MONTHLY REVIEW
of Credit and Business Conditions
Second Federal Reserve District

Federal Reserve Agent *Federal Reserve Bank, New York* *February 1, 1931*

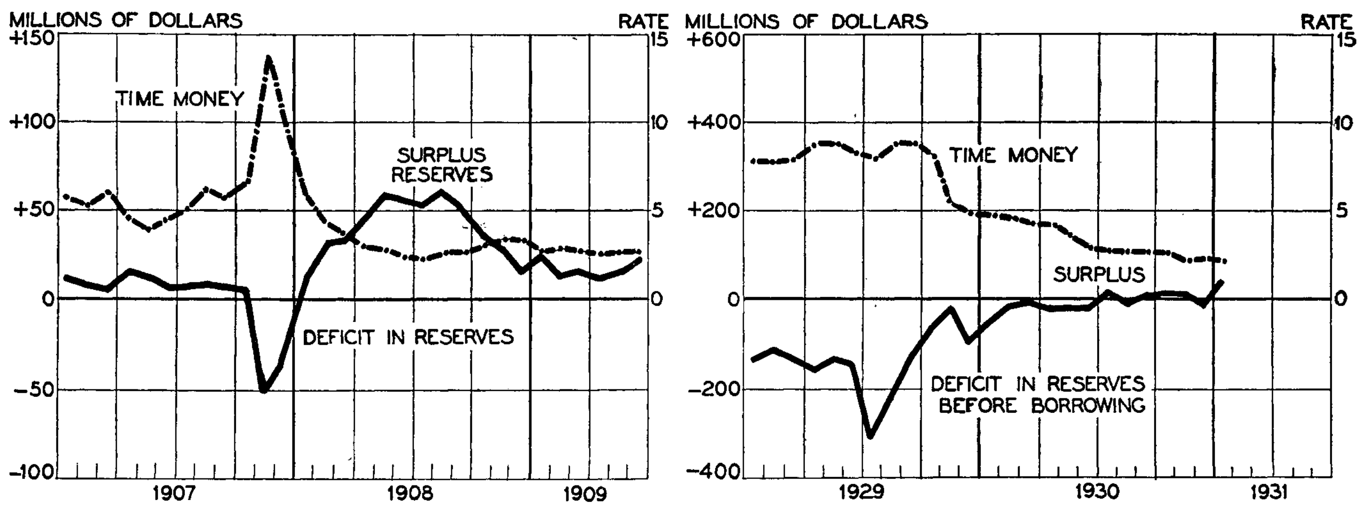
Money Market in January

In January the surplus of funds in the New York money market was larger and more continuous than at any time in a number of years. The immediate cause was a reversal of the currency movement of the previous month. In the five weeks from December 24 to January 28 the return flow of currency into the Reserve Banks totaled $470,000,000, which is slightly more than the usual seasonal movement.

During this period two distinct tendencies were discernible. In the final week of December and the first few days of January some continuation of unsettled banking conditions was reflected in a less rapid return flow of currency from holiday circulation than is usual for the time of year, indicating that, although obscured by the seasonal retirement of currency, some further withdrawals of deposits from the banks were taking place. After the first week of January there was evidence of more stable banking conditions and a gradual restoration of public confidence which appeared in a more than seasonal flow of currency into the Reserve Banks. Near the end of the month it appeared, however, that the retirement of the extra currency which was called into use in December was still far from complete. A gain of about $43,500,000 of gold, including imports and gold released from earmark, was a supplementary factor making for easier money conditions in January.

The accumulation of excess reserves in New York banks is a development rarely encountered in recent years, but typical of periods of serious business recession. Lower commodity prices and reduced payrolls lead, at such times, to reductions in the amount of currency in circulation and the pouring into New York of funds seeking employment. This tendency is accentuated when apprehension limits the types of employment of funds which banks and other investors are willing to make.

In 1908, for instance, the flow of money into the New York banks resulted in the accumulation of about $50,000,000 of surplus reserves within a few months after the 1907 panic, as the first section of the accompanying diagram shows, and time money declined from 15 per cent to 2 per cent. As the deposits of the clearing house banks then amounted to about $1,200,000,000, the $50,000,000 of excess reserves represented about 4 per cent of the total deposits in these banks. Much more extreme conditions followed the two preceding periods of most severe depression—in 1896 and 1893. In 1897 these banks had excess reserves for several months of about $50,000,000, or 8 to 10 per cent of their total deposits, and in the first half of 1894 they held excess reserves amounting to from $75,000,000 to $100,000,000, or 13 to 18 per cent of their total deposits. These excess reserves, above the 25 per cent reserves which the banks were then required to maintain, represented idle funds which they were under pressure to employ, and in each of these periods the effects were reflected in call loan rates, which were frequently as low as 1 per cent on the Stock



Accumulation of Excess Reserves in New York City Banks and Decline in Time Money Rates in 1908 Compared with 1930-1931
(Indicated reserve position in 1929-1931 computed by deducting borrowings at Federal Reserve Bank from actual reserve position)

Exchange and sometimes as low as ½ per cent. They were followed also by a rapid expansion of bank credit, and a rise in bond prices.

