

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

December 1, 1930

Money Market in November

The effects of easy money conditions continued during the past month to be reflected in bank investments in securities and in bank holdings of acceptances. With funds in ample supply, and with short term loans for ordinary business purposes in small demand and security loans declining, the banks continued to find bonds and notes the principal available medium for the employment of their funds, and continued to hold in their own portfolios the acceptances which at this time of year would ordinarily be sold to bill dealers for distribution.

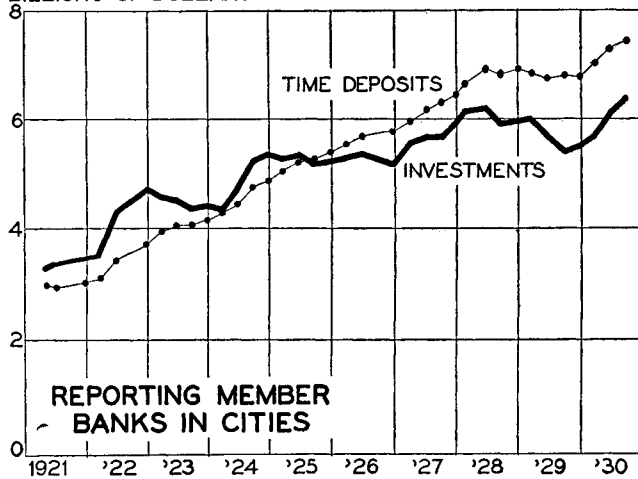
These tendencies are reflected in the following table, which shows changes in the loans and investments of weekly reporting member banks on November 19, compared with two months previous and also with October 2, 1929, prior to the rapid changes which occurred in connection with the break in the stock market later that month.

(In millions of dollars)

| | Oct. 2, 1929 | Sept. 24, 1930 | Nov. 19, 1930 |
|---------------------|--------------|----------------|---------------|
| Security loans..... | 7,828 | 8,461 | 7,838 |
| Other loans..... | 9,600 | 8,451 | 8,852 |
| Investments..... | 5,401 | 6,385 | 6,804 |
| Total..... | 22,829 | 23,297 | 23,494 |

It is evident from these figures that a considerable decline in the total volume of credit extended by these banks has been averted only by a large increase in their

BILLIONS OF DOLLARS

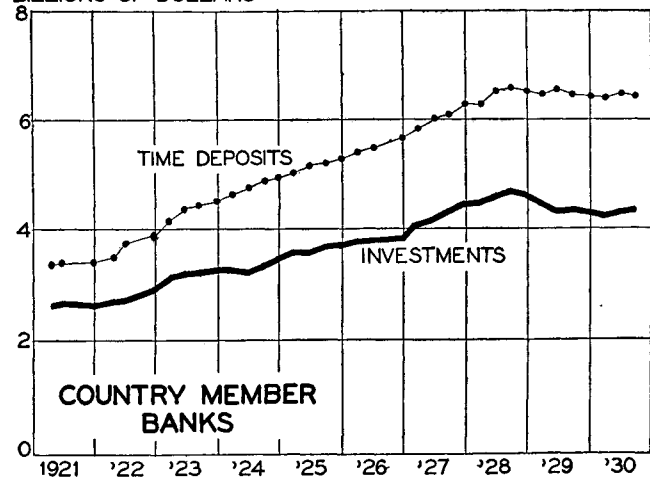


investment holdings. This increase in the investments has amounted to over \$400,000,000 within the past eight weeks, and to \$1,400,000,000 since the beginning of October 1929, a total increase of 26 per cent. As the first diagram below indicates, similar rapid increases in the investments of the reporting banks have occurred in other years of reduced business activity, especially in 1922 and 1924. Investments of country banks, charted in the second diagram, have not, either this year or in previous years, shown such rapid increases as have those of the reporting city banks.

It has been apparent from tendencies in the bond market that the investment demand from the banks this year has been limited largely to the very high grade securities and to very short term issues. Prices of United States Government obligations have advanced to new high levels since the spring of 1928, and prices of high grade municipals and the best class of corporation issues, after advancing to levels approximating the highest reached early in 1928, have recently shown only moderate recessions, while demand for the lower grade bonds has been conspicuously lacking and prices of such bonds in many cases have declined to levels even lower than at any time during the high money rate period of 1928-29. These tendencies are illustrated in a diagram on a subsequent page of this Review.

The growth of member bank investment holdings has tended in a general way to parallel the growth in their time deposits. Even after the rapid increase of the past

BILLIONS OF DOLLARS



Time Deposits and Investment Holdings of Weekly Reporting Member Banks in Leading Cities and of All Other Member Banks. (Condition statement dates—latest figures September 24)

year, however, the investments of reporting member banks in the principal cities remain smaller, relative to their deposits, than at any time in the last nine years, except in 1929. On the latest date shown in the diagram the investments of these city banks were 15 per cent smaller than their time deposits, whereas in April 1921 they were 10 per cent larger. In country member banks also the proportion of investments to time deposits has been diminishing gradually in recent years.

The loans and discounts, other than security loans, of the reporting banks, which generally reflect commercial borrowing, after declining almost continuously from last November to the early autumn of this year, have shown an increase during the past two months of \$400,000,000. The preceding decline had amounted on September 24 to \$1,150,000,000 compared with October 2, 1929, and an even larger amount compared with the highest point reached last year. The causes of the recent upturn in these loans are not entirely clear, but it is probable that the most important single element has been the increase in acceptances held by commercial banks which is shown on the following page. In years of more active demand for funds, this increase in bill holdings would have appeared in the Reserve Bank's portfolio, rather than in the loans and discounts of member banks.

LIQUIDATION OF SECURITY LOANS

The continued decline in brokers loans during the past month has carried the total security loans of weekly reporting banks to a level more than \$600,000,000 lower than that of two months ago. The recent liquidation has reduced the total volume of reported security loans, including loans by other lenders as well as banks, and loans against bonds as well as stocks, to a volume which may be estimated at about 10½ billion dollars, as compared with nearly 17 billion dollars at the high point of last year, a reduction of almost 40 per cent.

Notwithstanding this drastic liquidation, the security loans of weekly reporting banks on November 19 were in about the same volume as at the time when the total of all security loans reached its maximum last year. The relatively high level of security loans in these banks is due in part to a shift of loans from non-banking lenders to the banks, in the course of which 90 per cent of the loans for "others" have been withdrawn from the call loan market, and in part to a shift of security traders' borrowings from brokers to the banks.

