer. Consequently, the average level of wholesale prices has reached a new low since 1916. The decline was quite general, and included both agricultural and industrial commodities. Some of the more important fluctuations in prices of individual commodities are illustrated in the accompanying group of diagrams.

Following a brief recovery to 13 cents, the price of domestic copper was reduced to 12 cents a pound, and for a brief period it was reported that offerings were being made as low as 11¼ cents. Lead was reduced to 5.25 cents, zinc to a range of 4.10 to 4.12½ cents, and tin fell to 29½ cents, which compares with a price of 50⅔ cents in February 1929. Pig iron receded slightly further to a new low level since September 1928, while finished steel declined to a new low level since 1922. Spot wheat went as low as 90 cents, as compared with the 1929 low of 94⅔ cents, and reached a new low level since 1914. Cotton at 13.25 cents near the close of the month was ¾ of a cent under the previous low of the year reached in March, and was the lowest since the winter of 1926-1927, when the price was depressed by the largest crop ever produced in this country. Raw silk declined as low as \$3.08 a pound, which represents a decline of \$1.00 in a little over two months. Domestic wool, on the other hand, had a recovery of nearly 1 cent from the lowest levels reached in May. Refined sugar was down to 4.50 cents, which compares with a high of 5.50

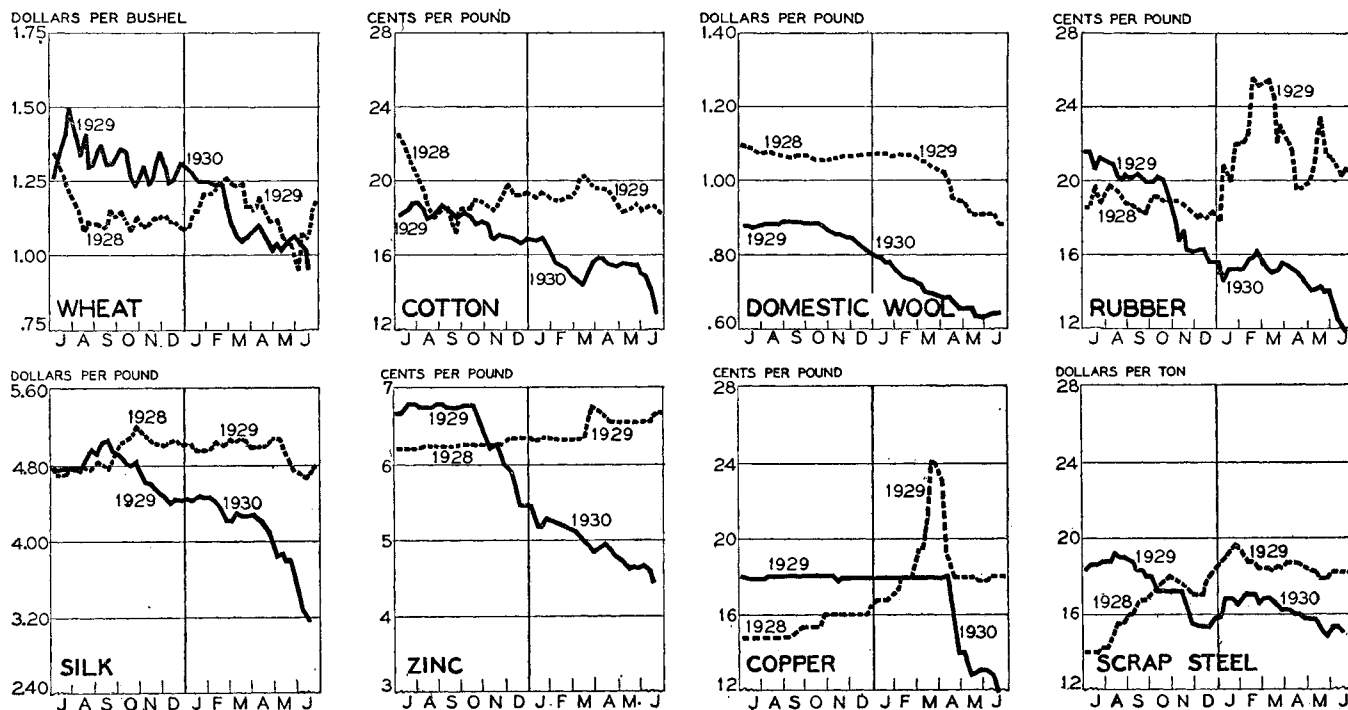
cents last year, and crude rubber dropped as low as 11⅝ cents, as compared with last year's high of 26¾ cents.