In contrast with these conditions, however, most of the funds that have been released from industry and trade during the past year have been absorbed through the retirement of Federal Reserve credit—a factor which was not present in the pre-war banking system. Consequently, notwithstanding successive reductions in Reserve Bank discount rates and purchases of Government securities by the Reserve Banks which assisted member banks to repay their indebtedness, the response of money market conditions to business depression has been more gradual, as is shown by the second part of the diagram.

The January 1931 return flow of $470,000,000 of currency, while it resulted in some accumulation of funds in New York, was used largely to retire Federal Reserve credit. The acceptance holdings of the Reserve System were reduced by more than $240,000,000, U. S. Government security holdings declined nearly $120,000,000, and member bank borrowings also were reduced somewhat. The decline in acceptance holdings is accounted for by the fact that the greater part of Reserve Bank bill holdings at the end of December were of maturities not exceeding 30 days, while new offerings of bills to the Reserve Banks in January were very small. Accepting institutions which had surplus funds tended to retain their new bills in their own portfolios, and there was an excellent investment demand for any bills that appeared in the market. The reduction in holdings of U. S. Government securities reflected the resale of securities purchased temporarily to provide for year-end requirements, or to assist member banks which were subjected to withdrawals of deposits.

It was the funds remaining after this large reduction in Federal Reserve credit which accumulated in the money market. The average amount of excess reserves held by New York banks in January was around $60,000,000, or about 1 per cent of the total deposits of these banks.

While call loan rates, even at the January levels, were not as low as at a number of times in earlier years, time money and commercial paper rates declined in January to the lowest levels in more than 35 years. Stock Exchange 90 day loans in the latter part of January were quoted at 1¾ to 2 per cent, and the prevailing rates for commercial paper declined to 2½-2¾ per cent, both the lowest since 1894. Successive reductions carried acceptance rates also far below any levels previously witnessed since the bill market was established in this country.

Money Rates at New York

	Jan. 31, 1930	Dec. 31, 1930	Jan. 30, 1931
Stock Exchange call loans	*4–4½	*2–4	1½
Stock Exchange 90 day loans	4¾	††2¼–2½	1¾–2
Prime commercial paper	4¾–5	2¾–3	2½–2¾
Bills—90 day unindorsed	3⅞	1⅞	1½
Customers' rates on commercial loans	†5.39	†3.75	†3.65
Treasury certificates and notes			
Maturing March 15 (yield)	3.35	1.28	.72
Maturing June 15 (yield)	3.72	1.43	1.10
Federal Reserve Bank of New York rediscount rate	4½	2	2
Federal Reserve Bank of New York buying rate for 90 day indorsed bills	4	1¾	1⅝

* For preceding week †† Nominal † Average rate of leading banks at middle of month

Bill Market

Immediately after the turn of the year the bill dealers effected a ⅛ per cent reduction in their rates, the first of a series during January. For the next few days the supply of bills offered to the market was in excess of the investment demand and dealers' portfolios were built up moderately, but with the continuance of an easy money situation investment demand became active and very few new bills were offered to the discount market. Two further ⅛ per cent reductions did little to stimulate the supply of bills and several times the dealers were reported to have experienced difficulty in filling orders because of their depleted portfolios. This condition led to the final ⅛ per cent reduction in rates on the 22nd, after which there was a slight increase in the supply, with a consequent increase in dealers' portfolios, which nevertheless remained comparatively small. Bankers bills at the levels then established—1⅜ per cent for the 90 day unindorsed maturity—showed a total reduction of ½ per cent for the month of January, and were the lowest in the history of the bill market in this country. On January 29, however, following the sudden advance in yields on Government securities, the dealers raised rates on all maturities ⅛ per cent.

The New York Reserve Bank's buying rate for indorsed bills was lowered successively during January to 1½ per cent for 1 to 45 day bills and 1⅝ per cent for 46 to 120 day maturities. Chiefly as a result of an excess of maturing bills over the amount of bills offered to the Reserve Banks, holdings dropped $244,000,000 from the year-end peak to $120,000,000 on January 28.

The amount of bankers bills outstanding declined $15,000,000 during December to $1,556,000,000. Usually acceptance outstandings reach their maximum at the year-end, but in 1930 reductions during December in import and export bills outstanding were only partly offset by a further expansion of bills based on goods stored in or shipped between foreign countries.

Commercial Paper Market

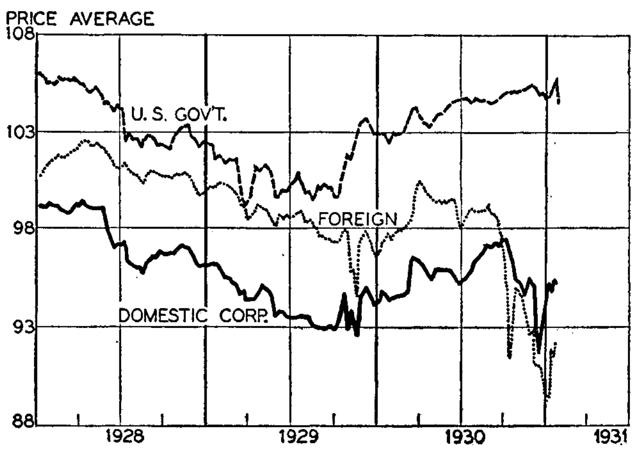
In keeping with the large current demand for all types of short-term investments and the consequent declines in yields, the prevailing rate for prime commercial paper declined in January, first to 2¾ per cent and late in the month to 2½-2¾ per cent, from the 2¾-3 per cent range which had been quoted since November. In fact, certain exceptionally fine names were sold in a few instances at 2¼ per cent. The investment demand for commercial paper was more active than in December, and inquiry was reported from banks in all parts of the country. The volume of paper sold by the dealers, however, was limited by the short supply.