LOANS AND INVESTMENTS IN COUNTRY BANKS

Movements of loans and investments in city member banks, such as the weekly reporting banks, frequently are quite different from those in country banks, especially in periods of declining business and declining money rates. This is illustrated by the following table, which indicates that, while the total loans and investments of member banks in cities have increased during the past year, the volume of credit extended by country member banks has shown a considerable shrinkage, so that the total amount of member bank credit on the last condition statement date was somewhat smaller than a year previous, contrary to the indication of weekly re-

(In millions of dollars)

| | Oct. 4, 1929 | Sept. 24, 1930 | Change |
|------------------------------------|-----------------|-------------------|--------|
| <i>*Loans on Securities</i> | | | |
| Central Reserve City Banks | 4,045 | 4,753 | + 708 |
| Reserve City Banks | 3,575 | 3,431 | - 144 |
| Country Banks | 2,694 | 2,327 | - 367 |
| Total | 10,314 | 10,511 | + 197 |
| <i>All Other Loans</i> | | | |
| Central Reserve City Banks | 3,809 | 3,130 | - 679 |
| Reserve City Banks | 5,510 | 5,070 | - 440 |
| Country Banks | 6,532 | 6,027 | - 505 |
| Total | 15,851 | 14,227 | -1,624 |
| <i>Investments</i> | | | |
| Central Reserve City Banks | 2,119 | 2,607 | + 488 |
| Reserve City Banks | 3,076 | 3,537 | + 461 |
| Country Banks | 4,554 | 4,590 | + 36 |
| Total | 9,749 | 10,734 | + 985 |
| <i>Total Loans and Investments</i> | | | |
| Central Reserve City Banks | 9,973 | 10,490 | + 517 |
| Reserve City Banks | 12,161 | 12,038 | - 123 |
| Country Banks | 13,780 | 12,944 | - 836 |
| Total | 35,914 | 35,472 | - 442 |

* Including loans to banks (estimated for 1929)

ports from city banks. During periods when short-term loans are in small demand, it appears that country banks tend to increase their balances with city correspondents, rather than to increase their investments, and this puts additional pressure upon the city banks to find employment for their funds. The latest report on the condition of all member banks indicates, in fact, that country banks have tended to sell their low-yield investments, such as short-term United States Treasury notes and certificates, and also to reduce their call loans to brokers. The large proportion of time deposits in these banks, and the consequent large interest payments to be made, evidently exert a pressure against the holding of any considerable proportion of low-yield loans or investments.

MONEY RATES

Money rates in general showed no material change in November. There were slight declines in rates on commercial paper, bankers acceptances of long maturity, and short-term Treasury securities, but rates on Stock Exchange loans were practically the same as in October.

Money Rates at New York

| | Nov. 27, 1929 | Oct. 31, 1930 | Nov. 28, 1930 |
|--|---------------|---------------|---------------|
| Stock Exchange call loans | 4½ | 2 | 2 |
| Stock Exchange 90 day loans | ††4¾ | 2½ | ††2-2½ |
| Prime commercial paper | 5¼ | 3 | 2¾-3 |
| Bills—90 day unindorsed | 3¾-3¾ | 1¾ | 1¾ |
| Customers' rates on commercial loans | †5.73 | †3.88 | †3.73 |
| Treasury certificates and notes | | | |
| Maturing March 15 (yield) | 3.04 | 1.67 | 1.19 |
| Maturing June 15 (yield) | 3.13 | 1.84 | 1.35 |
| Federal Reserve Bank of New York rediscount rate | 4½ | 2½ | 2½ |
| Federal Reserve Bank of New York buying rate for 90 day indorsed bills | 4 | †2 | †2 |

†† Nominal † Average rate of leading banks at middle of month
‡ 1-75 days—1¾ per cent

BILL MARKET

Throughout the month of November, the bill dealers were able to sell easily all of the bills that came into the discount market, and their aggregate portfolios declined gradually to comparatively small figures. Accepting and

discounting banks for the most part continued to hold newly created bills as investments, rather than to sell them to the discount houses. There were exceptions to this practise, however, during the first part of the month and again toward the close of the month, when the New York City banks sold bills to the Reserve Bank in order to build up their reserves which were reduced by withdrawals of funds incident to first of the month settlements and to increased currency requirements for the two holidays of the month. Reflecting chiefly these circumstances the Reserve System's bill portfolio rose about \$40,000,000 in the first two weeks of the month, receded by about the same amount in the next week, and in the last few days of the month advanced to a volume slightly above that of the beginning of November. Throughout recent months, however, the bill holdings of the Reserve System have remained much below the usual autumn volume.

The total volume of bankers acceptances outstanding during October showed an increase of \$142,000,000 to \$1,508,000,000, reflecting an expansion of domestic warehouse credits, export transactions, and acceptances covering foreign shipped or owned goods. The October increase was somewhat larger than occurred in the same month of 1928, but fell short of the very large increase in October 1929. This was the first time in recent years when the total reported bills outstanding were below the figure for the corresponding month of the preceding year. In view of the decline in commodity prices, however, it appears probable that the use of acceptances is financing a larger volume of trade than at this season of previous years.

The accompanying diagram indicates why the Federal Reserve Banks have not been called upon to extend credit through the acceptance market this autumn in the usual amount. The principal factor has been the unusually large demand for acceptances on the part of the commercial banks. In the past four months, during which a seasonal increase of \$203,000,000 has occurred in outstanding bills, there has been an increase of \$179,000,000 in the bill holdings of the group of accepting banks, bank-

ers, and American branches of foreign banks that report their outstandings to the American Acceptance Council. Their holdings at the end of October, including bills of other banks as well as their own acceptances, reached a total of nearly \$390,000,000, an amount materially larger than ever before, and about \$140,000,000 in excess of the previous peak of November 1929.

Open market bill rates were unchanged during the month except for a reduction of $\frac{1}{8}$ per cent in the quotation for 5 and 6 months over the October month-end. Buying rates of the Federal Reserve Bank remained at the low levels prevalent for some months.

