

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

September 1, 1930

Money Market in August

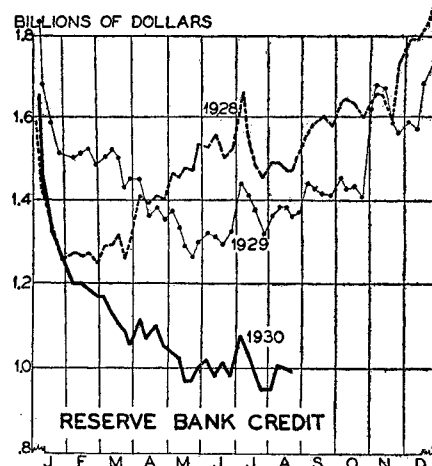
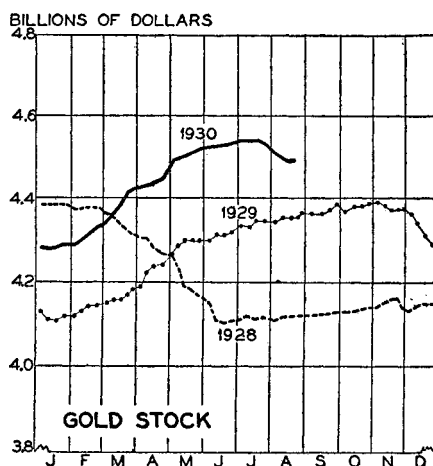
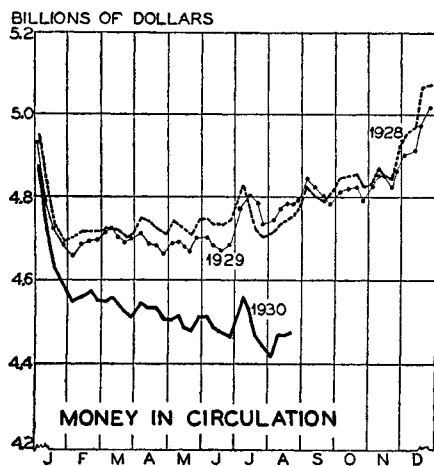
Money conditions have remained fairly easy during the past month, notwithstanding an increase in the demand for funds from two important sources—the first, an increased demand for currency; the second, a demand for gold for export.

The first section of the diagram below shows that the amount of currency in circulation, after reaching the seasonal low point at the end of July, showed an expansion of about 40 million dollars in the first half of August, a movement quite similar to that which occurred in the corresponding period in each of the past two years. Ordinarily this early August expansion in currency circulation marks the beginning of a seasonal increase which continues with only minor interruptions until the end of the year, and which involves steadily increasing requirements for Federal Reserve credit.

An outflow of about \$34,000,000 of gold occurred also in the first half of August, continuing the export movement which began in the latter part of July, as is shown in the second part of the diagram. Most of this gold was sent to France and brought the total of the recent shipments to that country up to about \$62,000,000. There was also \$2,000,000 of gold shipped to Montreal early in the month, which made a total of \$14,500,000 sent to Canada on the recent movement. Shortly before the middle of the month a rather general decline in the principal foreign exchanges occurred which carried both the

French and Canadian exchanges below the levels at which it was profitable to make further gold shipments, and the gold export movement ceased temporarily. Late in the month, however, gold exports were resumed with shipments of \$1,000,000 to Canada on the 28th, and \$3,500,000 to France on the 29th.

The effect on the banks of the withdrawal of gold for export in the latter part of July had been largely offset by deposits of currency which returned from circulation at that time, so that no increase in the need for Reserve Bank credit occurred. Early in August, however, the effect of an increased demand for currency was added to the effect of the loss of gold. Practically the entire burden of these demands was sustained by the New York City banks, as the withdrawals of gold for export were made at New York, and the currency requirements at banks elsewhere throughout the country were met largely by the withdrawal of funds from New York. Consequently, there was an increase in the demand for Reserve Bank credit, shown in the final section of the diagram, which occurred chiefly at the Federal Reserve Bank of New York. At first this was met by a substantial increase in the borrowings of leading New York City banks at the Reserve Bank. A purchase of \$25,000,000 of Government securities was made by the Reserve Banks at the end of the first week of August, however, and about \$30,000,000 of bankers acceptances were sold to the Reserve Banks by dealers and member banks, so that a substantial volume of funds was placed in the money market, which, together with a return flow of funds from



Changes in Amount of Money in Circulation in the United States, Monetary Gold Stock, and Total Federal Reserve Credit Outstanding (weekly averages of daily figures; computed by the Federal Reserve Board)

other sections of the country, enabled the New York banks to repay practically all of their indebtedness by the middle of the month.

The result was that except for a brief period of slightly firmer conditions early in the month, the supply of funds in the money market was ample and money rates remained low. Call money continued at 2 to 2½ per cent on the Stock Exchange, and 90-day loans against Stock Exchange collateral at 2½ to 2¾ per cent. Sales of prime commercial paper were made chiefly at 3 per cent, as compared with a gradually declining range of from 3½ per cent down to 3 per cent during July, and the average rate charged by the principal New York City banks on commercial loans to customers declined to 4 per cent in August for the first time in many years. Rates on bankers acceptances were unchanged during August, and yields on short-term United States Government securities were slightly lower than in July.