The amount of new paper that came into the market as the result of commercial and industrial concerns' needs for funds was reported to have been smaller than is usually expected at this time of the year, but there was some increase in the supply compared with December when an unusually large amount of open market commercial borrowing was paid off. In that month the amount of paper outstanding through 20 dealers was reduced 20 per cent to $357,000,000 on the 31st, and at that figure was only 7 per cent larger than a year previous, following much larger year-to-year increases in preceding months of 1930.

Security Markets

During the early part of January a considerable further recovery occurred in domestic corporate bond prices, coincident with the development of still easier money conditions and the reinvestment demand frequently manifest at that time. As the result of this rise together with the upturn in the latter part of December, domestic corporation bond averages showed a recovery of over one-half of the loss sustained in the decline from the high of last September to the low of mid-December. As the accompanying diagram indicates, however, the rise in domestic corporation bond prices was checked around the middle of January, due to the flotation of the largest volume of new security issues in several months, and in the closing days of January an abrupt decline in United States Government securities was accompanied by a reaction in corporation bonds.

The adverse factor affecting primarily the Government bond market, but also other bond prices, was apprehension over the possibility of the flotation by the Treasury of a large bond issue in order to raise funds with which to make immediate cash payments of the veterans' adjusted service certificates. Considerable selling of outstanding issues began late in January in anticipation of a possible large new issue, and prices of all United States Government bonds declined rapidly. After advancing by January 24 to the highest level since early in 1928, the average price of the eight issues of United States Government bonds now outstanding dropped 1¾ points in the next six days, as is also indicated in the accompanying diagram, and several of the long-term Treasury bond issues suffered net declines of over 2½ points.



Price Movements of United States Government, Foreign, and Domestic Bonds (Baker, Kellogg & Co. average of 40 foreign bonds, and Federal Reserve Bank of New York average of 8 United States Government bonds and composite of 5 domestic bond averages)

In the foreign bond list, prices recovered substantially in the first week of January, and this movement continued gradually until the last few days of the month, when lower prices prevailed.

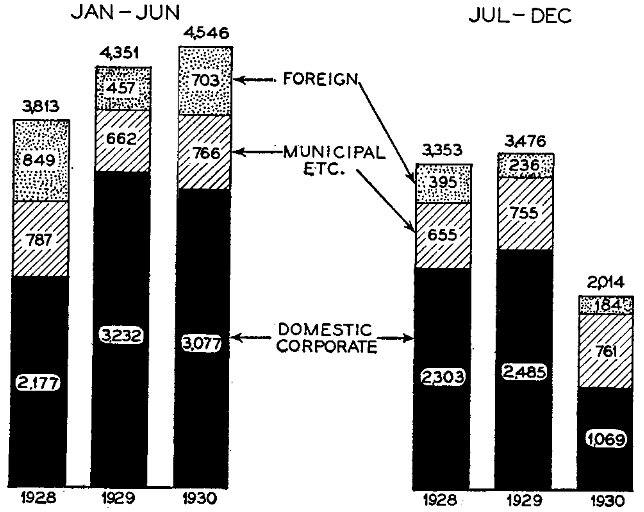
Price movements in the stock market during January were irregular and closing quotations were not greatly above those prevailing at the opening of the month. On the whole, however, prices were maintained at a level about 10 per cent above the bottom point reached in December. The railroad shares which were under the greatest pressure in the closing months of 1930, as a group have had the largest recovery from the recent low. Public utility stocks also have rebounded somewhat more than the industrials. Trading in the stock market remained relatively quiet—following a few days early in January when sales went above 2 million shares daily, turnover for the balance of the month averaged only 1,600,000 shares.

New Financing

Apparently as a result of the withholding of a considerable amount of new financing from the market during the closing months of 1930, January offerings of new securities, mostly bond issues, reached a larger aggregate than for any month since the first half of 1930. Public utility security offerings led in the increase, and included several large issues as well as numerous smaller ones. Railroad financing also was in larger amount than for many months, but industrial security offerings continued in restricted volume. Offerings of securities, the proceeds of which were to be employed in foreign countries, increased to the largest amount since last June. Flotations of State and municipal issues, though numerous, fell somewhat below the volume of other recent months.

The volume of new securities, both bonds and stocks, offered during 1930 totaled $6,560,000,000, exclusive of issues for refunding purposes and securities of investment trusts, and financial trading and holding companies. This figure was $1,267,000,000 smaller than the 1929 total and $606,000,000 below that of 1928. The decline, as the accompanying diagram indicates, was due to a large falling off in security emissions in the second half of the year, especially during the period of weakness in the bond market in the closing months. For the July to December period, new capital issues were only about 60 per cent as large as in the corresponding period of 1929 or 1928, in contrast to the first half of 1930, when security flotations exceeded even those of the first half of 1929 with its tremendous volume of stock issues.