COMMERCIAL PAPER MARKET

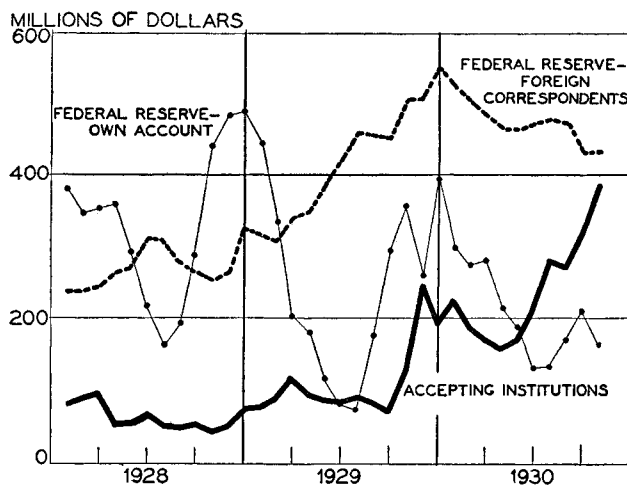
During the first part of November, the prevailing selling range for prime commercial paper was reduced to $2\frac{3}{4}$ -3 per cent. Investment demand from the banks was of sufficient proportions to absorb a substantial part of dealers' offerings at the lower rate. Later in the month the banks showed less disposition than in preceding weeks to take paper at $2\frac{3}{4}$ per cent, but the rates generally quoted continued to be $2\frac{3}{4}$ -3 per cent. Throughout November, the volume of new paper that came into the open market was reported to have been small, and dealers indicated that much more of the high grade paper could have been sold had such a supply been available.

In October there was a decrease of nearly 6 per cent in the amount of commercial paper outstanding. The amount reported by 21 dealers for October 31 was \$485,000,000, or \$68,000,000 below the peak of the year reached in April, but \$200,000,000 larger than the outstandings of October 1929.

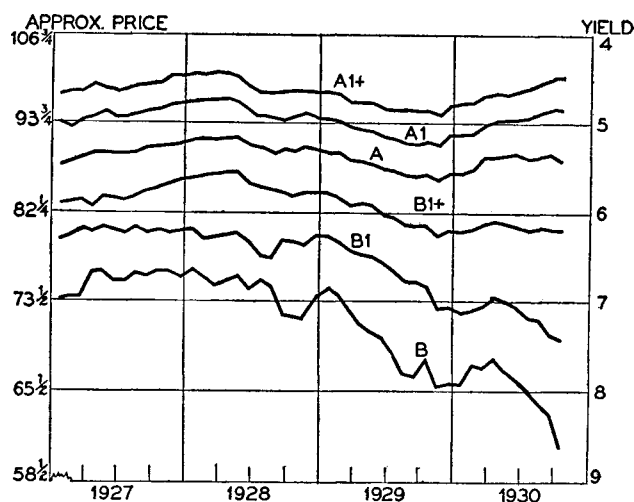
Security Markets

Stock prices declined further during the first part of November, and at the lowest point reached on the 10th representative price averages were some 12 per cent below the bottom of November 1929, and the lowest since the middle of 1927. For the first time, average prices of public utility shares receded beneath the lows established in November a year ago, and their decline was accompanied by further weakness in industrials and railroad shares, which were quoted at new low prices since 1927 and 1926, respectively. During the latter part of November, the stock market showed more strength than weakness, so that by the end of the month a net recovery amounting to about 7 per cent was indicated in the general level of stock prices. The greatest rebound occurred in public utility share prices, followed in order by the industrials and rails. The volume of trading on the New York Stock Exchange was comparatively light, exceeding 4 million shares only one day and ranging below 3 million shares on most days.

Except for continued strength in United States Government long-term securities, which rose to the highest average level since April 1928, other divisions of the bond market showed net declines for the month of November, though the price recessions were less than in October. Domestic corporate bonds during the month



Holdings of Acceptances by Federal Reserve Banks for Own Account, Amount Held by Federal Reserve System for Foreign Correspondents, and Holdings by Accepting Institutions



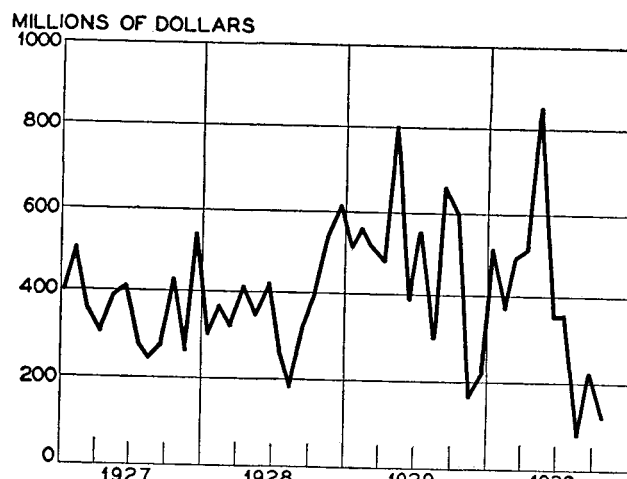
Movements of Yields (Inverted scale) and Approximate Prices of Various Grades of Domestic Corporation Bonds

of November dropped $\frac{1}{2}$ to 2 points, depending on the particular bond average used as a measure of the movement. Foreign bonds listed in this market declined throughout November, following the recovery of the latter part of October, but in general remained above the lowest level touched earlier in that month.

The varying movements of well known averages of domestic corporate bond prices appear to be due to differences in the composition of the several averages. Those with a large content of the best issues during the recent period of weakness in the bond market have remained several points above their low points of the year, while averages with a greater proportion of less high grade issues have declined to new lows for the year. The underlying reason for this discrepancy is shown in the accompanying diagram of bond yields and approximate prices, which reproduces a diagram made by the Irving Trust Company, based on bond ratings and yields for a large number of issues published by the Standard Statistics Company. The highest grade issues, designated in the chart as A1+ and A1, have shown the largest price advances this year and recently have held at levels close to the highest reached early in 1928. The next lower grade bonds, the A issues, have not advanced as rapidly and recently have declined, but have remained considerably above their 1929 lows. On the other hand, the B1+, B1, and B grade bonds have been declining ever since the first quarter of the year, and the decline has varied inversely with the rating of the bonds, so that the first of these groups of bonds has remained slightly above the 1929 low, while the other two have dropped considerably below.

New Financing

Offerings of new securities by domestic corporations during the past few months have been considerably reduced from the rather large volume of the first part of the year, as the accompanying diagram indicates. For October, the latest month for which complete figures are available, domestic corporate stock and bond issues were not greatly over one-fourth as large as the average amount during October of the preceding three years, ex-



New Security Issues of Domestic Corporations—Exclusive of Refunding Offerings (Commercial and Financial Chronicle figures less financing by investment trusts, and financial trading and holding companies)

cluding from the comparison refunding issues and also offerings by investment trusts, and financial trading and holding companies. Foreign financing also has been light in recent months, and the total for the July to October period was even less than the small volume in the corresponding months of 1929, whereas in the first six months of the current year a sizable increase over the previous year occurred. In October there were no foreign issues other than Canadian flotations. The amount of bond financing by domestic States and municipalities during recent months, however, has continued to be in excess of last year's issues, and has been about the same as in the corresponding months of 1927, reflecting to a considerable extent public construction work, such as road building.

