MONTHLY REVIEW
of Credit and Business Conditions
Second Federal Reserve District

Federal Reserve Agent | *Federal Reserve Bank, New York* | *November 1, 1930*

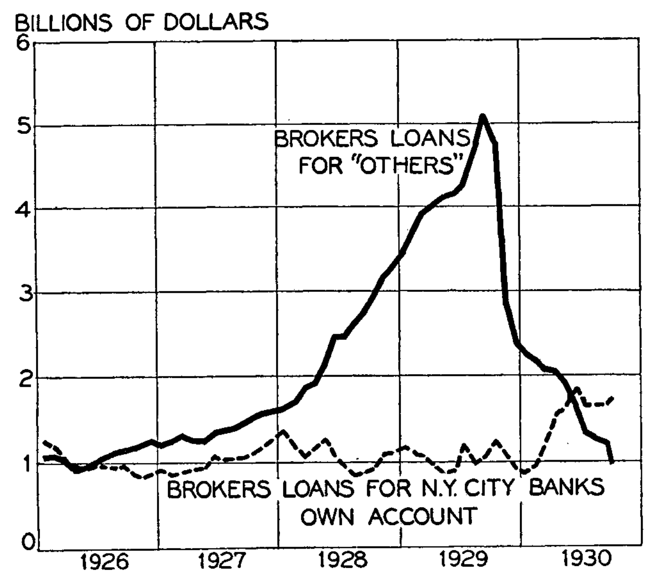
Money Market in October

The first three weeks of October, in which seasonal demands for credit and currency usually reach their mid-autumn peak, passed this year with only a temporary tightening effect on the money market. The leading New York City banks borrowed moderate amounts intermittently at the Reserve Bank to maintain their reserve balances at the required levels; call money was a little firmer than in the latter part of September, and rates on Stock Exchange time loans were slightly higher. Call money did not advance above 2 per cent, however, and in the latter part of the month there were evidences of the accumulation of surplus funds in the New York banks, and money conditions were generally easy.

Money Rates at New York

	Oct. 31, 1929	Sept. 30, 1930	Oct. 31, 1930
Stock Exchange call loans	*5–6	*1½–2	2
Stock Exchange 90 day loans	6	††2¼–½	2½
Prime commercial paper	6–6¼	3	3
Bills—90 day unindorsed	4⅝	1⅞	1⅞
Customers' rates on commercial loans	†6.07	†4.00	†3.88
Treasury certificates and notes			
Maturing Dec. 15 (yield)	3.94	1.25	1.32
Maturing Mar. 15 (yield)	3.73	1.77	1.67
Federal Reserve Bank of New York rediscount rate	6	2½	2½
Federal Reserve Bank of New York buying rate for 90 day indorsed bills	5	‡2	‡2

* For preceding week †† Nominal † Average rate of leading banks at middle of month ‡ 1–75 days—1⅞ per cent

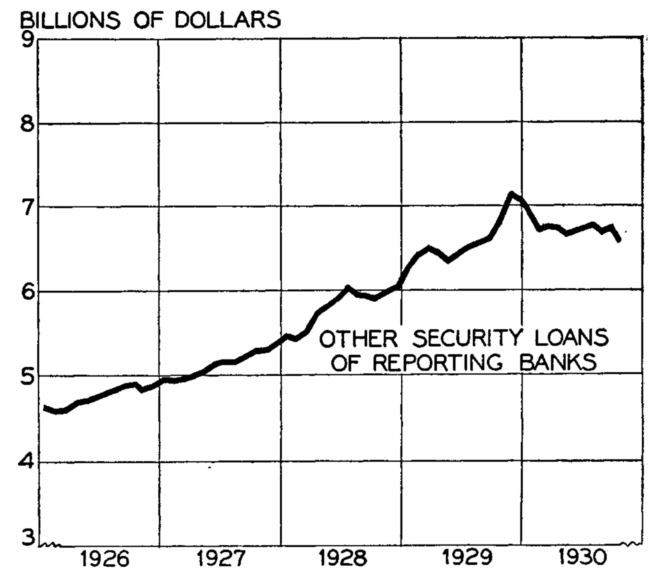


Increase During Past Year in Brokers Loans Placed by New York City Banks for Own Account Has Partially Replaced Brokers Loans Withdrawn by Lenders Other Than Commercial Banks

Currency withdrawals from the Reserve Banks over the September month-end and continuing through the first half of October were about as large as the average for the corresponding weeks of previous years, and currency in circulation showed a total increase of about $50,000,000. During the three weeks ended October 15 there was also a substantial increase in the loans and discounts other than security loans of weekly reporting member banks. This increase was largely in New York City and probably reflected an increase in bank holdings of bankers acceptances and in loans to bill dealers against their portfolios of acceptances, rather than a general increase in commercial borrowing. A considerable part of the newly drawn acceptances have been held by New York banks in their own portfolios.

Security Loans

A substantial reduction in the security loans of the reporting banks occurred during October, accompanying a decline in stock prices to new low levels for the year. The accompanying diagrams show the course of three principal groups of security loans during the past five years, including loans to brokers placed for corporations and other non-banking lenders, as well as bank loans. It is



Total Loans on Securities of All Reporting Member Banks Less Loans to Brokers Placed for New York City Banks' Own Account

evident from these diagrams that the increase compared with a year ago in the security loans of weekly reporting member banks has been due to the fact that these banks are now supplying a part of the brokers loans which until recently were supplied by other lenders. In fact, the security loans of these banks now represent a larger proportion of the total credit issued against securities than at any other time during the five years. Brokers loans supplied by lenders other than commercial banks, including loans obtained by Stock Exchange members from private bankers, brokers, and others, have decreased over $4,000,000,000 during the past year to an amount less than $1,000,000,000, and are now the smallest since June 1926. At times the calling of these loans for "others" has proceeded more rapidly than the reduction in the total of brokers' borrowings, so that the New York banks have been called upon to increase their loans to brokers. In addition, there has been a reduction during the past year of $1,200,000,000 in the loans to New York brokers placed for out-of-town banks. Actually this reduction was probably much more largely in loans for the customers of out-of-town banks than for their own account, so that in character it is probably similar to the reduction in the reported loans "for account of others."