The diagram also shows that the last six months of 1930 included less than half as much new financing as was consummated in the initial six months, when large bond flotations by the railroads and public utilities were being undertaken in furtherance of expansion and improvement programs. With the development of conditions unfavorable to further large flotations, railroad and public utility issues declined in the latter half of the year, and industrial and commercial financing continued



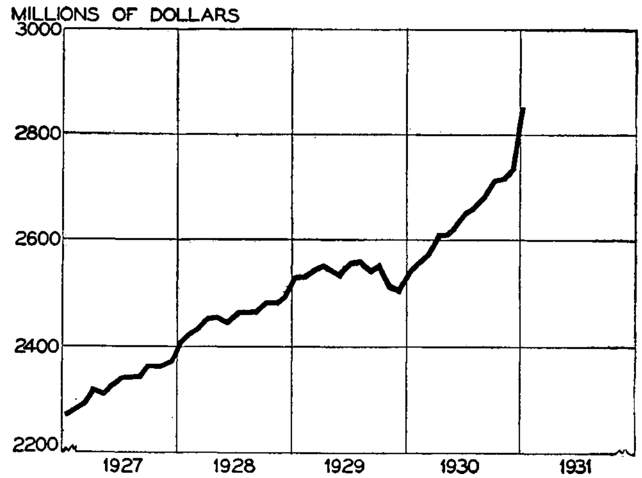
New Security Offerings, Exclusive of Refunding Issues (Commercial and Financial Chronicle figures for domestic issues and Federal Reserve Bank of New York figures for foreign issues—in millions of dollars)

in relatively small volume, so that total new financing underwent a much larger reduction than in previous years. In addition to the decline in domestic corporation security issues, foreign security flotations in this market were greatly reduced, the total for the second half of 1930 falling below even the small figure for the corresponding period of 1929; in the first half of the year foreign flotations had considerably exceeded those of a year previous. The figures of foreign flotations include financing by domestic corporations which raised funds for use abroad, but exclude banking credits in which no sale of securities was involved.

The only class of security offerings to be maintained throughout the year in larger volume than in 1929 was financing by States, municipalities, and farm loan agencies of the United States, but this moderate increase was far surpassed by the decreases in domestic corporate and foreign security flotations.

Savings Bank Deposits

During the greater part of 1930, the amount of deposits held by 30 representative savings banks in the Second Federal Reserve District increased at a rapid rate, following the temporary check that occurred in 1929, and during the most recent month for which reports have been received by this bank—from December 10, 1930 to January 10, 1931—an unusually large rise in deposits occurred, as the accompanying diagram indicates. The increase of $126,000,000 in this month compares with an average rise in deposits of about $40,000,000 during the corresponding period of the previous five years. Some of this increase appears to have been caused by the transfer of deposits to savings banks from certain of the New York City commercial banks, partly induced by the closing of two commercial banks during the period, and partly as a result of the higher interest rates offered by savings banks. Total deposits in these representative savings banks on January 10, 1931 were 12 per cent larger than a year earlier, whereas in the previous year a net increase of less than one per cent was reported, and in the four years prior to 1929 the average annual increase was about 5½ per cent.



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

While most of the increase during the month ended January 10 occurred in the New York City savings banks, somewhat more than the usual rise was reported also in representative savings banks in other parts of the Second Reserve District. The deposits of savings banks outside of New York on January 10 were nearly 5 per cent larger than a year earlier, following an actual decrease in the preceding year. In New York City the increase during the year was 14 per cent.

Foreign Trade

During December the total value of this country's foreign merchandise trade continued to be somewhat less than two-thirds that of a year previous. The reduction in the case of exports was 36 per cent, while the decline in imports was 33 per cent. The percentage decline in imports, however, was the smallest reported since last June. All of the principal kinds of exports and imports remained well below the 1929 volume.

Compared with the previous month, the total value of exports showed a further decline, contrary to the usual seasonal movement, but the value of imports showed a slight increase, in accordance with the usual change from November. Seasonal gains in exports of manufactured goods were more than offset by declines in shipments abroad of raw materials, notably cotton. On the other hand, the increase in importations of crude materials more than equalized the decrease in imports of finished manufactures.

For the calendar year 1930, exports amounted to $3,841,000,000, or 27 per cent below the 1929 total, and the smallest annual figure since 1922. Imports for the year at $3,061,000,000 were 30 per cent less than in 1929, and smaller than in any year since 1921. The favorable balance of merchandise trade in 1930 amounting to $780,000,000 was about 7 per cent smaller than in 1929. All of the leading economic groups composing this country's foreign trade participated in the 1930 drop in somewhat the same proportion, the declines ranging from around 25 to 35 per cent. The general decline in commodity prices has been a strong contributing factor in the decreased value of foreign trade.

Central Bank Rate Changes

On January 3 the discount rate of the Bank of France was lowered from 2½ per cent, where it had stood since May 2, 1930, to 2 per cent, the lowest level since October 1898. On the 23rd the rate of the Swiss National Bank, which had been 2½ per cent since July 11, 1930, was also reduced to 2 per cent. The Netherlands Bank, where a 3 per cent rate had been in effect since March 25, 1930, fixed its rate at 2½ per cent on January 24.