During the first two weeks of November, the amount of new securities offered was the smallest since the holiday period at the end of 1929 and the opening of 1930, and despite some increase in the second half of the month, it appears likely that the figure for November as a whole will show a decline from the small October total, though apparently it will not drop to as low a level as in November a year ago. Included in the total for the past month was an issue of \$20,000,000 Federal Land Bank $4\frac{1}{2}$ per cent 2 to 3 year bonds, offered at par. This was the first public security issue by the Land Banks in two years, and it was reported that the issue was heavily oversubscribed.

Central Bank Rate Changes

The Bank of Norway lowered its rate from $4\frac{1}{2}$ to 4 per cent on November 8, the earlier rate having been in force since March 21. On November 13 the Central Bank of Denmark, the Nationalbanken i Kjobenhavn, reduced its rate from 4 to $3\frac{1}{2}$ per cent. The last rate change at the Copenhagen bank took place on May 3.

On November 20 the Imperial Bank of India, effecting a recurrent seasonal increase, raised its rate from 5 to 6 per cent. The Central Bank of Ecuador's rate to the public was increased from 9 to 11 per cent on November 26, but the rate to member banks remained at 8 per cent, as fixed last July.

Foreign Exchange

Foreign exchange fluctuations during November were for the most part narrow and of a mixed character. The pound sterling opened the month at \$4.85 13/16, eased gradually to \$4.85 17/32 on the 22nd, and closed on November 26 at \$4.85 9/16. French francs fluctuated irregularly, and, except on the 8th, when the closing quotation was \$0.0393 1/4, varied between \$0.0392 1/2 and \$0.0392 15/16. Reichsmarks also were irregular within a fairly narrow range until the last week, when they sold as high as \$0.2384 1/2, compared with \$0.2383 at the month's opening. Belgas reached \$0.1395 on several occasions, but at \$0.1394 1/2 on the 26th were unchanged for the month. For the first two weeks Dutch guilders continued their October weakness; they declined from \$0.4027 on the 1st to \$0.4021 1/2 on the 14th, but recovered later to \$0.4025. Swiss francs weakened steadily from \$0.1941 1/4 to \$0.1936 1/4 on the 26th. Swedish crowns were the strongest and most irregular of the Scandinavians. Lire were steady at around \$0.0523 5/8 during most of the month. Pesetas at fractionally over \$0.11, though stronger than in several months, continued to move erratically.

Canadian dollars remained at a premium but no gold was shipped to that country until the 24th. The Argentine peso was steadier than in October, moving only between \$0.787 and \$0.775. Brazilian milreis were not quoted.

Japanese yen receded slightly from the position they had reached late in October, but held above \$0.4960.

Gold Movement

The receipt of \$14,400,000 from Argentina, \$5,000,000 from Brazil, and \$1,600,000 from Colombia made up the bulk of the gold imported at the Port of New York during November. In addition \$16,250,000 was received at San Francisco from Japan and \$600,000 from China. On the 24th a shipment of gold to Canada was made, amounting to \$5,000,000. This was the only export movement of importance, but in addition there was a net increase of \$2,000,000 in the amount of gold held under earmark for foreign account. A preliminary estimate indicates the net gain to the country's gold stock in November to have been about \$31,500,000, which increases the net gain for the year to approximately \$259,000,000.

Of particular interest abroad during November were the heavy withdrawals of gold at the Bank of England amounting to about £6,000,000 for shipment to France. France had last withdrawn gold from the Bank of England in July, but it has secured the bulk of the market gold since May; £2,300,000 was so purchased during November. In addition to the South African gold offered in London, £1,500,000 was received from Brazil and taken for shipment to France. Losses to France at the Bank of England were offset in part by the reported payment into the bank of £940,000 from Brazil and £850,000 from South Africa. £1,000,000 was also shipped to England from Spain.

Business Profits

Further evidence of the effects of the business recession is contained in the reports of business profits for the third quarter of this year. The total net profits of 261 industrial and mercantile concerns, which so far have made public comparable earnings statements covering the three months from July to September, were slightly less than half those of the third quarter of 1929, and 42 per cent smaller than the return in the corresponding period of 1928. In general, it appears that industrial profits during the third quarter of this year were the smallest since the final three months of 1927, and the lowest for any third quarter since 1924.

Net profits of the same list of 261 companies for the completed nine months of the year were 37 per cent below a year ago and 20 per cent less than in 1928. Railroad equipment and paper concerns were the only groups to show any increase between 1929 and 1930. Compared with 1928, however, there were a number of additional groups of companies which had a larger net return, including steel, motion picture, chemical, food and food products, and printing and publishing.

Third quarter net operating income of Class I railroads was 29 per cent smaller than a year ago, and the smallest for any year since 1923; for the completed first nine months, there was a reduction of 31 per cent from a year ago and of 20 per cent from the 1928 level. In contrast with the sizable decreases in industrial and railroad profits, both the telephone and other public utility companies reported net returns in the third quarter only slightly smaller than a year ago, and continued to show comparatively large increases over other recent years. Net operating income of telephone companies for the first nine months of 1930 was only 1 1/2 per cent less than a year ago, while other public utility concerns reported an increase of 2 1/2 per cent.

(Net profits in millions of dollars)