The general wholesale commodity price index of the Bureau of Labor Statistics was down 1.6 points in May, the largest monthly decline since that of last November, and on the basis of weekly figures, it appears likely that the June index may show an even larger decline. The present decline in commodity prices appears to be partly a continuation of a movement that has been in progress for several years. Since the peak of March 1925, the decline has amounted to 15 per cent; this is the largest decrease since the collapse of the post-war price level in 1920-1921. The decline cannot be attributed to any one commodity or group of commodities, for from the March 1925 peak every one of the ten groups into which the Bureau of Labor Statistics index is divided has shown a net decline.

The decline in commodity prices in recent years has been world-wide and has been even larger in other countries. In Great Britain, for example, the Board of Trade index has declined to a level only 22 per cent above the 1913 average; the May 1930 level shows a decline of 23 per cent since May 1925 when the pound sterling was stabilized.

## Production

As in most of the preceding months of the current year, industrial activity continued in May to show minor fluctuations around a relatively low level. May changes in the metals industries were confined almost entirely to those that might normally be expected in that month, and this bank's seasonally adjusted indexes were virtually unchanged. The combined index of auto-



Price Movements of Selected Commodities, July 1928 through June 1930

mobile production, however, declined slightly, due to curtailment of truck output. In the fuel industries, changes after seasonal adjustment were irregular, and in most of the other important groups gains and losses about balanced. A marked curtailment in the consumption of cotton, however, more than offset increases in silk consumption and in wool mill activity, and this bank's combined textile index fell to a new low point since 1924. A continued low level of general productive activity is indicated by the fact that sixteen of the twenty-four indexes now available were below the long-time trend of growth.

While there is nothing to indicate any marked change in the level of industrial activity in June, the weight of evidence appears to be slightly on the side of a decline. Operations in the steel industry are reported to have declined from 73 per cent of capacity in the latter part of May to 64 per cent in the latter part of June, or somewhat more than usual for the time of year, and there is also some evidence of a curtailment in automobile production. Figures on coal and petroleum production for the first three weeks of June also pointed to an unseasonal decline. In addition, there has been a further decrease in cotton goods production, and it is reported that mills are considering the extension of the curtailment beyond the mid-July date previously contemplated, due to the failure of sales to equal output.

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

	1929	1930		
	May	March	April	May
<b>Metals</b>				
Pig iron.....	126	101	102	104
Steel ingots.....	135	99	101	102
Copper, U. S. mines.....	131	83	85	84p
Lead.....	109	91	99	90p
Zinc.....	101	78	78r	76
Tin deliveries.....	141	115	89	92
<b>Automobiles</b>				
Passenger cars.....	133	90	90	90p
Motor trucks.....	154	117	113	93p
<b>Fuels</b>				
Bituminous coal.....	88	70	85	77p
Anthracite coal.....	90	67	77	84p
Coke.....	128	103	108	110
Petroleum, crude.....	112	98	99	90p
Petroleum products.....	101	93	96	
<b>Textiles and Leather Products</b>				
Cotton consumption.....	109	83	86	77
Wool mill activity.....	102	67	67	75
Silk consumption.....	101	98	85	87
Leather, sole.....	94	109	116	113p
Boots and shoes.....	106	88	95p	88p
<b>Food and Tobacco Products</b>				
Live stock slaughtered.....	93	89	96	94
Wheat flour.....	116	94	106	113p
Sugar meltings, U. S. ports.....	80	75	80	92
Tobacco products.....	112	98	103	102
<b>Miscellaneous</b>				
Cement.....	115	111	108	118
Tires.....	140	80	97	100p
Paper, newsprint.....	92	84	80	87
Wood pulp.....	106	109	103	