A seasonal rate increase from 6 to 7 per cent was effected by the Imperial Bank of India on January 15.

Foreign Exchange

With few exceptions, the whole foreign exchange list weakened during the first part of January. Among the major currencies, only the belga, the guilder, and the Swiss franc held above par, and in general the dollar stood at a premium. This was due in part to seasonal influences such as interest payments due here and the reflux of funds temporarily withdrawn in December for "window-dressing" purposes; but no doubt it was influenced also by the weakness of silver and the low level of United States imports. Around mid-January both sterling and reichsmark quotations were in the vicinity of their theoretical gold import points, but no gold was shipped here.

Later in the month a number of the leading foreign exchanges turned stronger. Sterling recovered to about the level prevailing at the opening of the month and reichsmarks also moved up slightly from their low. French francs were somewhat firmer but showed a net loss for the month, as did belgas and lire. Canadian exchange recovered to above the estimated gold import point to this country, after having been quoted below this level practically all the time since the middle of December. Guilders, however, weakened further, and just before the end of the month dropped below par. Throughout the month, Japanese yen and the principal South American currencies were rather weak.

Gold Movement

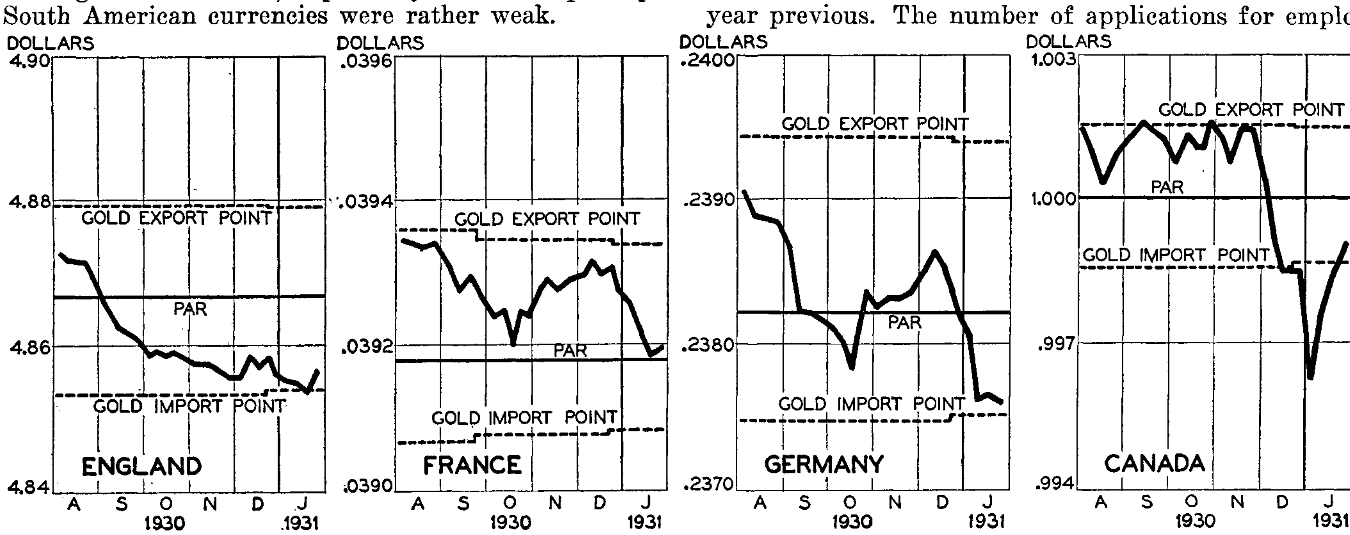
Receipts of gold from Canada amounted to $20,500,000 in the first half of January, and totaled $42,500,000 on the movement which began in December. A shipment of $5,450,000 was also received from Argentina, and $2,920,000 came here from Colombia, and $554,000 from Cuba. At San Francisco, $900,000 was imported from Japan and $675,000 from China. There was an additional gain to the country's gold stock through a decrease of $12,000,000 in gold held under earmark for foreign account. As exports were negligible, a preliminary estimate indicates a gain of about $43,500,000 of gold during January, the largest increase since April 1930. This country has continued to gain gold in all but two of the past thirteen months, despite the prevalence of exceptionally low money rates here during much of the period.

France continued to make heavy withdrawals at the Bank of England during January, taking more than £10,500,000, and obtained in addition the bulk of the South African gold offered in the market, amounting to £3,000,000. Withdrawals at the Bank of England were offset in part by the reported arrival of £1,900,000 in coin from Brazil and £250,000 from South Africa.

Employment and Wages

Employment and wage data for December continued to show more than seasonal declines, and the factory employment index of the Federal Reserve Board, which has been adjusted for the usual seasonal changes, dropped beneath the 1921 low for the first time. As compared with the 1929 high, the index showed for December a reduction of 22 per cent. In representative factories of New York State, employment declined about 4 per cent in December, or considerably more than the usual reduction in that month. Moreover, the United States Employment Service reports that weather conditions in December interfered with outdoor work, such as highway and building construction.

The rate of voluntary labor turnover in factories declined further in December to a new low level for the twelve years for which the figures are available. The December rate of turnover was less than half that of a year previous. The number of applications for employ-



Course of Foreign Exchange Rates at New York

ment at New York State Employment Bureaus, however, increased only slightly more than the number of orders for workers received by the Bureaus, so that the ratio between the two figures declined somewhat less than seasonally in December.