| Corporation group | No. of companies | Third quarter | | | Nine months | | |
|--|------------------|---------------|------|------|-------------|-------|------|
| | | 1928 | 1929 | 1930 | 1928 | 1929 | 1930 |
| Automobile..... | 13 | 114 | 93 | 26 | 332 | 324 | 148 |
| Automobile parts and accessories (exclusive of tires)... | 26 | 16 | 16 | 5 | 43 | 57 | 27 |
| Building supplies..... | 9 | 6 | 7 | 3 | 14 | 17 | 8 |
| Chemical..... | 13 | 18 | 22 | 17 | 48 | 60 | 51 |
| Coal and coke..... | 7 | 1 | 2 | — | 4 | 6 | 2 |
| Copper..... | 8 | 10 | 14 | 1 | 24 | 39 | 10 |
| Other mining and smelting..... | 12 | 9 | 12 | 4 | 23 | 36 | 18 |
| Electrical equipment..... | 8 | 21 | 27 | 17 | 56 | 75 | 55 |
| Food and food products..... | 31 | 43 | 53 | 44 | 120 | 136 | 128 |
| Machinery..... | 14 | 10 | 11 | 5 | 26 | 32 | 21 |
| Motion picture..... | 6 | 7 | 15 | 7 | 21 | 42 | 38 |
| Office equipment..... | 6 | 4 | 6 | 3 | 13 | 18 | 12 |
| Oil..... | 22 | 45 | 51 | 25 | 89 | 114 | 66 |
| Paper..... | 5 | 2 | 4 | 3 | 7 | 9 | 10 |
| Printing and publishing..... | 5 | 6 | 7 | 5 | 20 | 22 | 21 |
| Railroad equipment..... | 7 | 10 | 12 | 12 | 24 | 31 | 33 |
| Steel..... | 13 | 48 | 84 | 33 | 126 | 239 | 141 |
| Textiles..... | 6 | 2 | 2 | 1 | 4 | 5 | 2 |
| Tobacco..... | 7 | 3 | 6 | 2 | 8 | 9 | 6 |
| Miscellaneous..... | 43 | 48 | 57 | 32 | 125 | 150 | 101 |
| Total 20 groups..... | 261 | 423 | 501 | 245 | 1,127 | 1,421 | 898 |
| Telephone (net operating income)..... | 103 | 61 | 66 | 65* | 190 | 205 | 202* |
| Other public utilities (net earnings)..... | 95 | 192 | 224 | 223 | 623 | 732 | 751 |
| Total public utilities..... | 198 | 253 | 290 | 288 | 813 | 937 | 953 |
| Class I railroads (net operating income)..... | 171 | 358 | 398 | 283 | 821 | 961 | 659 |

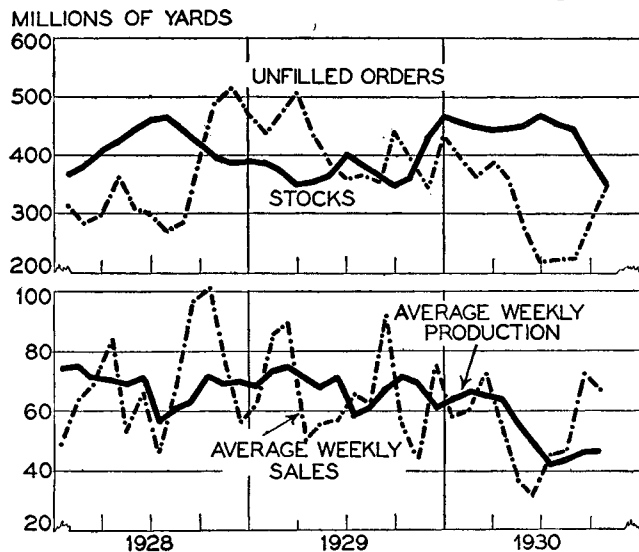
* September estimated

Production

Available data for November indicate considerable irregularity in industrial production, with no definite tendency evident. Steel mill activity, as estimated by the Iron Age, declined to a new low level at 41 per cent of theoretical capacity toward the end of the month, and some curtailment occurred also in production of anthracite coal and of petroleum. On the other hand, further expansion occurred in output of bituminous coal and of cotton goods.

In October, average daily production of steel ingots showed a 9 per cent decline, and was at the lowest level since 1924; this further restriction of output was accompanied, however, by an increase of 57,000 tons in unfilled orders of the United States Steel Corporation. Output of pig iron, copper, zinc, and coke also showed unseasonal declines. Automobile production dropped sharply to a new low level for recent years, after adjustment for seasonal fluctuations and long-time growth; this decline reflects chiefly smaller output by the two largest manufacturers of low priced cars. Tin deliveries rose in October, contrary to the seasonal tendency, and production of coal expanded more than is usual during that month; other increases after seasonal adjustment occurred in output of tobacco products and of newsprint paper.

While the general tendency of production continued to be downward, particularly in the heavy industries such as steel, some recovery of production was evident in the textile industries. The accompanying diagram shows that sales in the cotton goods industry more than doubled between June and September, and that practically all of this gain was held in October. This increase was proportionately larger than occurred in the corresponding season of the two preceding years. As a result of the increase in sales, production of cotton goods has expanded recently, though much less rapidly than either sales or shipments, due to the desire of the industry to keep production within well controlled limits. Consequently, unfilled orders, which had dropped to a



Statistics of Cotton Cloth Sales, Production, Stocks, and Unfilled Orders, Issued by the Association of Cotton Textile Merchants of New York

low level last summer, have increased substantially in the last two months, and stocks on hand have declined to the smallest volume in a year. Silk mill activity has shown a considerable increase since the summer.

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

| | 1929 | 1930 | | |
|--------------------------------------|------------------|-----------------|-----------------|------------------|
| | Oct. | Aug. | Sept. | Oct. |
| <i>Metals</i> | | | | |
| Pig iron..... | 118 | 86 | 79 | 71 |
| Steel ingots..... | 115 | 86 | 81 | 69 |
| Copper, U. S. mines..... | 115 | 79 | 81 | 77 _p |
| Lead..... | 104 | 93 | 89 | 82 |
| Zinc..... | 92 | 75 | 75 | 71 |
| Tin deliveries..... | 100 | 85 | 105 | 113 |
| <i>Automobiles</i> | | | | |
| Passenger cars..... | 93 | 51 | 49 | 31 _p |
| Motor trucks..... | 110 | 70 | 75 | 66 _p |
| <i>Fuels</i> | | | | |
| Bituminous coal..... | 88 | 68 | 71 | 75 _p |
| Anthracite coal..... | 112 | 86 | 78 | 103 _p |
| Coke..... | 114 _r | 89 _r | 84 _r | 80 _r |
| Petroleum, crude..... | 113 | 89 | 87 | 87 _p |
| Petroleum products..... | 104 | 88 | 88 | |
| <i>Textiles and Leather Products</i> | | | | |
| Cotton consumption..... | 103 | 65 | 68 | 70 |
| Wool mill activity..... | 91 | 71 | 70 | 65 _p |
| Silk consumption..... | 116 | 75 | 101 | 113 |
| Leather, sole..... | 107 | 113 | 117 | 112 _p |
| Boots and shoes..... | 113 | 95 | 90 _p | 80 _p |
| <i>Foods and Tobacco Products</i> | | | | |
| Live stock slaughtered..... | 101 | 93 | 98 | 96 |
| Wheat flour..... | 92 | 101 | 98 | 91 |
| Sugar moltings, U. S. ports..... | 89 | 74 | 84 | 92 |
| Tobacco products..... | 107 | 100 | 95 | 98 |
| <i>Miscellaneous</i> | | | | |
| Cement..... | 113 | 114 | 106 | 94 |
| Tires..... | 84 | 66 | 57 | |
| Printing activity..... | 100 _r | 87 _r | | |
| Paper, newsprint..... | 90 | 75 | 75 | 77 |
| Wood pulp..... | 103 | 95 | 94 _p | |

_p Preliminary _r Revised

Building

The total volume of building contracts awarded during the month of October in 37 Eastern States for which figures are collected by the F. W. Dodge Corporation showed a small increase over the previous month's total, but the increase was less than the usual seasonal rise. Consequently, this bank's index of building contracts awarded in 37 States, declined 4 points in October to a new low level since 1921, after holding steady during the preceding three months. During the first three weeks of November, however, average daily figures of building contract awards declined less than usual from the October level.