Money Rates at New York

	Aug. 30, 1929	July 31, 1930	Aug. 29, 1930
Stock Exchange call loans.....	*7-9	*2	*2
Stock Exchange 90 day loans.....	¶8½-9	¶2½-¾	¶2½-¾
Prime commercial paper.....	6-6¼	3-3¼	3
Bills—90 day unindorsed.....	5½	1¾	1¾
Customers' rates on commercial loans..	†6.00	†4.11	†4.00
Treasury certificates and notes			
Maturing Dec. 15 (yield).....	4.53	1.63	1.58
Maturing Mar. 15 (yield).....	4.51	1.97	2.02
Federal Reserve Bank of New York re-			
discount rate.....	6	2½	2½
Federal Reserve Bank of New York			
buying rate for 90 day indorsed bills.	5½	‡2	‡2

*For preceding week ¶Nominal †Average rate of leading banks at middle of month ‡1-75 days—1½ per cent

MEMBER BANK CREDIT

Total loans and investments of reporting member banks in this district showed practically no net change between the third week of July and the third week of August. The security loans of the principal New York City banks after a temporary increase over the July month-end declined to a volume slightly smaller than a month previous; all other loans showed a small increase, probably due to larger holdings of bankers acceptances; investments showed no consistent change. For all reporting banks throughout the country, there was an increase of \$40,000,000 during the month in total loans and investments, as a decline of \$83,000,000 in security loans was more than offset by an increase of \$26,000,000 in other loans, and a further increase of \$97,000,000 in investments.

BILL MARKET

The bill market was moderately active during August and open market rates were unchanged throughout the month. Discounting and accepting banks evidently preferred to hold new bills in their portfolios instead of allowing them to come into the market, and in addition there was a more or less steady demand from the banks for bills that dealers could supply at existing rates. In the second week of August, when money conditions temporarily became slightly firmer, some bills were sold to the Reserve Bank by New York City banks in order to replenish reserves, but for the month ended August 27 the System's bill portfolio rose only \$32,000,000. As a result of the absence of any great seasonal increase in new drawings of bills and the rather good investment

demand, dealers' portfolios of bills remained low throughout the month.

During July, the volume of dollar acceptances outstanding rose \$45,000,000 to \$1,350,000,000, following the uninterrupted seasonal decline from the end of December to June. The July increase was more than accounted for by a rise of about \$50,000,000 in acceptances based on goods stored in or shipped between foreign countries. Export acceptances also increased slightly, while import bills and those based on domestic warehouse credits, the other two principal classes of transactions, declined further. The accompanying table shows that July outstandings in this market of bills based on foreign storage or shipment of goods were 77 per cent larger than a year ago, continuing the rapid growth that has been in progress in this type of financing during the past few years. Export acceptance credits on July 31 were slightly above a year ago, but import bills showed a decrease of \$56,000,000, no doubt reflecting at least in part lower commodity prices. The increase of \$223,000,000 over a year ago in total outstandings was almost entirely due to the increase in acceptances covering foreign transactions.

(In millions of dollars)

Classification	July 31, 1929	June 30, 1930	July 31, 1930
Based on Goods Stored in or Shipped			
between Foreign Countries.....	280	442	495
Exports.....	368	373	380
Imports.....	316	276	260
Domestic Warehouse Credits.....	99	145	137
Dollar Exchange.....	49	50	49
Domestic Shipments.....	15	19	29
Total.....	1,127	1,305	1,350

COMMERCIAL PAPER MARKET

A fairly active market was reported by commercial paper dealers throughout August. There continued to be a widely distributed, active demand for prime paper at 3 per cent, but there was little demand on the part of the banks for less high grade paper of the smaller borrowers, which was available at slightly higher rates. In the aggregate, the investment demand for high grade material was generally in excess of the amount of this type of paper that the dealers were able to secure from potential borrowers.

The good demand for open market commercial paper in recent months has quickly absorbed new creations of paper and has kept the market rather bare, despite the fact that outstandings of paper have shown less decline than in the corresponding season of previous years. The outstandings of 21 dealers at the end of July were \$525,000,000, or less than ½ of one per cent smaller than a month earlier and only about 5 per cent below the April peak of this year. The July 31 figure was nearly twice that of a year ago.

Foreign Exchange

Little change took place in the foreign exchanges during August. With the exception of Italian lire, which were steady at about \$0.0523¾, the more active European currencies were maintained at a premium over the dollar. French francs were steady at \$0.0393½ during the first part of the month, and gold shipments were made while the exchange held at that level; somewhat lower quotations prevailed subsequently but were fol-

lowed by renewed strength towards the close of the month. Sterling went above \$4.87 at the close of July and remained at that level for the better part of August; reichmarks weakened gradually from \$0.2390 to \$0.2388. Belgas, Swiss francs, and Austrian schillings exceeded their estimated outgoing gold points for at least part of the month, but no shipments of the metal to these countries took place. Pesetas reached new low ground at \$0.1055 on the 16th.

The Argentine peso rose rapidly from \$0.8197 on August 1 to \$0.8403 on the 11th, and, although it fell off thereafter, there was a net gain for the month. The Brazilian milreis continued downward to \$0.0925, the lowest in several years, while Uruguayan pesos strengthened slightly. Gold shipments from Japan had a strengthening effect on the yen which now appears to be slightly above the import point to the United States. Canadian dollars eased gradually from a premium of 5/32 on the 1st to par on the 18th but advanced later in the month to a level at which gold exports were resumed. The Shanghai tael advanced with the slightly higher price of silver which ruled until the 23d.

Gold Movement

The outflow of gold from the United States which began in July continued in August with a total of \$35,300,000 withdrawn for shipment to France and \$3,000,000 to Canada. French takings have reached a total of \$65,300,000 in this movement. The Canadian withdrawals stopped on the 4th and were resumed on the 28th, the total movement amounting to \$15,500,000. Receipts of \$2,000,000 from Uruguay, \$1,000,000 from Colombia, and \$750,000 from Bolivia, accounted for the bulk of the imports at the Port of New York. In addition to this, \$8,000,000 was received from Japan and \$3,100,000 from China at San Francisco. As there was no change in gold held under earmark for foreign account during August, the net loss of gold has been estimated at approximately \$23,000,000. The gain since January 1 to the country's gold stock as the net result of imports, exports, and changes in earmarked holdings, was reduced by the losses during July and August to about \$196,000,000.

Withdrawals of gold at the Bank of England for shipment to France ceased during August, but £1,300,000 was obtained by French purchasers in the London market. Switzerland also appeared as a purchaser in the London market, obtaining £1,000,000 of South African gold.