Data on wage rates and hours of employment of unskilled labor, which are collected by this bank each January through the cooperation of about twenty large employers of varied types of unskilled workers, indicate declines in the average rate per hour and in the number of hours worked, so that average weekly earnings of unskilled labor appear to have dropped about 4 per cent from the high level of last year.

Indexes of Business Activity

Business activity data in general give evidence of no marked change in December from the low level of the preceding month. One of the best indicators, car loadings of merchandise and miscellaneous freight, showed for the month as a whole slightly more than the usual seasonal decline from the average level of November, and reached the lowest level since 1922. There was little week to week change within the month of December, however, after seasonal adjustment, and in the first two weeks of January there were only seasonal variations from the level of December.

Other indexes showed mixed changes in December. There were increases after seasonal adjustment in car loadings of bulk freight, and in imports, bank debits, security trading, and postal receipts. On the other hand, total exports declined somewhat, average daily department store sales in this district did not quite show the usual December expansion, the number of new corporations chartered in New York State increased less than is usual, and the number of business failures increased sharply to a larger total than for any previous December.

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

	1929	1930		
	Dec.	Oct.	Nov.	Dec.
Primary Distribution				
Car loadings, merchandise and misc.	92	84	80	78
Car loadings, other *r*	100*r*	80*r*	78*r*	80*r*
Exports	80	71	63	60*p*
Imports	104	106	90	91*p*
Panama Canal traffic	75	74	72	62
Distribution to Consumer				
Department store sales, 2nd Dist.	100	89	87*r*	85
Chain store sales, other than grocery	101	86	89	85
Life insurance paid for	107	82	88	88
Advertising	94	85	80	76
General Business Activity				
Bank debits, outside of New York City	103	91	87	91
Bank debits, New York City	138	114	92	103
Velocity of bank deposits, outside of New York City	115	100	94	95
Velocity of bank deposits, New York City	139	115	87	95
Shares sold on N. Y. Stock Exchange	289	242	166	196
Postal receipts	100	91	87	90
Electric power	97	88	83*p*	
Employment in the United States *r*	99*r*	84*r*	83*r*	82*r*
Business failures	100	119	113	123
Building contracts	81	68	63	62
New corporations formed in N. Y. State	80	90	83	80
Real estate transfers	71	61	59	
General price level*	174	163	161	
Composite index of wages*	227	221	219	219
Cost of living*	172	163	161	159

p Preliminary Revised *1913 average = 100

Production

Available data indicate a seasonal expansion of production in January from the low levels reached during the inventory period at the year-end. Steel ingot production showed a continuous increase, and the Iron Age estimated operations in the fourth week of the month at 47 per cent of theoretical capacity, the highest point reached since early November. Production of both bituminous and anthracite coal also increased, but further restriction was reported in production of crude petroleum.

In December, productive activity showed a decline of somewhat more than seasonal proportions, and the index of the Federal Reserve Board, which has been adjusted for the usual seasonal movement of industry, receded 2 per cent to a level 35 per cent below the peak of June 1929. Average daily output of pig iron, steel ingots, copper, bituminous coal, wheat flour, and cement showed more than the average seasonal decline, and production of zinc and of coke also was reduced. Mill consumption of cotton and of silk receded more than is usual, following the increase that occurred in preceding months from the low points reached last summer, and activity of wool mills also declined. On the other hand, average daily automobile production increased slightly in December in contrast to a usual decline, and increases occurred also in output of anthracite coal, lead, sole leather, boots and shoes, and newsprint paper, in deliveries of tin, and live stock slaughterings, while production of tobacco products experienced less than the usual seasonal decline.

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

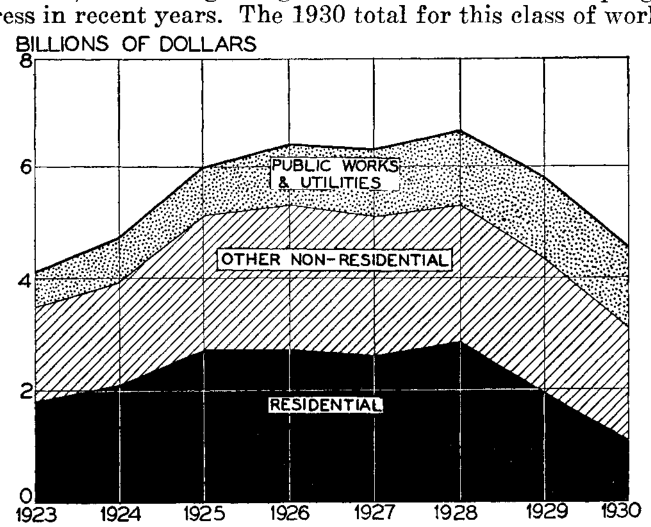
	1929	1930		
	Dec.	Oct.	Nov.	Dec.
Metals				
Pig iron	95	71	62	55
Steel ingots	86	69	62	57
Copper, U. S. mines	107	77	74	69*p*
Lead	94	82	73	81
Zinc	83	71	55	54
Tin deliveries	94	113	89	119
Automobiles				
Passenger cars	39	31	36	48*p*
Motor trucks	74	66	83	78*p*
Fuels				
Bituminous coal	88	74	73	71*p*
Anthracite coal	114	103	83	89*p*
Coke	100	80	75	71
Petroleum, crude	106	86	83	82*p*
Petroleum products	95	85	79	
Textile and Leather Products				
Cotton consumption	80	70	71	68
Wool mill activity	76	66	62	58*p*
Silk consumption	103	113	115	111
Leather, sole *r*	103*r*	98*r*	95*r*	98*r*
Boots and shoes *r*	102*r*	78*r*	74*r*	80*r*
Foods and Tobacco Products				
Live stock slaughtered	95	96	89	90
Wheat flour	94	91	97	91
Sugar meltings, U. S. ports	92	92	114	74
Tobacco products	103	98	90	96
Miscellaneous				
Cement	111	94	83	81
Tires	62	61	54	
Printing activity	96	84	84	
Paper, newsprint *r*	100*r*	89*r*	83*r*	87*r*
Wood pulp *r*	99*r*	80*r*	81*r*	