Increases between September and October occurred in residential building contracts and in public works and utility projects, but the effect of these was largely offset by a decline in other non-residential building, which has now been on the down trend for the past four months, reaching in October the lowest level since February 1925. In the most recent instance this decline was due largely to a considerable decrease in industrial building, but compared with a year ago both industrial and commercial construction operations showed large reductions and the total volume for October was not greatly over half of the October 1929 volume. This reduction and a decline of 24 per cent in residential contracts considerably outweighed an increase of 31 per cent in public works and utilities, so that total building and engineering con-

tracts were 24 per cent less than a year ago. For the first ten months of the current year the total of building contracts awarded in 37 States fell \$1,025,000,000, or 20 per cent, below the figure for the same period of last year, and about 30 per cent below the 1928 volume.

October contracts awarded in Metropolitan New York and vicinity, which accounted for one-fourth of the month's total, were in about the same volume as in the preceding month or in October a year ago.

Employment and Wages

A decline in factory employment and a seasonal release of workers from agriculture combined to make general employment conditions in October somewhat less satisfactory than in September. The total number of workers employed in reporting factories in the country as a whole declined 2.5 per cent between the middle of September and the middle of October, according to the index of the Federal Reserve Board, and, as October usually shows a decline of only about 0.5 per cent, the seasonally adjusted index declined further to a new low level since 1921. In New York State, factory employment declined 1.7 per cent, while in past years there has been an average increase of about the same amount. As to agricultural employment, the United States Department of Agriculture reported a further rise in the supply of farm labor to the highest level since the data were first collected in 1918, and the demand for farm labor continued well under the level of a year previous.

The ratio between orders for workers at New York State Employment Bureaus and the number of applicants coming to the Bureaus for work showed a seasonal decline in October, and some further loss occurred in the first half of November, but the decline in recent weeks has been much less rapid than in the corresponding period last year. The rate of voluntary labor turnover also declined seasonally in October, and reached the lowest level in the period for which the figures are available.

Factory payrolls in New York State declined 5 per cent between the middle of September and the middle of October instead of showing the usual seasonal increase, and average weekly earnings of factory employees were the lowest in more than five years, probably reflecting chiefly more extensive part-time employment.

The annual computation of average earnings of factory office employees made by the New York State Department of Labor indicated that the gradual rise in the earnings of these employees has continued during the past year. The October 1930 average at \$37.48 a week was 1 per cent above that of a year ago, while the average earnings of factory operatives showed a 7 per cent decline during the year. Compared with the pre-war scale of pay, however, the percentage increase in office workers' earnings still falls considerably short of that in operatives' earnings.

Indexes of Business^a Activity

This bank's indexes give evidence of a further decline in business activity during October. One of the most important indicators of general business conditions—carloadings of merchandise and miscellaneous freight—showed a further decrease, and after adjustment for the

usual seasonal variations, reached the lowest level since 1922. A further decline occurred in the first half of November. October loadings of bulk freight also showed a continued reduction.

Department store sales in this district expanded in about the average seasonal amount during October, while life insurance sales increased much less than usually, and this bank's index declined to a new low level for the current business recession; advertising also expanded less than is usual for October. New corporations chartered in New York State increased by less than the usual seasonal amount during October, but at the same time the number of business failures after seasonal adjustment was lower than in the preceding month.

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

| | 1929 | 1930 | | |
|---|------------------|-----------------|-----------------|------------------|
| | Oct. | Aug. | Sept. | Oct. |
| <i>Primary Distribution</i> | | | | |
| Car loadings, merchandise and misc. | 101 | 88 | 86 | 84 |
| Car loadings, other | 92 | 78 | 74 | 73 |
| Exports | 100 | 88 | 79 | 71 ^p |
| Imports | 125 | 89 | 99 | 104 ^p |
| Panama Canal traffic | 92 | 70 | 68 | |
| <i>Distribution to Consumer</i> | | | | |
| Department store sales, 2nd Dist. | 98 | 95 | 90 | 89 |
| Chain store sales, other than grocery. | 99 | 89 | 88 | 86 |
| Life insurance paid for | 99 | 89 | 92 | 82 |
| Advertising | 103 | 82 | 87 | 85 |
| <i>General Business Activity</i> | | | | |
| Bank debits, outside of New York City.. | 116 | 95 | 92 | 92 |
| Bank debits, New York City | 218 | 109 | 113 | 114 |
| Velocity of bank deposits, outside of New York City | 137 | 103 | 100 | 100 |
| Velocity of bank deposits, New York City | 244 | 112 | 118 | 115 |
| Shares sold on N. Y. Stock Exchange .. | 540 | 163 | 221 | 242 |
| Postal receipts | 102 | 91 | 91 | 91 |
| Electric power | 102 | 89 | 88 ^p | |
| Employment in the United States <i>r</i> | 103 ^r | 86 ^r | 86 ^r | 84 ^r |
| Business failures | 103 | 117 | 123 | 119 |
| Building contracts | 89 | 72 | 72 | 68 |
| New corporations formed in N. Y. State .. | 93 | 85 | 98 | 90 |
| Real estate transfers | 73 | 63 | 58 | 61 |
| General price level* | 181 | 166 | 167 | 163 |
| Composite index of wages* | 228 | 223 | 225 | 221 |
| Cost of living* | 173 | 164 | 164 | 163 |

^p Preliminary ^r Revised * 1913=100

Foreign Trade

In October, the value of this country's foreign merchandise trade remained well below that of a year ago. Imports of \$248,000,000 were down 37 per cent from last year, the same percentage decrease as in September. Exports, valued at \$328,000,000, showed an accelerated decline, and were smaller than in October of any year since 1914.

Both exports and imports, however, registered some measure of seasonal increase over the previous month. The rise in the case of imports was somewhat larger than the usual seasonal change, while the increase in exports was considerably below the average October increase of past years.