Central Bank Rate Changes

Two European central banks lowered their discount rates during August. On the 19th the Bank of Danzig rate, which had stood at 4½ per cent since June 24, was reduced to 4 per cent. The Bank of Finland lowered its rate from 6½ to 6 per cent on the 27th, the higher rate having been in force since April 29.

The Central Bank of the Bolivian Nation was reported to have reduced its rate from 9 to 7 per cent, effective August 26. The earlier rate had been in force since the opening of the bank in July 1929. A second Latin-American institution, the Reserve Bank of Peru, reduced its rate on August 18 from 9 to 8 per cent, having

previously raised the rate from 8 to 9 per cent on August 2.

A press report last month of the increase in the Bank of Spain's rate from 5½ to 6 per cent on July 17, has since been confirmed.

Security Markets

Another period of weakness in the stock market developed during the first part of August, as a result of which price averages of representative issues declined to a level only slightly above the low point of June, which in turn was not greatly above the bottom levels touched last November. Following this downward movement, stock prices strengthened moderately, but toward the close of August still showed some net loss from the prices prevailing around the end of July. The volume of trading on the New York Stock Exchange was unusually small, being on many days less than 1½ million shares, and for the month averaging under 2 million shares, or less than half the large turnover reported in the markets of August a year ago.

In the bond market, the volume of trading on the Exchange was somewhat less than in the preceding month and also materially below the transactions of August 1929, but fairly active trading was reported outside the Exchange, and prices were firm during most of the month. High grade domestic corporation bond issues advanced about ¾ of a point further, and by the end of the month several of the representative price averages were at the highest levels since 1928. Less high grade issues, however, moved irregularly, with little turnover reported. Foreign issues for the most part held steady throughout most of the month, but on the whole closed slightly higher than a month earlier. Long-term United States Government bonds showed a slight net loss during August and closed about ¼ point below the early July level, which was the highest of 1929 and 1930.

New Financing

New security issues during July totaled \$580,000,000, an amount \$200,000,000 smaller than in the previous month and \$380,000,000 below the July 1929 figure, which was greatly expanded by the inclusion of large investment trust and financial trading company stock issues. New bond flotations of domestic corporations, exclusive of refunding issues, were \$60,000,000 larger than in the previous month, and more than twice as large as the bond offerings of a year ago. As in previous months this year, public utility and railroad issues accounted for the larger part of the increase in the amount of new capital secured by bond issues. State and municipal financing, while seasonally smaller than in the previous month, was also well above last year's level.

Foreign financing in this market was less than half of the June volume, but at \$84,000,000 was still double the flotations of July 1929, and the total of new capital raised in this country for use abroad during the first seven months of this year was increased to \$836,000,000, an amount more than 50 per cent larger than in the corresponding period of last year and only 7 per cent below the comparable period of 1928.

Flotations of new security issues during August were in small volume. August is generally the lowest month

of the year for the issuance of new securities, and this year proved to be no exception. Domestic corporate bond issues in August were somewhat above last year's volume, and State and municipal financing was larger, but the preliminary total of all types of security issues shows a large decrease from a year ago, primarily because August 1929 marked nearly the peak of stock flotations by investment trusts and trading and holding companies. Foreign financing in this market likewise appears to have been in smaller amount during August than a year ago.

Business Profits

The effects of the continued decline in business through the second quarter of this year are reflected in reports of business profits for the period. The quarterly earnings reports of 247 industrial and mercantile concerns which have so far become available indicate that net profits for the second quarter were 35 per cent smaller than in 1929 and 14 per cent below the figure for the second quarter of 1928. Profits of these same companies for the first quarter of this year were 25 per cent smaller than a year previous, but were 2½ per cent larger than in the corresponding period of 1928. The only groups of companies to show larger second quarter profits than a year ago were the food products concerns, which in the first quarter reported somewhat reduced net income as compared with 1929, and the railroad equipment companies, which had also a better first quarter than a year ago. Furthermore, only three groups showed smaller percentage declines from a year ago in the second quarter than in the first quarter of 1930; these were the automobile, automobile parts and accessories, and machinery concerns, and in these cases the improvement was relatively slight.

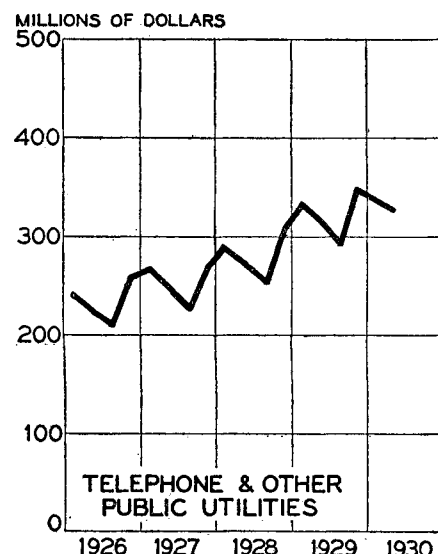
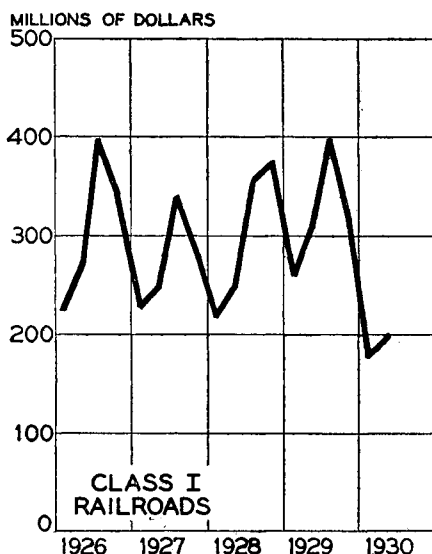
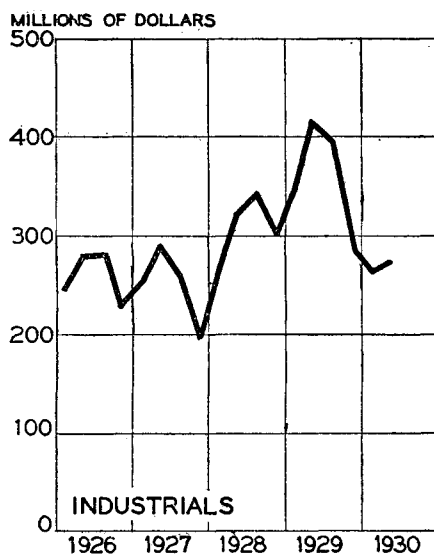
For the first six months of 1930, net profits of 379 companies—a considerably larger list than is obtainable for the second quarter, because many corporations publish mid-year but not quarterly statements—showed a decrease of 30 per cent compared with the first half of 1929 when business was very active, and were 5 per cent smaller than in the first half of 1928. As the accom-