Although this partial substitution of bank loans for loans from non-banking lenders has resulted in a considerable increase in the brokers loans of New York City banks for their own account, the New York banks are now in a much more comfortable position with respect to security loans than they were a year ago. In October of last year these banks had a potential liability of more than $5,200,000,000 on brokers loans placed for correspondent banks and for customers, a considerable part of which they might at any time be called upon to take over. On October 22, 1930, this potential claim upon bank resources had been reduced to a little over $1,000,000,000.

Security loans of reporting banks in October, after deducting the brokers loans of New York banks, were considerably below the high point of last November, as the second diagram shows, but were not greatly below the level of a year ago. During the interval there has been a considerable substitution of one type of security loan for another. At the time of the most severe decline in security prices last autumn and at other subsequent periods there has been a tendency for individual borrowers to go to their banks for credit to replace loans from their brokers. The increase from this and other causes has been more than offset by the liquidation of other security loans to customers.

Member Bank Investments

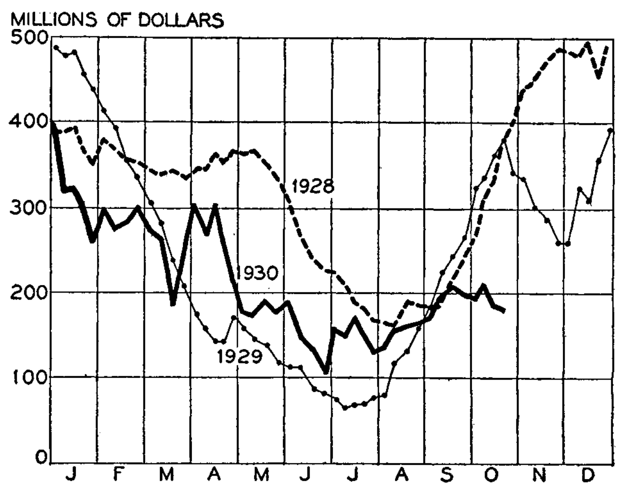
The principal tendency toward expansion of member bank credit in October continued to be in investments. A further increase of nearly $300,000,000 in the investment holdings of all reporting member banks occurred during the four weeks ended October 22. This brought the total increase from the low point of a year ago to more than $1,250,000,000, and, compared with the high point of 1928, there is now an increase of about $450,000,000. The October increase was about evenly divided between United States Government securities and other securities. More than half of the increase was in New York City banks.

This continued increase in the investments of New York banks gives further evidence of the present strong position of these banks. Last year, in addition to the potential liability for brokers loans previously referred to, the New York banks were indebted at the Reserve Bank for amounts varying between $100,000,000 and $300,000,000 during most of the year. In recent months they have been almost entirely out of debt, and many have had surplus funds for which they have had difficulty in finding profitable employment. The result is that they now have unusually large amounts employed in highest grade types of paper. Their holdings of self-liquidating bankers acceptances at the beginning of October totaled $240,000,000, an amount larger than ever before, and a further increase undoubtedly has occurred during the month; holdings of United States Government securities are nearly $200,000,000 larger than a year ago; and holdings of municipal issues and other high grade bonds and notes have been materially increased. These banks are thus in a position to meet any demand for funds which may arise.

Bill Market

The supply of bills coming into dealers' hands was in excess of the investment demand during much of October, due to a seasonal increase in new drawings of bills. As a result dealers' portfolios nearly trebled in the first three weeks of the month, and reached the highest figure since May. During the last week of October, however, a lull in other demands for funds was accompanied by greatly increased investment buying of bills by the banks and a reduction in the amount of new bills offered to the dealers, so that dealers' portfolios were reduced to a figure not materially in excess of their holdings at the opening of the month. Bill rates continued throughout the month at the levels established in the early summer.

Following a moderate increase in the first week of October, Federal Reserve bill holdings showed successive decreases and on the last report date were $27,000,000



Volume of Bankers Acceptances Held by Federal Reserve Banks

lower than the holdings four weeks earlier. This decrease in Reserve Bank holdings during the month in which ordinarily they increase most rapidly was due in part to the low rates at which the dealers were able to obtain funds from the commercial banks to carry their increasing portfolios, but more largely to the heavy investment demand for bills from sources other than the Reserve Banks, which developed in the latter part of the month. It is unlikely, however, that the Federal Reserve bill portfolio would have shown as large an increase as in the two previous years in any event, as the increase in the total volume of bills outstanding has probably been smaller. The September increase in outstandings this year amounted to $27,000,000, as compared with $72,000,000 in September a year ago, and $52,000,000 in September 1928. The principal factor in the expansion this year was an increase in domestic warehouse credits, reported as representing principally the storage of grain.

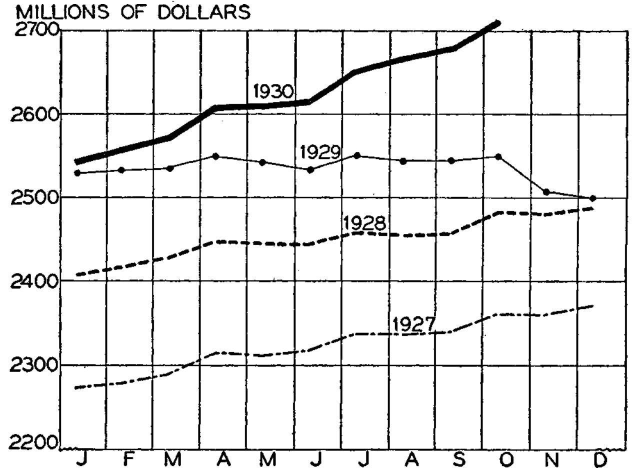
Commercial Paper Market

Despite a continued good investment demand for prime commercial paper on the part of the banks, a 3 per cent rate appeared to be the lowest general selling quotation that could be made effective. While some sales were made by the dealers at 2¾ per cent, these sales were considered special transactions, as the paper was of nationally known concerns of unusually high rating, and considerable sales resistance to the average run of prime paper offered below 3 per cent was reported. At the same time there was little investment inquiry for the good but not so well known paper which could be purchased at somewhat above 3 per cent. The supply of new paper that came into the market during October was reported to have remained limited, continuing the tendency during September, when outstandings of 21 dealers were reduced 2½ per cent to $513,000,000 at the end of that month.