The combined value of grains and raw cotton shipped abroad during October was about \$75,000,000 lower than a year ago, reflecting reductions in quantity as well as price. This decrease accounts for nearly 40 per cent of the loss in value of total exports. Compared with September, the gain in cotton exports did not equal the usual seasonal increase between these two months, but the decline of one-third in the value of grain exports was about in accordance with the seasonal tendency.

Chain Store Trade

Total October sales of the reporting chain store systems in this district averaged 5 per cent below a year ago, a decrease much the same as that reported in September after adjustment to a daily rate of sales. The sales of grocery chains remained larger than a year previous, while the sales of all other types of chain store organizations continued to be smaller than in 1929. Ten cent chains reported sales almost 6 per cent smaller than in 1929, and other types of stores reported average decreases ranging from 7 to 19 per cent.

| Type of store | Percentage change October 1930 compared with October 1929 | | |
|---------------|---|-------------|-----------------|
| | Number of stores | Total sales | Sales per store |
| Grocery..... | + 6.7 | + 3.4 | - 3.1 |
| Ten cent..... | + 5.3 | - 5.8 | -10.6 |
| Drug..... | - 2.9 | -14.4 | -11.9 |
| Shoe..... | + 6.4 | -19.3 | -24.2 |
| Variety..... | + 9.2 | - 8.6 | -16.3 |
| Candy..... | + 3.3 | - 6.8 | - 9.8 |
| Total..... | + 6.1 | - 5.1 | -10.6 |

Department Store Trade

October sales of reporting department stores in this district averaged 5.4 per cent smaller than in 1929, as compared with an 8 per cent decline in the average daily sales in September. Department stores located in Newark and the Hudson River Valley district reported sales slightly larger than last year, but decreases were reported from all other sections of the district. The leading apparel stores reported a considerable decrease in sales as compared with a year previous for the sixth consecutive month.

Stocks of merchandise on hand at the end of the month, valued at retail prices, showed a decrease of 5 per cent compared with a year previous. The rate of collections on charge accounts during October was 2 per cent below a year ago, but slightly better than in September.

| Locality | Percentage change October 1930 compared with October 1929 | | Per cent of accounts outstanding September 30 collected in October | |
|-----------------------------------|---|----------------------------|--|-------|
| | Net sales | Stock on hand end of month | 1929 | 1930 |
| New York..... | - 5.2 | - 3.5 | 49.1 | 48.4 |
| Buffalo..... | -16.1 | - 4.5 | 42.6 | 41.6 |
| Rochester..... | - 4.5 | -13.1 | 43.8 | 41.6 |
| Syracuse..... | -11.8 | -16.0 | 32.8 | 30.7 |
| Newark..... | + 0.2 | - 7.0 | 47.7 | 43.1 |
| Bridgeport..... | -10.4 | -14.7 | 40.3 | 40.9 |
| Elsewhere..... | - 7.5 | - 7.3 | 39.6 | 38.4 |
| Northern New York State..... | - 4.4 | ..... | ..... | ..... |
| Central New York State..... | -10.3 | ..... | ..... | ..... |
| Southern New York State..... | - 4.9 | ..... | ..... | ..... |
| Hudson River Valley District..... | + 0.7 | ..... | ..... | ..... |
| Capital District..... | -16.3 | ..... | ..... | ..... |
| Westchester District..... | - 5.3 | ..... | ..... | ..... |
| All department stores..... | - 5.4 | - 5.0 | 46.4 | 44.4 |
| Apparel stores..... | -14.9 | -14.5 | 50.3 | 47.4 |

Comparisons of sales and stocks in major departments with those of a year ago are given in the following table.

| | Net sales percentage change October 1930 compared with October 1929 | Stock on hand percentage change October 31, 1930 compared with October 31, 1929 |
|--|---|---|
| Toys and sporting goods..... | +10.1 | -16.3 |
| Toilet articles and drugs..... | + 5.8 | - 3.0 |
| Shoes..... | + 1.9 | - 5.6 |
| Women's and Misses' ready-to-wear..... | + 0.3 | -13.0 |
| Silverware and jewelry..... | - 2.5 | - 0.9 |
| Men's furnishings..... | - 3.1 | -10.5 |
| Cotton goods..... | - 3.9 | + 4.2 |
| Women's ready-to-wear accessories..... | - 4.8 | - 3.5 |
| Men's and Boys' wear..... | - 7.1 | -14.0 |
| Hosiery..... | - 7.5 | -14.7 |
| Home furnishings..... | - 8.3 | - 2.6 |
| Furniture..... | - 8.6 | - 1.3 |
| Linens and handkerchiefs..... | - 9.0 | + 7.1 |
| Woolen goods..... | - 9.1 | -21.6 |
| Books and stationery..... | - 9.2 | - 8.3 |
| Luggage and other leather goods..... | - 9.2 | -11.3 |
| Silks and velvets..... | -17.3 | -19.8 |
| Musical instruments and radio..... | -20.6 | + 8.6 |
| Miscellaneous..... | - 9.9 | -19.4 |

Wholesale Trade

The dollar volume of business of the reporting wholesale firms in this district in October continued to be considerably smaller than a year previous. The average decrease below October 1929 was 22 per cent, or about the same as in the two preceding months. Sales of drugs and yardage sales of silk goods showed decreases in October as compared with last year, following increases in September. The sales of groceries, cotton goods, and shoes continued to be substantially below a year ago, and the sales of hardware showed the largest decrease since June. Declines in excess of the average were reported by the men's clothing, stationery, paper, diamond, and jewelry dealers. Orders for machine tools reported by the Machine Tool Builders Association, following month-to-month increases in August and September, declined in October, and were little more than one-fourth the volume of October 1929, and the lowest since September 1924.

The value of stocks in all reporting lines, with the exception of drugs, continued to be substantially smaller than the previous year. Collections averaged slightly slower than in October 1929.