panying table indicates, there was a rather general reduction in profits between the first half of 1929 and 1930. Industries which, contrary to the general tendency, reported somewhat larger profits than in the first half of 1929 include the food and food products, paper, printing and publishing, leather and shoe, and railroad equipment groups. Comparison with profits in the first half of 1928 shows a less widespread reduction; of the 23 groups of companies listed, 12 had smaller profits and 11 had larger profits.

The net operating income of telephone companies in the second quarter compared more favorably with a year ago than in the first quarter, and net earnings of other large public utilities followed a similar course, but the

(Net profits in millions of dollars)

Corporation groups	Number of companies	Second quarter			Number of companies	First six months		
		1928	1929	1930		1928	1929	1930
Automobile.....	17	133	138	68	20	228	242	124
Automobile parts and accessories (exclusive of tires).....	22	11	15	9	32	32	47	27
Building supplies.....	10	6	9	4	15	14	17	10
Chemical.....	14	17	21	18	15	33	43	38
Copper.....	8	8	10	2	9	15	25	9
Coal and coke.....	6	1	1	1	8	3	4	4
Other mining and smelting.....	12	8	14	6	16	17	28	16
Clothing and textiles.....	.....	.....	.....	.....	24	12	13	2
Electrical equipment.....	8	19	27	20	13	36	52	40
Food and food products.....	33	44	48	49	39	88	100	104
Leather and shoe.....	.....	.....	.....	.....	10	6	0	4
Machinery.....	12	6	8	5	16	14	19	13
Office equipment.....	6	5	6	4	6	9	13	9
Oil.....	25	31	49	31	27	46	76	51
Paper.....	5	2	4	3	5	5	5	7
Printing and publishing.....	6	8	9	8	7	15	17	18
Railroad equipment.....	6	7	8	9	8	15	21	24
Realty.....	.....	.....	.....	.....	7	5	6	5
Rubber.....	.....	.....	.....	.....	6	Def. 3	19	Def. 1
Steel.....	15	45	89	51	19	86	170	113
Stores.....	.....	.....	.....	.....	12	15	20	15
Tobacco.....	5	3	3	2	8	8	6	4
Miscellaneous.....	37	32	50	40	57	91	134	115
Total { 18 groups for 2nd quarter 23 " " " 1st half }	247	386	509	330	379	790	1,077	751
Telephone (net operating income).....	104	66	68	70	104	129	138	137
Other public utilities (net earnings).....	95	204	245	259	95	430	508	529
Total public utilities.....	199	270	313	329	199	559	646	666
Class I railroads (net operating income).....	172	245	304	200	172	462	563	376



Quarterly Net Profits of 163 Industrial and Mercantile Companies, Net Operating Income of 172 Class I Railroads, and Net Operating Income of 104 Telephone Companies Combined with Net Earnings of 95 Other Public Utilities

aggregate increase of 3 per cent for the first half year was less than has occurred in several years. Class I railroads reported for the second quarter net operating income that was further below that of a year ago than in the first quarter; consequently the total for the first half of 1930 was 33 per cent smaller than in 1929, and was the smallest since 1922.

Crops

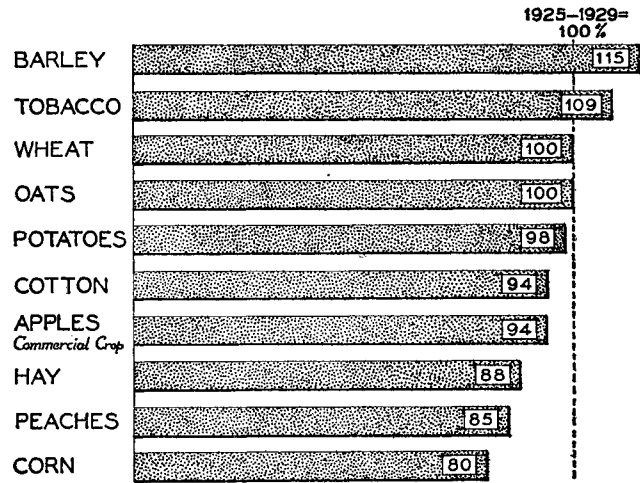
The first definite indication of the effects of the severe drought in July was contained in the August 1 crop report of the Department of Agriculture. The most important change, in comparison with July 1 crop estimates, was in the corn crop, where a reduction of nearly 600,000,000 bushels, or 21 per cent, was indicated. The estimate for corn was reduced from 2,802,000,000 bushels on July 1, which was larger than either last year's actual harvest or the average of the preceding five years, to 2,212,000,000 bushels on August 1, which, if realized, would be the smallest crop since 1901. The most substantial declines from a year ago were indicated in the principal corn producing states of Iowa, Illinois, and Nebraska, in each of which the estimated reduction was more than 40,000,000 bushels, but in some of the other states which ordinarily produce substantial amounts of corn, estimates of this year's production showed even larger proportionate declines.