p Preliminary r Revised

## Building

May building contracts were seasonally smaller than in the previous month, and were 22 per cent smaller than in May 1929, according to the F. W. Dodge Corporation report of building activities in 37 States east of the Rockies. Public works and utility construction

was the only major classification that compared at all favorably with a year ago. For the first five months of this year, total building contracts of all kinds were 18 per cent less than in the corresponding period of last year. There was an increase of 21 per cent in construction and engineering contracts of a public nature, but this was not sufficiently large to offset a decline of 11 per cent in other non-residential projects and of 47 per cent in residential building.

During the first three weeks of June the daily average amount of building contracts awarded was somewhat larger than in May, and the decrease from last year's level was substantially less than has occurred in most previous months of 1930.

## Indexes of Business Activity

No marked change in the level of business activity occurred in May, though the general tendency appears to have been slightly downward.

In June, car loadings of merchandise and miscellaneous freight showed a further unseasonal decline, and continued well under the levels of recent years.

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

	1929	1930		
	May	March	April	May
<b>Primary Distribution</b>				
Car loadings, merchandise and misc.....	102	91	94	92
Car loadings, other.....	104	77	87	87
Exports.....	94	86	81	82p
Imports.....	124	92	102	99p
Panama Canal traffic.....	79	79	78	67
<b>Distribution to Consumer</b>				
Department store sales, 2nd Dist.....	103	104	105	107
Chain store sales, other than grocery.....	103	93	90	93p
Life insurance paid for.....	101	109	103	93
Advertising.....	98	87	89	87
<b>General Business Activity</b>				
Bank debits, outside of N. Y. City.....	107	101	98	99
Bank debits, New York City.....	178	142	136	134
Velocity of bank deposits, outside N. Y. City.....	123	116	111	112
Velocity of bank deposits, New York City.....	201	159	150	143
Shares sold on N. Y. Stock Exchange.....	329	299	396	273
Postal receipts r.....	101r	94r	99r	96r
Electric power.....	103	91	94p	
Employment in the United States.....	104	93	93	92
Business failures.....	106	118	121	121
Building contracts.....	113	88	83	83
New corporations formed in N. Y. State.....	112	93	94	95
Real estate transfers.....	81	70	67	66
<b>General price level*</b> .....	179	173	174	172
<b>Composite index of wages*</b> .....	226	228	226	225
<b>Cost of living*</b> .....	171	168	168	

p Preliminary \* 1913=100 r Revised

## Foreign Trade

The foreign merchandise trade of this country continued to decline during May. Exports, valued at \$322,000,000, were smaller than in any month since July 1924, and imports, valued at \$285,000,000, were smaller than in any month since August 1924, with the exception of February of this year. In the case of imports, the decline of 29 per cent from May 1929 was the largest decrease from the level of the previous year that has occurred so far this year. Exports, on the other hand, with a decrease in value of 16 per cent, had the smallest decline from last year's level since January.

Although all of the leading groups of commodities

continued to contribute to the general decline in our foreign trade from a year ago, the heaviest percentage loss both in exports and in imports was in the movement of raw materials. The value of exports of raw cotton was the smallest for any month since the summer of 1915. The value of imports of crude materials was 39 per cent less than a year ago, and the smallest since August 1924. Reduced imports of raw silk were one of the important factors in this decline, as they were in less than half the volume of a year ago. The volume of crude rubber imports was reduced 17 per cent. Exports and imports of partly and wholly manufactured products showed considerably smaller percentage losses than did raw materials.