Savings Bank Deposits

Unusually large increases in savings bank deposits have continued to be reported during recent months. The deposits of 30 representative savings banks in the Second Federal Reserve District, shown in the accompanying diagram, have risen 8.4 per cent from the low point of last December, and on October 10 showed an increase over a year ago of 6.4 per cent, as compared with an increase of only 2.7 per cent in the preceding year when a diversion of funds to security trading was reported, and with an average increase of 5.5 per cent in the preceding four years. As a result of the recent substantial accumulation, it appears that the current volume of savings bank deposits in the Second District is now not far below the volume that would have been reached had the average yearly growth of the 1924-1928 period been continued uninterrupted through 1929 and succeeding months.

In New York City the net increase in deposits of 15 representative savings institutions during the year ended October 10 has amounted to 7.3 per cent, and in the 10 months from the low point of December 1929 has totaled 9.8 per cent. Part of the increase of recent months has been attributed to deposits in the savings banks by corporations and wealthy individuals to take advantage of



Deposits in 30 Representative Savings Banks in the Second Federal Reserve District

the high interest rates being paid on these funds relative to other types of short-term investment. In the 15 representative banks in the district outside of New York City, the growth in deposits during the past year has been much smaller than in the New York City banks, being in the neighborhood of 3 per cent.

Central Bank Rate Changes

On October 9 the Reichsbank rate was raised from 4 to 5 per cent, the lower rate having been in force since June 21, 1930. During the four weeks preceding the change in bank rate, the chief items of the Reichsbank statement moved as follows:

Principal Items from the Reichsbank Statement
(In millions of reichsmarks)

	September				October
	6	15	23	30	7
Gold	2,619	2,619	2,584	2,479	2,443
Foreign exchange reserve	392	320	224	171	136
Loans & discounts	1,629	1,429	1,408	2,387	2,099
Notes in circulation	4,486	4,246	4,033	4,744	4,501
Deposits	368	352	443	472	347
Reserve ratio (per cent)	67.1	69.2	69.6	55.8	57.3

At last report (October 23), the Reichsbank appeared to have lost a total of 439 million reichsmarks of gold and 229 million of foreign exchange. There was no appreciable decline after mid-October, the cabled figures of the situation in the week ended October 23 indicating a loss of only 110,000 reichsmarks of gold and some 11,300,000 reichsmarks of foreign exchange.

The Bank of Poland increased its rate from 6½ to 7½ per cent effective October 3. There has been some increase of borrowing at this bank in recent months, and a net loss of gold and foreign exchange reserves equivalent to about $5,000,000. The reserve ratio is still high at 56.5 per cent on September 30 as against 58.2 per cent at the end of August.

On October 10 the discount rate of the Bank of Danzig was raised from 4 to 5 per cent. Danzig, situated in an enclave between Germany and Poland, is necessarily affected by banking conditions in these countries. On October 7 the Bank of Estonia reduced its rate from 8 to 7 per cent.

Following repeated reports of easy money despite the recent gold outflow, the Bank of Japan lowered its rate from 5.48 to 5.11 per cent on October 7. The last change in this bank's rate was a reduction from 5.84 to 5.48 on October 10, 1927.

Information has been received of the lowering of the South African Reserve Bank rate from 6 to 5½ per cent effective September 29. The 6 per cent rate had been in force since August 16, 1929.

Foreign Exchange

Steadier conditions prevailed in the foreign exchange market in October than in the previous month. The pound sterling fluctuated between $4.85 13/16 and $4.86 3/32, contrasted with a range downward of ¾ of a cent in September. French francs sagged temporarily to $0.0391 15/16 on October 14, but for the most part ruled in the neighborhood of $0.0392 7/16. Reichsmarks were weak in the first half of the month and touched a low at $0.2377¼ on the 14th. Subsequent recovery carried them above par on the 20th, a position maintained almost without interruption thereafter. Both Swiss francs and guilders were strong at the month's opening, but while the former held above $0.1940 consistently, guilders sold off from $0.4033¼ on the 1st to $0.4028 on the 29th. Of the Scandinavians, only Swedish crowns were at a premium. Lire remained steady and pesetas continued their erratic course, touching a new low of $0.0952 on October 15 and recovering to $0.1124 on the 29th, compared with $0.1036½ on the 1st.

Canadian dollars continued in the strong position which they have held since early July, and gold shipments were resumed late in the month. In the South American group, the Argentine peso dipped sharply to a new low of $0.7380 on the 14th, followed by quick recovery to a level of about $0.77. Quotations for the Brazilian milreis were stopped on the 7th, following the declaration of a "bank holiday" at Rio de Janeiro; on the previous day they had sold at $0.0975.

Japanese yen climbed steadily throughout the month and in the last week's trading sold around par ($0.4985) for the first time in a number of years. They closed at $0.4970 on the 29th.

Gold Movement

Receipts from South America and the Far East made up the bulk of the imports of gold received in the United States during October. There were arrivals of $15,000,000 from Brazil and $1,000,000 from Colombia at the Port of New York, and $13,750,000 from Japan and $875,000 from China at San Francisco. Beginning on the 28th after about a month's lapse, gold again moved to Canada in the amount of $9,000,000. This was the only export movement of importance, but in addition to this there was a net increase of $6,000,000 in the amount of gold held under earmark for foreign account. The October change in this country's gold stock through actual movements and changes in earmarked gold is estimated to have been a net gain of $17,500,000, and the net gain for the year to date has increased accordingly to $224,000,000.