The estimated production of many other crops was reduced between the first of July and the first of August, and indicated yields per acre of 36 important crops declined nearly 7 per cent on the average from the yields indicated on July 1, and were the lowest in the last 20 years, except in 1921. In general, the greatest deterioration occurred in crops that are produced as feed for livestock. In addition to deterioration in grains that are used principally for feed, the prospective crop of hay was greatly reduced, and the condition of pastures on August 1 was reported to have been the poorest for any summer month in at least 50 years.

Grain crops produced principally for human consumption in the aggregate appeared likely to be only slightly smaller than last year. The estimated production of winter wheat was raised nearly 40,000,000 bushels from the July estimates to 597,000,000 bushels, as compared with a harvest last year of 578,000,000 bushels, and, notwithstanding a moderate reduction in the estimate for spring wheat, the total wheat production was indicated as 821,000,000 bushels, a slightly larger amount than last year.

Conditions with respect to fruits and vegetables were reported to have been more favorable than in the case of most other crops. The August 1 report indicated the prospective yield of all fruit crops to be about 18 per cent above the small crops of 1929, although somewhat below the average of recent years. Aggregate yields of canning vegetables and truck crops were reported to be close to those of last year.

Early in August the first estimate of this year's cotton crop was made public. This indicated a crop of 14,362,000 bales, a decline of about 3 per cent from last year's harvest. The largest declines were indicated in Mississippi, Alabama, Louisiana, and Arkansas, all of which were affected by the drought.



August 1930 Production Estimates of Ten Principal Crops Compared with Average Harvests in the Past Five Years

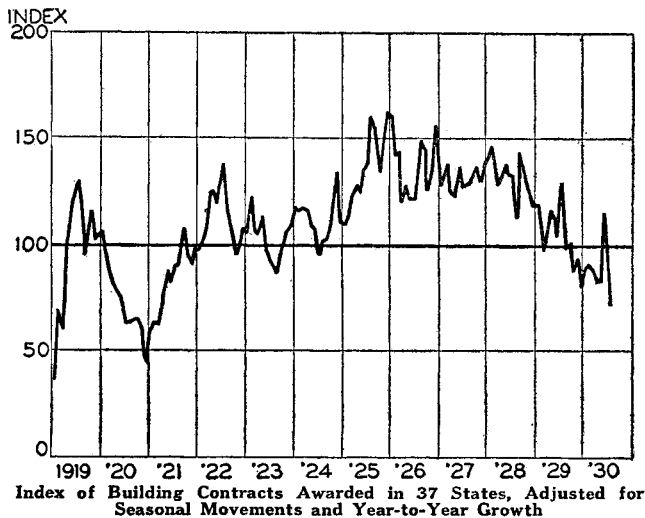
To some extent, the deterioration caused by the drought was offset in its effect on the total indicated value of crops by a rise in prices. The price of cash corn rose from a low figure of 75 cents, at the end of June, to a high of \$1.02 early in August, an increase of 36 per cent. Subsequently there has been some reaction, but near the end of August this grade of corn was still quoted around \$1.00 a bushel. Nevertheless, the prospect is that the total value of the corn crop will be somewhat smaller than was indicated early in July. Following the rise in corn prices, wheat also advanced between August 2 and August 8, from 82 cents, the low point for the year, to 96¾ cents. Subsequently part of this gain was lost, but, at a price of somewhat under 90 cents near the end of the month, the total value of the wheat crop indicated by August 1 conditions would be somewhat larger than was indicated early in July. In the case of cotton, notwithstanding the prospect of a smaller crop than last year, the price declined in August as low as 11 cents, which is under the lowest point reached in 1926, when the record crop was produced, but near the end of August the price advanced to around 11.70 cents.

As compared with a year ago, the present prospect is that the total value of all important crops will be considerably lower than last year, due in part to lower prices. In addition, the prospective yields of several of the more important crops, as the accompanying diagram shows, are well below the average harvests of the past five years. The tendency in wages paid for farm labor and in prices for goods purchased by farmers has been downward also, however, so that the decline in the purchasing power of the agricultural districts will not be as large as the decline in money income.

Following further deterioration of crops during the first part of August, subsequent widespread rainfall was reported to have improved conditions somewhat.

Building

July contracts for building and engineering work in the 37 States covered by the F. W. Dodge Corporation report were greatly reduced, following the temporary large increase in June. The July total was the smallest



since February and was 44 per cent below the exceptionally large total of July a year ago. Contributing to the more than seasonal drop in contracts between June and July were decreases in residential construction, public works and utilities projects, and other non-residential building. Likewise all principal types of building awards were below the level of a year ago—even those for public works and utilities construction, which in previous months of this year had generally been maintained in larger volume than in 1929.

Reflecting these declines in the various classes of building, this bank's index of building contracts, in which allowance has been made for seasonal influences and year-to-year growth, dropped further to the lowest level since the first part of 1921, following the temporary upturn in June. As the accompanying diagram indicates, this index has been declining ever since the latter part of 1928, after being maintained at a high level through the greater part of the time from 1925 to 1928. Both in the recession of 1920-21 and in the current instance, the index of building contracts declined before any decrease was evident in the volume of general business; and in the 1920-21 period there was a marked recovery in building activity which preceded by an appreciable period the recovery in general business. The 1920-21 situation differed from the present one, however, in that the quick upturn in building at that time followed a considerable period of curtailed operations during the war, whereas the present lull in building has followed a large volume of building during the preceding four years.

The value of building contracts awarded in 37 States during the period from the first of January to the end of July has been 18 per cent smaller than during the same period of last year. During the first three weeks of August daily average figures on contracts awarded while slightly above the low level of the previous month, were about 20 per cent smaller than the daily average of August 1929.

Recent surveys of the mortgage money situation indicate that an ample supply of first mortgage funds is available to finance sound, new building enterprises. The supply of funds is considerably larger than a year ago, with large offerings of funds coming from savings banks,

mortgage and title institutions, and insurance companies. The interest rate for first mortgage money is lower than a year ago; in New York first mortgage money on prime property is available at 5½ per cent, as compared with 6 per cent a year ago, and in localities where the rate is invariably 6 per cent there is greater ease in obtaining loans on necessary projects.