### Wholesale Trade

The May sales of reporting wholesale firms in this district showed a 14 per cent decrease compared with a year ago. Sales of stationery showed the largest decline reported in several years and the diamond and jewelry firms reported even greater decreases in sales than in previous months. Paper sales continued to show a moderate reduction, and drug sales were smaller than last year, following an increase in April. Wholesale cotton goods and hardware dealers reported decreases in sales for the seventh consecutive month, shoe dealers reported the largest decrease since last December, and men's clothing sales continued well below the volume of a year ago. Grocery sales showed a comparatively small decrease. The Machine Tool Builders Association reported a 60 per cent decline in orders compared with the large volume of a year ago, an even larger decline than in previous months this year. Contrary to the general tendency, the Silk Association of America reported an increase in yardage sales of silk goods for the second consecutive month.

Stocks of groceries, cotton goods, and hardware continued to be smaller than a year ago, and stocks of silks and drugs remained slightly higher than last year, while the stocks of shoes were larger than a year previous in May, following a decline in April. Collections continued to be slower than in 1929.

Commodity	Percentage change May 1930 compared with April 1930		Percentage change May 1930 compared with May 1929		Per cent of accounts outstanding April 30 collected in May	
	Net sales	Stock end of month	Net sales	Stock end of month	1929	1930
Groceries.....	+ 3.7	- 8.7	- 3.4	- 6.3	76.4	76.0
Men's clothing.....	-27.4	....	-18.0	....	33.3	30.2
Cotton goods.....	+ 4.3	- 6.2	-10.1	- 3.3	33.8	37.0
Silk goods.....	-13.8*	- 5.5*	+10.2*	+ 3.6*	47.4	44.1
Shoes.....	-30.0	+ 1.4	-29.2	+ 6.9	49.9	46.8
Drugs.....	-25.6	- 1.6	- 4.5	+ 6.5	45.3	31.4
Hardware.....	+12.8	- 1.7	- 8.5	- 9.6	51.4	49.7
Machine tools**.....	-24.6	....	-59.6	....	75.1	71.9
Stationery.....	-17.4	....	-25.7	....	69.7	62.2
Paper.....	- 3.4	....	- 9.7	....	27.0	23.9
Diamonds.....	-11.0	- 5.4	-63.2	-35.0	....	....
Jewelry.....	+11.0	- 6.0	-42.2	-15.0	....	....
Weighted Average....	-10.8	....	-14.5	....	52.4	49.7

\* Quantity not value. Reported by Silk Association of America

\*\* Reported by the National Machine Tool Builders Association

### Department Store Trade

May sales of reporting department stores in this district averaged 5 per cent larger than in 1929. The increase in sales in New York City was the largest which has been reported since last October, except for the increase caused by Easter trade in April. Increases in sales were reported also by the department stores in Newark, southern New York State, the Hudson River Valley district, the Capital district, and the Westchester district, while declines in sales were shown in other sections of the district. The leading apparel stores reported a decrease in sales, but, excluding the Easter increase in April, the reduction was the smallest since last October.

Stocks of merchandise on hand at the end of the month remained slightly smaller than a year previous. The percentage of charge accounts collected during May was higher than a year previous; although the increase was slight, it was the first increase since last September.

Locality	Percentage change May 1930 compared with May 1929		Per cent of accounts outstanding April 30 collected in May	
	Net sales	Stock on hand end of month	1929	1930
New York.....	+ 7.6	+ 0.1	48.4	50.2
Buffalo.....	- 7.5	+ 0.6	46.6	48.4
Rochester.....	- 2.3	- 6.4	42.4	45.9
Syracuse.....	- 2.9	+ 3.0	....	....
Newark.....	+ 5.6	- 5.3	43.9	44.0
Bridgeport.....	-10.8	- 8.6	38.5	41.3
Elsewhere.....	+ 3.9	- 4.7	34.8	35.4
Northern New York State.....	- 9.0	....	....	....
Central New York State.....	- 1.3	....	....	....
Southern New York State.....	+ 3.6	....	....	....
Hudson River Valley District.....	+ 6.2	....	....	....
Capital District.....	+ 2.4	....	....	....
Westchester District.....	+ 6.1	....	....	....
All department stores.....	+ 5.2	- 1.1	46.3	47.7
Apparel stores.....	- 4.5	- 6.3	49.4	47.7

Sales and stocks classified by principal groups of departments are compared in the following table with those of a year ago.