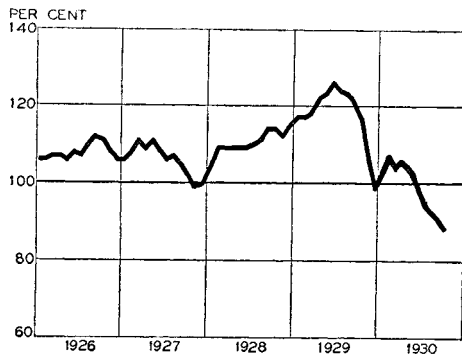
| Commodity | Percentage change October 1930 compared with September 1930 | | Percentage change October 1930 compared with October 1929 | | Per cent of accounts outstanding September 30 collected in October | |
|----------------------|---|--------------------|---|--------------------|--|-------|
| | Net sales | Stock end of month | Net sales | Stock end of month | 1929 | 1930 |
| Groceries..... | +11.4 | +11.4 | -10.0 | -12.0 | 76.6 | 79.7 |
| Men's clothing..... | -29.1 | ..... | -34.5 | ..... | 39.7 | 35.4 |
| Cotton goods..... | +18.9 | - 8.3 | -21.8 | -17.9 | 40.4 | 38.1 |
| Silk goods..... | - 5.6* | + 2.7* | - 5.1* | -13.4* | 48.0 | 46.7 |
| Shoes..... | -10.1 | -11.2 | -13.8 | -11.9 | 49.9 | 52.8 |
| Drugs..... | +24.9 | - 9.6 | - 5.6 | +31.4 | 37.7 | 40.7 |
| Hardware..... | + 8.8 | - 4.1 | -21.1 | -14.6 | 55.4 | 49.4 |
| Machine tools**..... | -33.7 | ..... | -72.0 | ..... | ..... | ..... |
| Stationery..... | +11.1 | ..... | -26.0 | ..... | 67.2 | 67.9 |
| Paper..... | + 7.7 | ..... | -23.4 | ..... | 61.1 | 57.1 |
| Diamonds..... | -10.1 | - 2.1 | -47.2 | -25.5 | 27.4 | 21.9 |
| Jewelry..... | +20.5 | - 3.8 | -46.0 | -20.4 | ..... | ..... |
| Weighted average.... | - 1.9 | ..... | -21.9 | ..... | 53.6 | 52.9 |

* Quantity not value. Reported by Silk Association of America

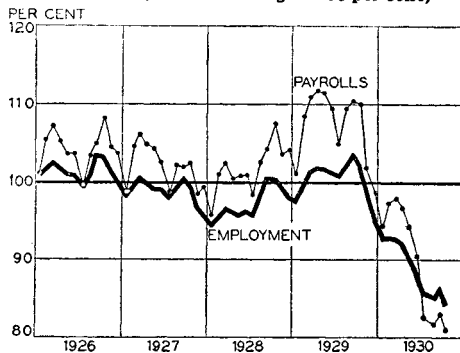
** Reported by the National Machine Tool Builders Association

FEDERAL RESERVE BANK OF NEW YORK

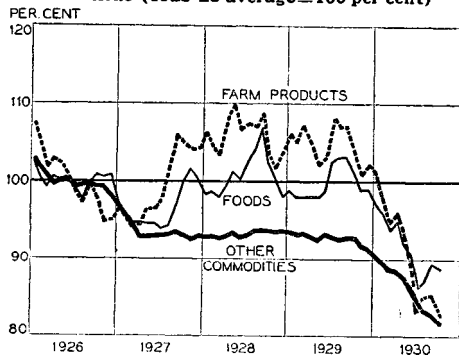
MONTHLY REVIEW, DECEMBER 1, 1930



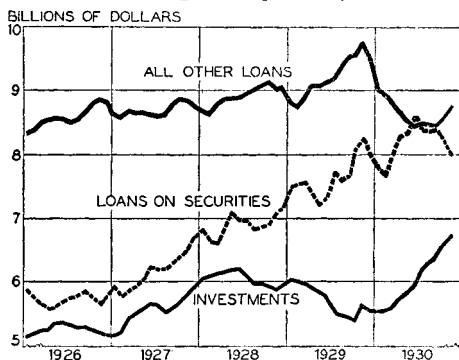
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variations (1923-25 average=100 per cent)



Index Numbers of Factory Employment and Payrolls, Without Adjustment 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 2 weeks of November)

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

VOLUME of industrial production and factory employment declined in October, and there was a further downward movement of commodity prices. Volume of sales by department stores increased by more than the usual seasonal amount. There was a considerable inflow of gold from South America and the Orient, and a further slight easing of money rates.

PRODUCTION AND EMPLOYMENT

Industrial production, including both factories and mines, decreased by about 3 per cent in October, according to the Federal Reserve Board's index, which makes allowance for usual seasonal changes. This decline reflected chiefly a further decrease in output of steel ingots, contrary to the usual seasonal movement, and a larger than seasonal decline in the output of automobiles. Output in the shoe industry was also curtailed. Consumption of cotton by domestic mills showed a further increase of slightly more than the usual seasonal amount, and stocks of cotton cloth were further reduced; increased activity was also reported for the silk industry. Output of coal was in substantially larger volume than in September, while production of copper and petroleum declined.

Number of workers employed showed a decrease for the month in foundries and in the automobile, machine tool, woolen, and shoe industries, while increases were reported in number of persons employed in the production of silk goods, hosiery, and radios. Employment at coal mines increased considerably, partly in response to seasonal influences.

Value of contracts for residential building, as reported by the F. W. Dodge Corporation, which had shown a growth in September, increased further in October, but by an amount smaller than is usual for that month. Contracts for public works and utilities also increased somewhat, reflecting a larger volume of awards for pipe lines. Owing to a substantial decrease in contracts for industrial building, however, there was little change in the total value of building contracts awarded.

DISTRIBUTION

Volume of distribution of commodities by rail showed a decline from September to October. Retail trade, however, as indicated by sales of department stores, increased by considerably more than the seasonal amount, according to preliminary reports to the Federal Reserve System.

WHOLESALE PRICES

The general level of wholesale prices, as measured by the Bureau of Labor Statistics index, declined in October, and the decline continued in the first half of November. Further decreases in the prices of many agricultural products, including grains, livestock, and meats, were accompanied by reduction in the prices of hides, tin, petroleum, and gasoline, while sugar and copper advanced. The price of cotton rose considerably at the end of October from the low level prevailing early in the month.

BANK CREDIT

Total volume of credit at reporting member banks in leading cities showed relatively little change for the four-week period ended November 12. Loans on securities declined further by \$350,000,000, reflecting reductions in loans to brokers and dealers in securities, while all other loans increased by \$150,000,000, partly on account of purchases of acceptances by the member banks. The banks also increased their holdings of investments. The volume of Reserve Bank credit in use showed little change between the middle of October and the middle of November. There was a further addition of \$30,000,000 to the stock of monetary gold and a decline of \$20,000,000 in money in circulation, while member bank reserve balances increased. No material change in the composition of the Reserve Bank portfolio was shown for the month.

Money rates in the open market have eased slightly since the middle of October. The rate on prime commercial paper declined from 3 per cent to a range from 2¾ to 3 per cent and there was a reduction in the rate on bankers acceptances of the longer maturities. Long-time money rates, as measured by yields on United States Government securities, declined slightly.