p Preliminary Revised

Building

December contracts awarded for building and engineering work in the 37 States included in the F. W. Dodge Corporation report were only slightly smaller than the November total, but were 21 per cent smaller than in December 1929. A slight decline in residential building contracts, offset only in part by small increases in public works and utility projects and in other non-residential work, resulted in a further 1 point drop in this bank's index of building contract awards to a new low level since 1921. During the first three weeks of January, the daily average volume of building contracts awarded showed no more than a seasonal drop from the December level, but the current amount of building contracts being awarded continued to be much below the level of a year previous.

Contracts for building and engineering work during the full year 1930 were 21 per cent smaller than in 1929 and 32 per cent below the total of 1928, which marked the culmination of the large expansion in building following the World War. The building contract volume of 1930 appears to have been the smallest since 1923, falling slightly below the amount in 1924. As the accompanying diagram indicates, the largest falling off in building activity during 1930 was in residential construction, which was reduced to a smaller dollar volume than either public works and utility projects or other non-residential building. The residential building contracts of 1930 amounted to only 57 per cent of the 1929 volume, and 39 per cent of the 1928 figure. The year 1930 was also marked by a considerable decline in non-residential work, other than public works and utilities, which in 1929 had held at the level of 1928. The 1930 amount was 21 per cent smaller than that of 1929, due chiefly to declines of about one-third in the construction of industrial and commercial building projects, both of which in 1929 had shown some increase over 1928. In contrast to the declines in contracts for residential and non-residential buildings, public works and utilities projects showed a 9 per cent increase over the 1929 volume, continuing the growth which has been in progress in recent years. The 1930 total for this class of work was double the yearly amount contracted for during the 1923-24 period.



Building Contracts Awarded in 37 States (F. W. Dodge Corporation figures)

Building activity in the Second Federal Reserve District was also curtailed considerably further in 1930. The amount of contracts placed in Metropolitan New York and vicinity, which contributes about one-fifth of the total of the 37 States included in the F. W. Dodge Corporation report, was 40 per cent less than in the peak year of 1928 and 24 per cent smaller than in 1929. The trend of building operations in the up-State district of New York was somewhat similar to that in the metropolitan area.

Commodity Prices

Commodity prices in general continued to decline in January, and the National Fertilizer Association weekly index of more than 450 commodities reached a new low level for recent years. Price increases occurred, however, in a number of important commodities. In the textiles, raw silk showed a strong upward tendency and the Fairchild composite price rose to $2.95 a pound, as compared with the October low of $2.30; cotton also averaged somewhat higher, touching 10.60 cents a pound, as compared with the December low of 9.45 cents. Finished steel was firmer, and the Iron Age composite price at 2.142 cents a pound reached the highest point since October. Scrap steel rose 50 cents early in January to $13.25 a ton, the first price increase since September, but later reacted 25 cents.

The prevailing tendency among the non-ferrous metals during January was downward. Copper, for example, which had risen as high as 11½ cents a pound in December, receded to 9¾ cents, a figure only ¼ of a cent above the low point reached in October. The price of lead was reduced from 5.10 cents a pound to 4.75 cents, a new low level for the current decline, and zinc receded to 4 cents a pound, a figure only fractionally above its October low. Tin, however, averaged slightly higher. Silver was lower in January, and at 28½ cents an ounce reached a new low level in the recorded history of the commodity. In addition to the weakness in metals, declines occurred in the prices of grains, rubber, raw wool, crude petroleum, hogs, and hides.

Department Store Trade

Final reports on December department store business in this district showed sales about 6 per cent smaller than in 1929. There was one more selling day this year than in 1929, but as the greater part of the holiday buying is done in the three weeks before Christmas, the volume of business for the month probably was not greatly affected. Total sales for the year 1930 were 2.8 per cent smaller than in 1929. The leading apparel stores reported for December the smallest decrease from a year ago since May, but the 1930 yearly sales were 10 per cent smaller than in 1929.

December department store sales were 5 per cent higher than in 1929 in reporting Westchester stores, and the sales of the Newark stores declined less than 1 per cent, but sales of all other sections of this district showed decreases ranging from 5 per cent to 12 per cent.