Production

There was a marked curtailment of industrial activity in July, with the result that production in general reached a lower level than last December and was the lowest during the current business recession. Of this bank's indexes, 16 declined from June to July and only 7 advanced, and a substantial majority continued under the long-time trend of growth which has been derived from the records of past years. One of the largest declines occurred in the automotive industry, where a number of producers suspended operations for a period of two or more weeks; average daily production of automobiles fell 25 per cent from June to July, as compared with an average decline of about 8 per cent in past years, and this bank's seasonally adjusted index of passenger cars and motor trucks combined reached a new low level since last December.

There was also a substantial reduction of output in the metal industries. Production of steel ingots declined 18 per cent from June to July, when usually there is little change, output of pig iron was down 13 per cent, compared with the usual decline of about 4 per cent, and production of copper and of zinc also showed reductions somewhat in excess of the usual seasonal decreases. The only increases in the metals group were in the indexes of

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

	1929	1930		
	July	May	June	July
Metals				
Pig iron.....	131	104	100	91
Steel ingots.....	137	102	101	82
Copper, U. S. mines.....	116	84	81	79 _p
Lead.....	104	90	90	92 _p
Zinc.....	102	76	78	73
Tin deliveries.....	109	92	86	94
Automobiles				
Passenger cars.....	123	90	76	60 _p
Motor trucks.....	154	93	87	79 _p
Fuels				
Bituminous coal.....	83	77	72	69
Anthracite coal.....	68	85	74	78
Coke.....	123	110	101	94
Petroleum, crude.....	119	98	95	94 _p
Petroleum products.....	102	95	92	
Textile and Leather Products				
Cotton consumption.....	103	77	73	71
Wool mill activity.....	99	75	80	73 _p
Silk consumption.....	115	87	64	84
Leather, sole.....	104	113	111	122 _p
Boots and shoes.....	122	88	90 _p	95 _p
Foods and Tobacco Products				
Live stock slaughtered.....	98	94	92	92
Wheat flour.....	96	106	99	96 _p
Sugar meltings, U. S. ports.....	85	92	74	93
Tobacco products.....	105	102	107	105
Miscellaneous				
Cement.....	120	118	118	114
Tires.....	120	100	89	55 _p
Printing activity.....	117	100	101	
Paper, newsprint.....	86	87	81	78
Wood pulp.....	109	102	98	

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tin deliveries and of the production of lead. The fuel industries were generally at a lower rate of operations; production of bituminous coal, coke, and petroleum declined somewhat, while output of anthracite coal increased.

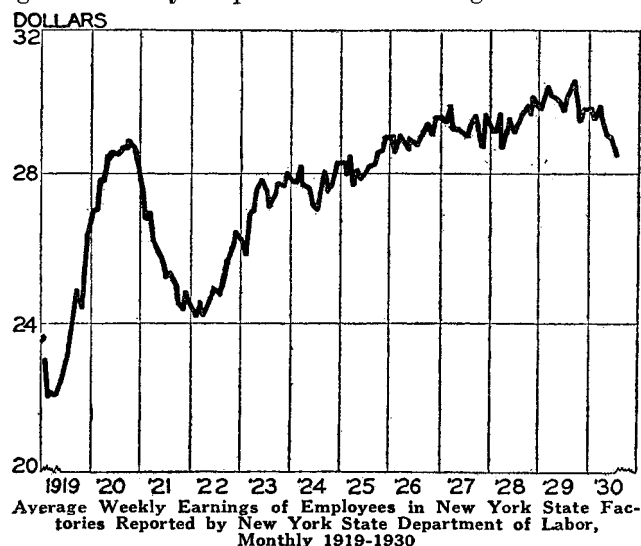
Mill consumption of raw cotton declined further in July and wool mills were less active, but silk consumption increased considerably from the unusually low level of June. Production of cement declined slightly in July, but remained at a relatively high level.

Employment and Wages

Employment and wage data for July indicated the development of more unsatisfactory conditions than in the preceding months. The number of workers employed in representative factories throughout the United States dropped 4.6 per cent between the middle week of June and the middle week of July, according to the index of the Federal Reserve Board, as compared with a usual June to July reduction of around 1 per cent, and this bank's seasonally adjusted index declined to a new low level since 1922. The July index was within 5 per cent of the lowest point reached in 1921. In New York State there was a 3.7 per cent decline in factory employment in July.

Other data showed that opportunities for obtaining work were relatively scarce. At New York State Employment Bureaus, orders for workers continued to decline, and the ratio between orders and applications dropped to the lowest level since February. The decline was much larger than usually takes place in July. In the first three weeks of August there was a slight seasonal increase in the demand for labor.

The employment situation apparently was affected by the drought as well as by industrial conditions, as the index of the demand for farm labor reported by the Department of Agriculture declined from 81.4 per cent on the first of July to 74.3 per cent on the first of August, which is the lowest since these data were first collected in 1918. The decrease was said to be largest in the drought stricken area, where farmers had the prospect of very small crops to harvest and little money with which to employ labor. The supply of farm labor, on the other hand, increased, and the index was 13 points higher than a year previous and the highest on record,



reflecting no doubt the difficulty workers are experiencing in obtaining work in factories and in building.

Average weekly earnings of employees in New York State factories declined further in July, and reached the lowest level since 1925, as the accompanying diagram shows. The decline since the record high point of last September has amounted to \$1.96 a week, or 6 per cent, and is the most substantial that has occurred since 1921. This decrease no doubt has been due largely to part time employment. Reflecting the large decline in the number of workers, and the moderate drop in average earnings of those employed, total factory payrolls in New York State dropped 5.2 per cent from June to July, which is considerably more than the usual seasonal recession, and reached a level 22 per cent under the peak of last September.