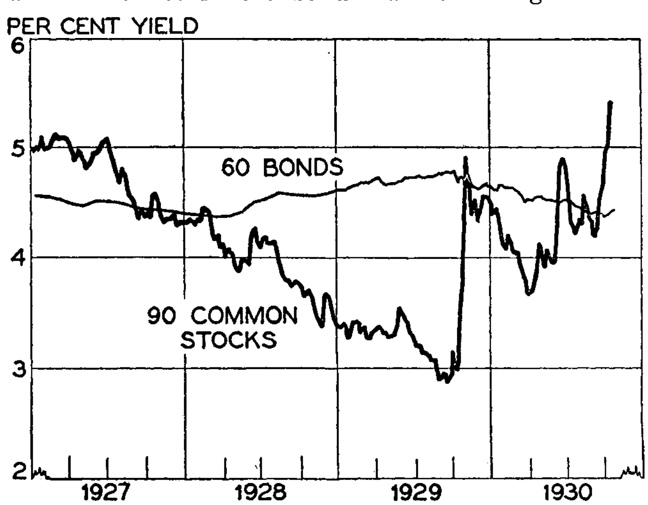
Of principal interest abroad during October were the heavy withdrawals of gold from Berlin for shipment to Paris amounting to approximately 205,000,000 reichsmarks and making a total loss of 380,000,000 reichsmarks to France since the movement commenced in the latter part of September. In addition, 52,000,000 reichsmarks were withdrawn from Berlin for shipment to Amsterdam during October. Both of these movements stopped around the middle of the month. Withdrawals of gold at the Bank of England for shipment to France and Switzerland, amounting in all to about £1,000,000, were more than offset by receipts at the bank of £4,000,000 from Australia and £1,000,000 from South Africa. France obtained the bulk of the South African gold offered in the market, amounting to about £3,800,000.

Security Markets

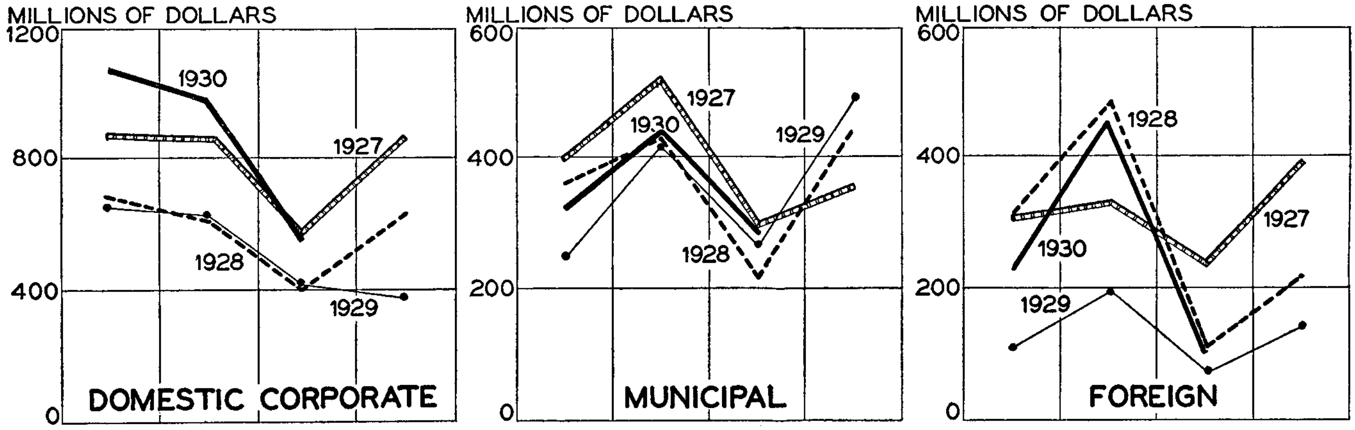
As in the latter part of September, stock prices underwent rather severe declines during October, and by the end of the third week of the month representative price averages were generally below the levels reached in November 1929. The Standard Statistics Company daily index of 90 stocks, for example, dropped 4 per cent below the bottom level of November a year ago, and indicated that the market in general was at a lower level than at any time since the closing months of 1927. Average prices of industrial and railroad shares declined to the lowest points since August 1927 and December 1926, respectively, while public utility shares remained some 14 per cent above the low of autumn of last year. During the latter part of October, the market was somewhat firmer.

This late October advance followed a rise in the average yield on the list of 90 representative common stocks to a higher level than at any time since the 1924-1926 period, and a figure 1 per cent above the current yield obtainable on high grade bonds. The advance in yields on stocks to a level not obtainable since the 1924-1926 period, while prices of these stocks declined only to the level of the latter part of 1927, is due to the fact that the current dividend disbursements of these corporations have been maintained in larger volume than in the earlier years.

Weakness in stock prices was accompanied by substantial declines in the bond market during October.



Average Dividend Yield on 90 Common Stocks Compared with Yield on 60 Bonds (Standard Statistics Company figures)



Volume of New Bond Issues Floated Each Quarter of 1927-1930, Classified as to Type of Borrower (Refunding issues excluded)

Although United States Government bond prices remained fairly strong, accompanying continued ease in the money market, materially lower price quotations prevailed elsewhere in the bond list. Domestic corporation bonds were especially under pressure in the first part of the month, and it appears from the increased volume of sales on a number of days when stocks were particularly weak that the declines were at least partly the result of selling related to conditions in the stock market. The market for these bonds was undoubtedly affected also by the weakness in foreign bonds which accompanied unsettled conditions in several countries. Averages of domestic corporate bond prices showed net declines of 1 to 3 points for the month, depending upon the type of bonds included, so that near the end of October the general level of corporate bond prices was lower than for some months past. In the last few days, however, prices became slightly firmer.

Political developments continued to act as a depressing influence on German and South American bonds listed in this market, and these issues showed much wider fluctuations and larger net declines in October than did the foreign bond list as a whole. This is illustrated by the following table in which the movement of representative South American and German bonds is compared with that of an average of the prices of 40 issues representing a wide sampling of foreign bonds quoted in New York. The declines of the first part of the month were followed, however, by fairly substantial recoveries during the latter half of October.