	Net sales percentage change May 1930 compared with May 1929	Stock on hand percentage change May 31, 1930 compared with May 31, 1929
Shoes.....	+17.6	+ 1.7
Toys and sporting goods.....	+16.6	- 5.0
Men's furnishings.....	+11.1	- 4.5
Women's ready-to-wear accessories.....	+10.7	+ 2.4
Furniture.....	+ 9.9	- 2.5
Men's and Boys' wear.....	+ 9.1	- 2.5
Cotton goods.....	+ 7.2	+ 8.6
Hosiery.....	+ 6.5	-12.8
Women's and Misses' ready-to-wear.....	+ 6.2	- 6.0
Toilet articles and drugs.....	+ 4.8	+ 5.0
Silverware and jewelry.....	+ 2.6	- 7.1
Home furnishings.....	+ 2.2	- 2.7
Linens and handkerchiefs.....	- 0	+ 9.0
Silks and velvets.....	- 2.9	-14.9
Books and stationery.....	- 6.4	+ 9.6
Luggage and other leather goods.....	-10.1	- 1.6
Musical instruments and radio.....	-15.1	- 2.7
Woolen goods.....	-27.0	-26.7
Miscellaneous.....	+ 5.4	-12.8



# FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, JULY 1, 1930

## Business Conditions in the United States

(Summarized by the Federal Reserve Board)

THE volume of industrial production declined in May by about the same amount as it increased in April. Factory employment decreased more than is usual at this season and the downward movement of prices continued. Money rates eased further, to the lowest level in more than five years.

### INDUSTRIAL PRODUCTION AND EMPLOYMENT

The Board's index of industrial production, adjusted for usual seasonal variations, declined about 2 per cent in May. In 1930 industrial production has fluctuated between 4 and 7 per cent above the 1923-1925 average, and the preliminary estimate for May is 4 per cent above the average for those years. Production at steel and automobile plants declined, cotton mills curtailed output, and activity at woolen and silk mills continued at low levels. Cement production increased sharply, while output of petroleum and of copper showed little change. In the first half of June, output at steel plants declined further.

The decrease in factory employment in May was larger than usual and there was also a decline in factory payrolls. The number employed in the cotton and silk goods industries decreased further, while in the woolen goods industry there was an increase from the extreme low point of April. Employment in the agricultural implement and electrical machinery industries decreased from April but remained large relative to earlier years. Employment in the cement industry increased, but in the lumber industry continued at an unusually low level.

Building contract awards in May, as reported by the F. W. Dodge Corporation, continued to be in substantially smaller volume than in any other year since 1924.

### DISTRIBUTION

Freight carloadings increased by less than the usual seasonal amount during May and continued to be in somewhat smaller volume than in the corresponding period of 1928 and substantially below the unusually active period of 1929. Department store sales in May were approximately the same as those of a year ago.

### WHOLESALE PRICES

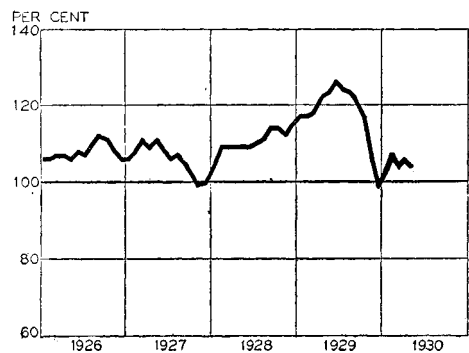
A further decline in the wholesale prices of commodities occurred in May and the first half of June. The downward movement was interrupted in the last half of May by substantial increases in the prices of grains, meats, and livestock, but became pronounced about the middle of June when the prices of cotton, silk, rubber, copper, and silver reached exceptionally low levels. Wheat, meats, livestock and cotton textiles also declined in price at that time, while prices of wool and woolen goods, pig iron, and steel showed little change.