Indexes of Business Activity

Data for July indicate a further recession in the distribution of goods and in general business activity during that month, even after adjustment is made for the usual seasonal decline, and this bank's indexes continued at relatively low levels. Car loadings of merchandise and miscellaneous freight showed an unseasonal decrease, and remained well under the levels of the past five years, while loadings of heavy bulk materials increased no more than seasonally in July, and also remained at low levels.

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

	1929 July	1930		
		May	June	July
<i>Primary Distribution</i>				
Car loadings, merchandise and misc. r...	103r	94r	92r	89r
Car loadings, other	99	87	80	80
Exports	114	82	81	81p
Imports	123	103	93	85p
Panama Canal traffic	88	67	71	77
<i>Distribution to Consumer</i>				
Department store sales, 2nd Dist.	99	107	99	95
Chain store sales, other than grocery	100	93	89	86
Life insurance paid for	99	93	95	94
Advertising r.	100r	90r	87r	85r
<i>General Business Activity</i>				
Bank debits, outside of New York City	112	99	104	96
Bank debits, New York City	181	134	141	115
Velocity of bank deposits, outside of New York City	131	112	114	105
Velocity of bank deposits, New York City	208	143	146	118
Shares sold on N. Y. Stock Exchange	429	273	269	212
Postal receipts	104	96	94	
Electric power	104	93	91	
Employment in the United States	104	92	90	87
Business failures	102	121	124	117
Building contracts	131	83	115	72
New corporations formed in N. Y. State	104r	84r	90r	92r
Real estate transfers	79	66	65p	62p
General price level*	181	172	169	167
Composite index of wages*	226	225	225	223
Cost of living*	172	167	165	164

p Preliminary * 1913=100
r Revised

Foreign Trade

Both merchandise imports and exports continued downward during July but as each was \$134,000,000 smaller than last July the favorable balance of merchandise trade of this country was unchanged from a year ago. The decline represented 33 per cent for exports and 38 per cent for imports. The exports, valued at \$269,000,000, were the smallest for any July since 1915, and imports at \$219,000,000 were the smallest for that month since 1921. Undoubtedly the decline in commodity prices has had an important effect on the value of exports and imports, but does not account for all of the reduction.

All of the major groups in this country's foreign trade continued to show declines from a year previous. Among the exports, the heaviest loss in dollar value, as well as in proportion, occurred in the group composed of finished manufactures, while among the imports the largest loss was in crude materials. Exports of finished manufactures decreased \$83,000,000, or 36 per cent, and imports of crude materials were reduced \$50,000,000, or 42 per cent. Raw cotton shipments showed a decrease of \$9,000,000 from last year's level. Quantity receipts of crude rubber continued to decline during July. The volume of raw silk imports, however, reversed the tendency of the past six months and was nearly double that of June and about equal to a year ago.

Wholesale Trade

Total July sales of reporting wholesale concerns in this district averaged 24 per cent smaller than the year previous, the largest decrease in recent years. Decreases ranging from about one-third to nearly one-half were reported in sales of shoes, cotton goods, men's clothing, jewelry, and diamonds. In the cases of men's clothing, cotton goods, and also paper, the July declines were the largest during the period covered by this bank's records. While sales of groceries showed a smaller decline than in any other reporting lines, the decline was the largest for the grocery trade in more than three years. Sales of drug dealers also showed a greater reduction than in most preceding months this year.

In hardware, stationery, and silk goods, the reductions in sales compared with a year ago, although substantial, were not as large as those reported in June. The silk goods figures, which are reported by the Silk Association, represent yardage rather than value, and, in view of the decline in prices during the past year, the reduction in the value of goods sold undoubtedly was larger than that indicated for quantity sales. Orders for machine tools reported by the National Machine Tool Builders Association were slightly more than one-third the volume of a year ago, and were the smallest in more than five years.

The value of stocks of groceries, cotton goods, hardware, and diamonds on hand at the end of the month remained smaller than last year, while the value of stocks of shoes and drugs, and quantity stocks of silk

goods, continued to show increases of varying amount over a year ago. Collections continued to be slower than in 1929.

Department Store Trade

Reporting department stores in this district showed a 3.4 per cent decrease in their July sales compared with a year ago. Although declines in sales continued to be reported from most sections of the district, the decreases were smaller than in June in several localities, including New York City, Buffalo, Bridgeport, Northern New York State, and Central New York State. Sales of the Rochester and Newark stores increased 4 per cent and 1 per cent, respectively, following decreases in sales of more than 5 per cent in June. Sales of the leading apparel stores continued much smaller than a year ago.

Stocks of merchandise on hand at the end of the month showed the largest decrease from a year ago that has been reported in recent years. Collections on charge accounts outstanding were noticeably smaller than in 1929.

Locality	Percentage change July 1930 compared with July 1929		Per cent of accounts outstanding June 30 collected in July	
	Net sales	Stock on hand end of month	1929	1930
New York.....	- 2.6	- 3.4	49.0	46.3
Buffalo.....	- 6.3	- 5.6	50.8	47.1
Rochester.....	+ 4.0	-14.0	40.0	38.1
Syracuse.....	-11.7	-10.7	33.7	27.9
Newark.....	+ 1.0	-14.5	43.9	42.1
Bridgeport.....	-14.0	-13.3	41.4	40.8
Elsewhere.....	-10.4	- 4.6	37.3	33.9
Northern New York State.....	-12.2	.....	.....	.....
Central New York State.....	- 4.9	.....	.....	.....
Southern New York State.....	-16.6	.....	.....	.....
Hudson River Valley District.....	-10.0	.....	.....	.....
Capital District.....	-13.5	.....	.....	.....
Westchester District.....	- 4.3	.....	.....	.....
All department stores.....	- 3.4	- 5.8	46.2	43.6
Apparel stores.....	-17.1	- 6.2	45.9	42.7

July sales and stocks in the principal departments are compared with those of last year in the following table. The large distribution of radio sets showed the effect of special sales. Sales of vacation articles, men's wear, and shoes showed moderately large increases.