Issue	Sept. 19 Price	Sept.—Oct. Low	Oct. 29 Price
German 7's 1949	105⅛	100⅛	103⅜
German 5½'s 1965	82⅛	73½	78
German Gen. Elect. 6's 1948	94	86	90½
City of Berlin 6's 1958	85	71⅝	74⅜
Argentine 6's 1957 A	98½	87	96
Argentine 6's 1959	96⅝	87	96⅛
Argentine 5½'s 1962	90	78	89½
Brazil 8's 1941	95¾	61	87¾
Brazil 7½'s 1952	102¼	95½	99½
Brazil 6½'s 1957	73⅝	46	69
Bolivia 8's 1947	87½	64	78½
Bolivia 7's 1969	66	44½	64⅜
Chile 6's 1961	89¼	71	85
Chile 6's 1963	88½	72	85
Peru 7's 1959	91¾	65	78
Peru 6's 1960	68¼	40	58
Baker-Kellogg Average of 40 Foreign Bonds	98.38	91.43	95.00

New Financing

Conditions in the bond market during October were not favorable for new bond flotations, but the total of bonds put out during the month appears to have been only moderately smaller than in September, and about the same as the October 1929 total. Railroad and public utility financing, which had been an important factor in the large volume of new issues in previous months, was in reduced volume in October, and the total volume of bond offerings was maintained largely because of increases in municipal and foreign financing, and partly by some increase in bond issues of industrial companies. The two largest individual offerings were the $50,000,000 issue of New York City corporate stock and the major part of a $100,000,000 Dominion of Canada issue. The New York City issue, which originally had been scheduled at $75,000,000, was publicly offered at a price to yield 3.95 per cent by the one banking syndicate which tendered a bid for the whole issue.

For the July to September quarter of this year the total volume of bond issues representing new capital was in excess of the third quarter offerings of 1929 and 1928, though moderately smaller than in 1927. Offerings were smaller than in the first two quarters of this year, but such a decline is the usual seasonal development. The accompanying diagram shows the quarterly volume of bonds floated since 1927, classified as to type of borrower. Bond issues by domestic corporations during the first nine months of this year were considerably larger than in the preceding three years, notwithstanding a dip in the third quarter to about the 1927 level. State and municipal new financing in the third quarter was in excess of that of the corresponding period of 1929 and 1928, and only slightly below the 1927 level. Foreign bond issues were less than one-fourth those of the second quarter of this year, and, although they remained above the 1929 volume, were smaller than in either 1928 or 1927.

Building

Due to a decline in the latter part of September, the total of building contracts awarded during that month in the 37 States from which reports are received by the F. W. Dodge Corporation showed a reduction of 5 per cent from the August figure, or about the usual seasonal decline. In the first three weeks of October the daily average volume of contracts showed about the usual increase over September, reflecting chiefly larger contracts for public works and public utility projects, notably for pipe lines.

Residential building increased somewhat in September and was nearer to the level of the previous year than in many months. This increase, however, was more than offset by a reduction in contracts for public works and utilities and for other non-residential construction. Compared with September 1929, the total of contracts awarded showed a decrease of 25 per cent. The largest element in this decrease was a large shrinkage in commercial building contracts, principally those for office buildings, although all major groups of building work registered at least small declines from the levels of a year previous.

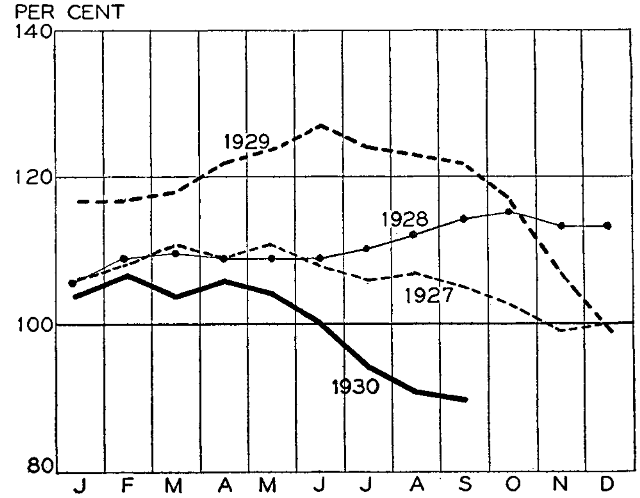
Through the first nine months of 1930, the total value of building contracts awarded has been 20 per cent less than in the corresponding period of 1929 with all the important types of building activity below last year's level, with the exception of public works and utility construction which has shown a moderate aggregate increase for the period.

In the area of Metropolitan New York and vicinity, a district which ordinarily contributes largely to the total of all contracts for building and engineering construction, awards increased further in September and were over 40 per cent in excess of the total of September a year ago, and in the first three weeks of October a continued expansion was reported.

Production

Available evidence points to little change in general productive activity during October from the comparatively low level of September. The Iron Age estimate of steel mill operations towards the close of the month stood at 50 per cent of theoretical capacity, or 2 points under the low of early August; automobile production was estimated to have shown a seasonal decline from the September level, and petroleum output was further curtailed. On the other hand, seasonal increases occurred in mining of bituminous coal and in output of cotton goods, and anthracite production increased more than usually.

In September no marked change in productive activity occurred, but industrial output on the whole was slightly smaller than in the preceding month, and the seasonally adjusted index of the Federal Reserve Board, which is shown in the accompanying diagram, reached a new low level for the current decline. No consistent movements occurred in any of the more important industrial groups. Steel ingot production showed a reduction of 7 per cent from August contrary to the early estimates, and declines occurred also in production of pig iron, lead, anthracite coal, and coke; these declines in all cases either contrasted with a usual seasonal increase, or were larger than the average August to September contraction of past years. About offsetting these evidences of further recession were larger than seasonal increases in the output of copper and of bituminous coal, in tin deliveries, and in mill consumption of cotton and of silk. Motor truck production also showed a more than seasonal increase over August, but passenger automobile production receded slightly further.