### BANK CREDIT

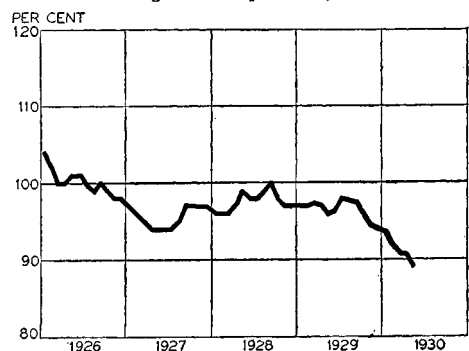
Loans and investments of reporting member banks increased further by \$265,000,000 in the four weeks ended June 11, to a level considerably higher than a year ago. The increase was entirely in investments and in loans on securities, of which a large part represented loans made by New York City banks to brokers and dealers in securities in replacement of loans withdrawn by other lenders. "All other" loans continued to decline and at \$8,400,000,000 on June 11, were the smallest since 1926.

Expansion of member bank credit during this period was reflected in larger demand deposits and an increase of \$30,000,000 in member bank reserves at the Reserve Banks. The volume of money in circulation showed a net increase of \$13,000,000. Funds for these uses were obtained largely from further additions of \$24,000,000 to the stock of monetary gold and from an increase of \$22,000,000 in the volume of Reserve Bank credit outstanding. Reserve Bank holdings of U. S. securities increased by about \$50,000,000, and their holdings of acceptances declined by about half this amount. For the week ended June 18, the total volume of Reserve Bank credit declined somewhat and there was a decline in the volume of money in circulation.

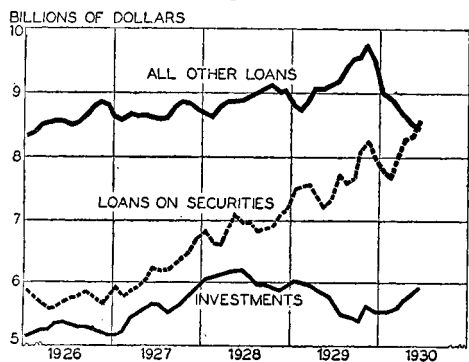
Money rates in the open market continued to decline during the latter half of May and the first half of June, and at the middle of the month commercial paper at  $3\frac{1}{2}$ - $3\frac{3}{4}$  per cent and acceptances at  $2\frac{1}{2}$  per cent were at the lowest levels since 1924 and early 1925. Bond yields moved slightly lower in June. In the first week of June the rediscount rate at Cleveland was reduced from 4 to  $3\frac{1}{2}$  per cent; in the third week the rate at New York was reduced from 3 to  $2\frac{1}{2}$  per cent and the rate at Chicago from 4 to  $3\frac{1}{2}$  per cent.



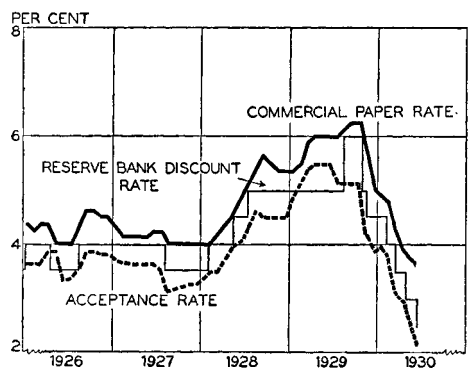
Index Number of Industrial Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variations (1923-25 average = 100 per cent)



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 June)



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