Commodity	Percentage change July 1930 compared with June 1930		Percentage change July 1930 compared with July 1929		Per cent of accounts outstanding June 30 collected in July	
	Net sales	Stock end of month	Net sales	Stock end of month	1929	1930
Groceries.....	- 3.9	- 1.0	- 9.2	- 1.5	76.7	77.3
Men's clothing.....	+33.9	.....	-33.8	.....	38.9	37.2
Cotton goods.....	-17.0	+ 9.2	-33.8	-10.0	34.1	34.3
Silk goods.....	+11.5*	+ 8.3*	-14.8*	+ 2.2*	52.1	49.8
Shoes.....	-14.2	+ 2.2	-31.5	+ 7.5	38.4	38.5
Drugs.....	+ 4.0	+11.5	-11.0	+20.4	45.3	24.4
Hardware.....	-11.5	- 7.3	-16.4	-26.4	50.3	46.2
Machine tools**.....	-27.6	.....	-64.8	.....	.....	.....
Stationery.....	- 3.8	.....	-12.3	.....	66.3	70.6
Paper.....	- 9.0	.....	-21.0	.....	62.4	60.3
Diamonds.....	+24.4	+29.2	-45.5	-12.3	28.4	26.3
Jewelry.....	-50.2	+21.4	-36.5	+ 0.6		
Weighted average.....	-13.3	.....	-23.6	.....	52.6	50.4

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

	Net sales percentage change July 1930 compared with July 1929	Stock on hand percentage change July 31, 1930 compared with July 31, 1929
Musical instruments and radio....	+87.8	+ 0.8
Toilet articles and drugs.....	+12.6	- 3.3
Toys and sporting goods.....	+ 9.6	-12.6
Men's and Boys' wear.....	+ 7.6	- 5.2
Shoes.....	+ 7.0	- 0.7
Furniture.....	+ 4.2	- 0.7
Men's furnishings.....	+ 3.0	- 4.0
Cotton goods.....	+ 2.4	+13.9
Women's ready-to-wear accessories.....	- 2.0	-10.8
Silverware and jewelry.....	- 2.7	- 8.0
Silks and velvets.....	- 2.9	-23.5
Hosiery.....	- 3.1	- 7.6
Home furnishings.....	- 4.5	- 2.7
Books and stationery.....	- 6.5	+ 0.8
Linen and handkerchiefs.....	- 8.4	+ 8.9
Luggage and other leather goods....	-13.3	-14.3
Women's and Misses' ready-to-wear.....	-13.7	-26.6
Woolen goods.....	-32.0	-34.4
Miscellaneous.....	- 5.9	-22.9

FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, SEPTEMBER 1, 1930

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

BUSINESS activity declined further during July and industrial production and factory employment reached the lowest levels in recent years. Crops were damaged by prolonged drought. Wholesale prices declined further until early in August when agricultural prices increased. Money rates continued easy.

PRODUCTION AND EMPLOYMENT

Output of factories and mines decreased by about 6 per cent during July according to the Board's index of production, which makes allowance for seasonal fluctuations. A number of automobile factories were closed during part of the month and there was a substantial reduction in output of iron and steel and cotton textiles. Daily average production of bituminous coal, lumber, and shoes continued small. In the first half of August, the output of steel showed a further slight decrease. Some automobile plants resumed operations on a limited scale.

Factory employment and wage payments decreased further, and at the middle of July were at the lowest level since 1922. The reduction in number of workers employed was largest at steel and automobile plants, car shops and foundries, hosiery and cotton mills, and clothing factories. There was a seasonal increase in employment in the canning, flour, and shoe industries. Working forces at bituminous coal mines were further reduced, and the Department of Agriculture reported an unusually small demand for farm labor.

Building contracts awarded during July and the first half of August were in exceptionally small volume, according to reports by the F. W. Dodge Corporation. The reduction from June was primarily on account of smaller awards for public works and utility construction. Building in other lines continued relatively inactive.

Feed crops and pasturage have been severely damaged by drought, which was not broken until the middle of August. The August 1 crop report of the Department of Agriculture indicated a corn crop of 2,212,000,000 bushels, the smallest since 1901, and the smallest hay crop in ten years. Food crops were less severely affected, with wheat production estimated at 821,000,000 bushels—15,000,000 bushels larger than last year. The cotton crop was estimated at 14,362,000 bales, or slightly less than a year ago.

DISTRIBUTION

Freight-car loadings have been in smaller volume than at the same season of any other recent year. Department store sales declined in July to the lowest level since the summer of 1924.

PRICES

The sharp downward movement of wholesale prices continued through July, and the Bureau of Labor Statistics index fell to a level 14 per cent below that of a year ago. The most pronounced decreases from June to July were in the prices of cattle, beef, wheat, cotton, silk, and rubber, and nearly all commodities showed some decline. During the first half of August, prices of grains moved upward, reflecting the influence of the drought. There have also been recent increases in the prices of cattle, hogs, silver, and silk, while the prices of cotton, copper, iron and steel, and rubber have declined further to the lowest levels in recent years.

BANK CREDIT

Loans and investments of reporting member banks in leading cities decreased slightly between July 16 and August 13, largely as a result of a decline of \$48,000,000 in security loans. All other loans showed little change, while investments increased further.

Reserve Bank credit outstanding increased by about \$60,000,000 during the first three weeks of August, reflecting seasonal increase in the demand for currency and a decrease of about \$25,000,000 in the country's gold stock chiefly on account of gold exports to France. The increase in Reserve Bank credit was in the form of bankers acceptances and U. S. Government securities; member bank borrowings showed little change.

Money rates continued easy. The prevailing rate on commercial paper was reduced to 3 per cent around the first of August and remained at that level during the first three weeks of the month. Bond yields continued to decline. Discount rates at the Federal Reserve Banks of St. Louis, San Francisco, and Kansas City were lowered from 4 to 3½ per cent during August.