Index of Industrial Production Computed by the Federal Reserve Board, Adjusted for Seasonal Variations (1923-25 average = 100 per cent)

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

	1929	1930		
	Sept.	July	Aug.	Sept.
Metals				
Pig iron	122	91	86	79
Steel ingots	134	82	86	81
Copper, U. S. mines	115	79	79	81*p*
Lead	107	92	93	89
Zinc	101	73	75	75
Tin deliveries	121	94	85	105
Automobiles				
Passenger cars	112	60	51	50*p*
Motor trucks	101	79	70	77*p*
Fuels				
Bituminous coal	88	69	68	71
Anthracite coal	102	78	86	78
Coke	116	94	88	84
Petroleum, crude	115	92	89	88*p*
Petroleum products	101	90	88	
Textile and Leather Products				
Cotton consumption	99	71	65	68
Wool mill activity	95	74	71	70
Silk consumption	102	84	75	101
Leather, sole	101	123	113	118*p*
Boots and shoes	114	97	91*p*	90*p*
Foods and Tobacco Products				
Live stock slaughtered	108	92	93	98
Wheat flour	99	105	101	
Sugar meltings, U. S. ports	71	93	74	84
Tobacco products	107	105	100	95
Miscellaneous				
Cement	118	114	114	106
Tires *r*	84*r*	64*r*	66*r*	
Printing activity *r*	104*r*	95*r*	87*r*	
Paper, newsprint	86	78	75	75
Wood pulp	103	94	95*p*	

p Preliminary *r* Revised

Commodity Prices

The weakness in commodity prices that developed late in September was followed by a further moderate decline in October, and the index of the National Fertilizer Association, which is composed of prices of more than 450 commodities, declined to a new low level for recent years. Continued weakness in metal prices was perhaps the most significant movement in October; all of the important metals reached new low levels for the current decline. Scrap steel dropped to $14.25 a ton, which is $0.50 under the July low; the Iron Age composite of finished steel prices established a new low since 1922; and the pig iron composite was down to a new low since

1915. Zinc fell to 3.95 cents, and tin to 24¾ cents, which were reported to be the lowest prices since 1902. Copper declined further to 9½ cents a pound, or very nearly the lowest price ever quoted in the history of the industry.

The grains showed a declining tendency toward the middle of the month, following a marked advance in the first few days; cash wheat, after rising 6⅜ cents a bushel, declined to a level ⅝ of a cent under the low of late September, and corn, after rising 7 cents, declined to the lowest level since July. Live stock prices in October averaged lower than in September, and hides declined to a new low level. The price of raw cotton at New York declined as low as 10.15 cents a pound, reported to be the lowest since the early months of the World War, but recovered 1½ cents a pound. Fairchild's composite of raw silk prices declined to $2.30 a pound, a new low in the recorded history of the commodity, and domestic wool declined to 63 cents, duplicating the low point of last May. Crude rubber recovered to 9 cents from the record low of 7⅜ cents a pound, and the price of refined sugar was raised 0.40 of a cent to 4.75 cents. Bituminous coal increased slightly, while crude petroleum quotations declined.

Employment and Wages

Some slight improvement in the general employment situation in this district is indicated by data for September. Total employment in reporting factories in New York State increased 2.4 per cent, which is fractionally larger than the usual seasonal gain, and compares with an increase of 1.9 per cent between August and September last year. The principal increases were in the women's apparel industries, and in some of the textile and food products industries, but there was a slight increase also in the automobile industry, contrary to the tendency of a year ago, and declines from August were smaller than a year ago in the railroad equipment and men's clothing industries.

In addition, the ratio between orders for workers at New York State Employment Bureaus and the number of applicants coming to the Bureaus for work showed some increase in September, after seasonal adjustment, and this gain was largely held during October. Factory payrolls in New York State rose 4 per cent between the middle of August and the middle of September, and average weekly earnings of factory employees increased moderately.

For the country as a whole, the total number of workers employed in representative factories increased slightly less than is usual in September, but this bank's seasonally adjusted index showed the smallest decline in a number of months.

Foreign Trade

This country's foreign merchandise trade continued during September to show heavy declines as compared with a year ago. Exports of $318,000,000 showed a decrease of 27 per cent from last year's level, a larger drop than in August, while imports, valued at $227,000,000, were down 35 per cent, a somewhat smaller percentage decrease than for August. Exports increased 7 per cent between August and September, or about half the usual seasonal gain, but imports showed an increase of 4 per cent over the previous month, whereas generally there is practically no change between the two months.

Following a temporary increase in crude material exports in the preceding month, all of the major groups of exports and imports in September showed declines from a year previous. Among the export groups, the smallest proportional loss from last year occurred in crude materials, while among the imports the finished manufactures group showed the smallest decline.

There was a $40,000,000 gain in exports of crude materials from August to September, due almost entirely to an unusually large increase in the quantity of raw cotton shipped abroad during September, but all of the other important groups of exports except crude materials showed declines. On the other hand, all groups of imports except semi-manufactures were larger in value in September than in August.

Indexes of Business Activity

Available data indicate that the distribution of goods and the activity of business generally continued at a relatively low level both in September and in October, with the weight of evidence on the side of a further decline. Average daily car loadings of merchandise and miscellaneous freight increased less than seasonally in September, and declined during the first half of October, so that, after seasonal adjustment, loadings for the week ended October 18 were the smallest since 1923. Loadings of heavy bulk material in September failed to show the usual seasonal expansion, and also continued at a comparatively low level in October.

In retail trade, average daily sales of department stores in the Second District increased less than usually in September, while chain store sales showed little change, after seasonal adjustment. The number of business failures continued numerous, showing an increase in contrast with the usual seasonal decrease from August to September. Such indexes as life insurance sales and advertising, however, rose during September.

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

	1929	1930		
	Sept.	July	Aug.	Sept.
Primary Distribution				
Car loadings, merchandise and misc. *r*	102*r*	89*r*	88*r*	86*r*
Car loadings, other	96	80	78	74
Exports	97	83	88	80*p*
Imports	116	90	89	93*p*
Panama Canal traffic	84	77	70	68
Distribution to Consumer				
Department store sales, 2nd Dist.	104	95	95	90
Chain store sales, other than grocery	103	86	89	88
Life insurance paid for	111	94	89	92
Advertising	105	85	82	87
General Business Activity				
Bank debits, outside of New York City	116	96	95	92
Bank debits, New York City	203	115	109	113
Velocity of bank deposits, outside of New York City	135	105	103	100
Velocity of bank deposits, New York City	242	118	112	118
Shares sold on N. Y. Stock Exchange	426	212	163	221
Postal receipts	102	94	91	91
Electric power	101	93	89*p*	
Employment in the United States	105*r*	88*r*	86*r*	86
Business failures	99	117	117	123
Building contracts	101	72	72	72
New corporations formed in N. Y. State *r*	102*r*	92*r*	85*r*	98*r*
Real estate transfers	76	62	63	58
General price level*	183	167	166	167
Composite index of wages*	229	223	223	225
Cost of living*	173	164	164	164

p Preliminary *r* Revised * 1913=100

Department Store Trade

The total September sales of the reporting department stores in this district showed a decrease of 3.6 per cent below a year ago, but as there was one more selling day this year than in September 1929, average daily sales showed a decline of nearly 8 per cent. The sales of the Buffalo, Newark, and Westchester department stores increased slightly from a year previous, but sales in all other localities in this district continued to be smaller than a year ago, decreases ranging from 2 per cent to 14 per cent. The sales of the reporting apparel stores continued to be substantially smaller than in 1929.

Stocks of merchandise on hand remained somewhat smaller than a year ago. The percentage of charge accounts collected during September was slightly more than 2 per cent below a year previous.

Locality	Percentage change September 1930 compared with September 1929		Per cent of accounts outstanding August 31 collected in September	
	Net sales	Stock on hand end of month	1929	1930
New York	— 4.2	— 3.5	47.9	45.6
Buffalo	+ 0.2	— 3.3	51.9	49.9
Rochester	— 6.2	—10.7	37.4	36.6
Syracuse	— 3.3	—14.2	31.8	27.6
Newark	+ 0.8	— 8.8	42.0	39.6
Bridgeport	—14.0	—11.4	32.9	35.0
Elsewhere	— 6.5	— 5.8	39.6	35.5
Northern New York State	— 1.9	....	....	....
Central New York State	— 9.5	....	....	....
Southern New York State	— 7.7	....	....	....
Hudson River Valley District	— 7.7	....	....	....
Capital District	— 9.8	....	....	....
Westchester District	+ 4.5	....	....	....
All department stores	— 3.6	— 4.9	44.6	42.2
Apparel stores	—13.9	—10.1	42.6	40.0

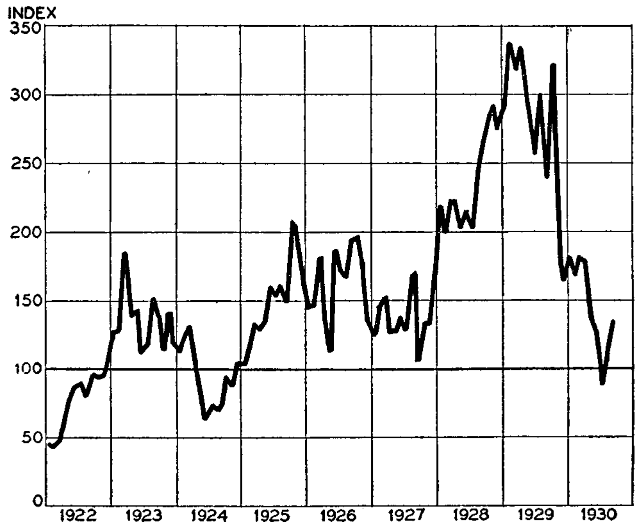
Sales and stocks of goods in the principal departments are compared with those of a year previous in the following table.

	Net sales percentage change September 1930 compared with September 1929	Stock on hand percentage change September 30, 1930 compared with September 30, 1929
Toilet articles and drugs	+16.1	— 5.0
Toys and sporting goods	+15.4	—24.9
Silverware and jewelry	+13.7	— 8.1
Hosiery	+12.1	—12.1
Men's furnishings	+10.2	—10.8
Shoes	+ 8.4	— 5.7
Luggage and other leather goods	+ 7.6	—10.9
Women's and Misses' ready-to-wear	+ 6.3	— 1.9
Women's ready-to-wear accessories	+ 5.9	— 2.7
Musical instruments and radio	+ 5.1	+28.4
Home furnishings	+ 0.1	— 6.3
Books and stationery	— 1.1	—17.6
Linens and handkerchiefs	— 1.7	+ 4.4
Furniture	— 2.6	— 7.7
Silks and velvets	— 4.6	—29.4
Cotton goods	— 5.6	+ 8.8
Men's and Boys' wear	— 8.1	—10.8
Woolen goods	—14.1	—19.8
Miscellaneous	— 2.1	—25.2

Wholesale Trade

Reporting wholesale firms in this district showed total September sales 16 per cent below last year, which, after adjustment for the number of selling days, indicates about the same decrease as in August. Yardage sales of silk goods, reported by the Silk Association of America, were 5 per cent larger than in September 1929, and sales of drugs were close to those of a year previous. In most other lines, sales continued to be considerably smaller than last year, especially when the number of business days is taken into account.

During September the volume of orders for machine tools, which tends to fluctuate roughly with changes in industrial activity, increased for the second consecutive month. The August to September increase this year contrasts with a considerable decrease in the corresponding period of last year, and the July to August increase was larger than in 1929. Consequently, as the accompanying diagram indicates, the index of machine tool orders computed by the National Machine Tool Builders Association has risen noticeably from the July level, which was the lowest reached since 1924, and the percentage decrease from a year ago was the smallest since January.



Index of Machine Tool Orders, Computed by National Machine Tool Builders Association (1922-24 average = 100 per cent)

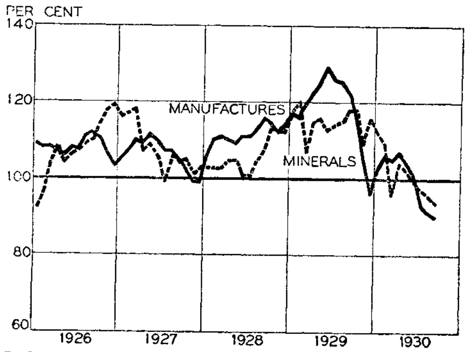
Stocks of groceries, cotton goods, and hardware continued to be smaller in value than a year previous, and stocks of shoes showed a decrease following an increase in August. Silk goods stocks in yardage also were reported to be considerably smaller than a year ago. Stocks of drugs remained larger than in September 1929.

Commodity	Percentage change September 1930 compared with August 1930		Percentage change September 1930 compared with September 1929		Per cent of accounts outstanding August 31 collected in September	
	Net sales	Stock end of month	Net sales	Stock end of month	1929	1930
Groceries	+13.2	+ 7.4	— 8.8	— 7.1	73.8	76.5
Men's clothing	— 1.5	....	—27.4	....	36.4	34.6
Cotton goods	+18.4	— 1.4	—21.3	—15.1	34.0	35.4
Silk goods	+ 7.9*	— 5.4*	+ 5.1*	—10.9*	44.4	45.6
Shoes	+ 4.9	—16.5	—14.1	— 5.2	33.0	34.6
Drugs	+29.6	+ 3.9	+ 0.3	+40.6	39.4	61.9
Hardware	+14.0	+ 0.3	—10.7	—17.5	44.1	41.4
Machine tools**	+19.4	....	—43.6	....	....	....
Stationery	+11.4	....	—20.4	....	64.9	64.3
Paper	+ 8.5	....	—21.2	....	62.1	54.6
Diamonds	+20.9	+ 8.1	—50.0	—27.0	} 26.8	} 20.6
Jewelry	+58.1	+14.3	—41.0	—11.0		
Weighted average	+12.0	....	—16.3	....	48.9	50.4

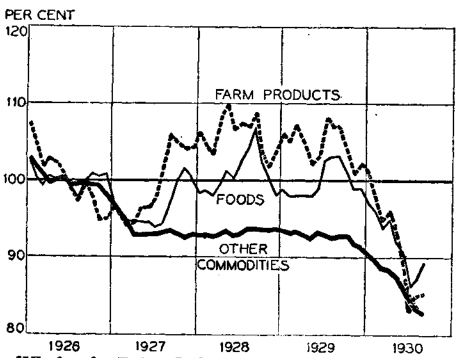
* Quantity not value. Reported by Silk Association of America
** Reported by the National Machine Tool Builders Association

FEDERAL RESERVE BANK OF NEW YORK

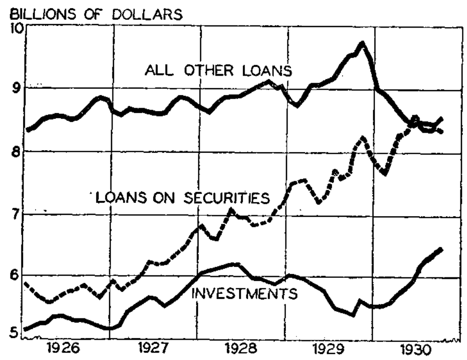
MONTHLY REVIEW, NOVEMBER 1, 1930



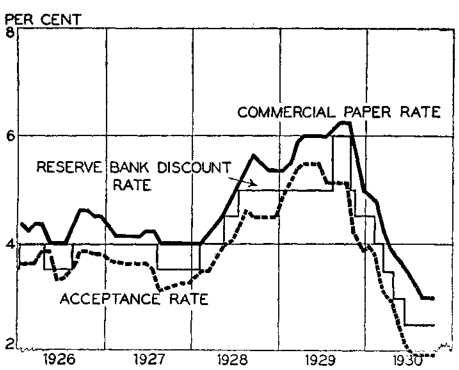
Index Numbers of Production of Manufactures and Minerals, Adjusted for Seasonal Variations (1923-25 average = 100 per cent)



Wholesale Price Indexes of the 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 3 weeks of October)



Money Rates in the New York Market (October rates are averages for the first 21 days)

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

VOLUME of factory production increased by about the usual seasonal amount in September, while factory employment increased somewhat less than in other recent years. The general level of prices, which had advanced during August, declined during September and the first half of October. At member banks in leading cities there was a liquidation of security loans, and a considerable growth in commercial loans and in investments.

Industrial Production and Employment

Output of factories increased seasonally in September, while that of mines declined. The Board's seasonally adjusted index of production in factories and mines, which had shown a substantial decrease for each of the preceding four months, declined by about one-half per cent in September. Production of iron and steel, lumber, and cement decreased, and the output of automobiles continued to be in small volume. Activity in the textile industries, including cotton, wool, and silk, increased substantially, and stocks of cotton cloth were further reduced. At bituminous coal mines there was an increase in output of more than seasonal amount; output of copper was larger than in August, and there was a further increase in stocks of copper. Anthracite coal and petroleum production and shipments of iron ore declined.

Employment in manufacturing establishments increased less than is usual at this season, the increase being chiefly in fruit and vegetable canning and in clothing industries, while reductions in number of employees were reported for the iron and steel, automobile, and lumber industries. Outside of factories, increased employment was reported in retail establishments and coal mines.

Residential building increased materially in September, contrary to the usual seasonal trend, while the volume of contracts for commercial buildings and public works and utilities decreased. Total value of building contracts awarded, as reported by the F. W. Dodge Corporation, showed little change during the month. In the first ten days of October there was an increase in the daily average volume of contracts awarded.

Department of Agriculture estimates based on October 1 conditions indicate somewhat larger crops than the estimates made a month earlier for cotton, corn, oats, hay, potatoes, and tobacco.

Distribution

Freight car loadings continued at low levels during September, the increases reported for most classes of freight being less than ordinarily occur in this month. Dollar volume of department store sales increased by nearly 30 per cent, an increase aboxt equal to the estimated seasonal growth.

Wholesale Prices

The index of wholesale prices on the average for the month of September as a whole, according to the Bureau of Labor Statistics, was at about the same level as in July and August. The movement of prices, however, was upward in August, reflecting chiefly advances in the prices of livestock and meats, while in September the movement was downward, reflecting declines in a large number of commodities, including grains, livestock, meats, cotton, and copper. In the first half of October there were wide fluctuations in many agricultural prices, decreases in prices of nonferrous metals, and considerable increases in the prices of sugar and coffee.

Bank Credit

Security loans of reporting member banks in leading cities increased in the latter part of September, but declined rapidly early in October, the decline reflecting a large volume of liquidation in loans to brokers and dealers in securities. Commercial loans, which up to the last week in September had not shown the usual seasonal growth, increased by $150,000,000 in the following three weeks. The banks' holdings of investments continued to increase.

In response to the seasonal demand for currency, outstanding volume of Reserve Bank credit showed an increase of $38,000,000 on the average between the weeks ended September 20 and October 18.

Money rates in the open market continued at low levels. The yield on high grade bonds declined further until early in October, when bond prices declined and there was a corresponding rise in yields.