Stocks of merchandise on hand at the end of the month, valued at retail prices, showed a 5 per cent reduction from December 1929. The percentage of charge accounts collected during December was slightly lower than the previous year.

Locality	Percentage change December 1930 compared with December 1929		Per cent of charge accounts outstanding November 30 collected in December		Percentage change year 1930 compared with year 1929	
	Net sales	Stock end of month	1929	1930	Net sales	Stock on hand
New York	— 7.2	— 5.4	46.6	47.0	— 2.2	— 2.1
Buffalo	— 5.4	— 7.0	44.8	46.8	— 7.3	— 2.9
Rochester	— 7.7	— 2.7	37.5	39.0	— 3.4	— 8.7
Syracuse	— 9.9	— 1.5	....	....	— 8.4	— 5.2
Newark	— 0.1	— 1.2	38.1	33.3	— 0.5	— 8.9
Bridgeport	— 7.0	—10.8	38.2	40.6	— 9.7	— 8.2
Elsewhere	— 8.5	— 7.5	38.9	39.2	— 5.9	— 5.7
Northern N. Y. State	—10.6	....	....	....	— 9.7	....
Central N. Y. State	—12.2	....	....	....	— 7.9	....
Southern N. Y. State	—10.7	....	....	....	— 8.4	....
Hudson River Valley	—10.1	....	....	....	— 4.2	....
Capital District	— 9.4	....	....	....	— 5.9	....
Westchester District	+ 5.2	....	....	....	— 0.5	....
All department stores	— 6.3	— 5.0	43.8	42.6	— 2.8	— 3.6
Apparel stores	— 8.5	—13.1	45.8	43.8	—10.4	— 7.1

Comparisons of sales and stocks in December with those of 1929 are given in the following table.

	Net sales percentage change December 1930 compared with December 1929	Stock on hand percentage change December 31, 1930 compared with December 31, 1929
Toys and sporting goods	+ 4.4	— 1.1
Toilet articles and drugs	+ 2.8	— 8.3
Cotton goods	— 1.9	— 2.7
Luggage and other leather goods	— 2.5	—20.1
Silverware and jewelry	— 4.7	— 1.0
Women's and Misses' ready-to-wear	— 5.3	—10.9
Women's ready-to-wear accessories	— 5.7	— 8.7
Home furnishings	— 6.0	— 5.6
Men's furnishings	— 6.1	—10.6
Men's and Boys' wear	— 6.2	— 8.9
Hosiery	— 6.5	— 8.8
Furniture	— 8.0	— 6.5
Shoes	— 8.3	— 9.6
Books and stationery	— 9.3	—12.7
Woolen goods	—10.9	—28.0
Linens and handkerchiefs	—11.3	+ 8.9
Silks and velvets	—12.0	—17.3
Musical instruments and radio	—25.4	— 4.2
Miscellaneous	—13.2	—14.5

Wholesale Trade

The volume of December business done by wholesale dealers in this district averaged 16 per cent smaller than in December 1929, the smallest decrease from a year previous since May. Yardage sales of silk goods reported by the Silk Association of America showed a 5½ per cent increase over a year previous in December, following a 2 per cent increase in November, and wholesale drug dealers reported an increase in sales for the first time since September. However, the sales of cotton goods, hardware, and stationery were over 20 per cent smaller than a year ago, and the sales of groceries, men's clothing, shoes, paper, jewelry, and diamonds continued to be considerably below the year previous, although in several of these lines the reductions were not as large as in November. Machine tool orders, reported by the Machine Tool Builders Association, showed a slight increase over November but remained far below the volume of a year previous. Total reported sales of wholesale dealers for the year 1930 were 17 per cent below those of 1929.

The value of stocks in all reporting lines, with the exception of drugs, remained substantially smaller in December than a year ago. Collections in December of accounts outstanding at the beginning of the month were higher than in December 1929 in several lines, contrary to the recent tendency.

Commodity	Percentage change December 1930 compared with December 1929		Per cent of accounts outstanding November 30 collected in December		Percentage change in net sales	
	Net sales	Stock end of month	1929	1930	Dec. 1930 compared with Nov. 1930	Year 1930 compared with year 1929
Groceries	— 7.1	—19.8	69.0	74.5	— 1.2	— 6.9
Men's clothing	—18.4	....	48.1	40.2	—11.9	—22.8
Cotton goods	—24.6	—24.6	44.7	45.7	+ 1.2	—20.5
Silk goods*	+ 5.5r	—13.2r	49.7	51.6	+10.6r	— 2.8r
Shoes	—25.1	—28.6	45.2	47.4	+ 6.4	—19.6
Drugs	+ 8.2	+28.6	32.7	32.8	—27.9	— 4.3
Hardware	—20.4	—18.2	51.8	49.3	— 0.9	—15.8
Machine tools**	—58.4	....	....	....	+13.9	—54.5
Stationery	—24.2	....	71.4	73.1	+ 9.8	—15.4
Paper	—19.9	....	53.8	59.3	+ 1.3	—14.7
Diamonds	—36.8	—20.9	30.1	24.9	— 8.4	—47.8
Jewelry	—37.6	—25.1			— 2.8	—37.8
Weighted average	—15.9	....	52.6	52.7	— 2.2	—16.9

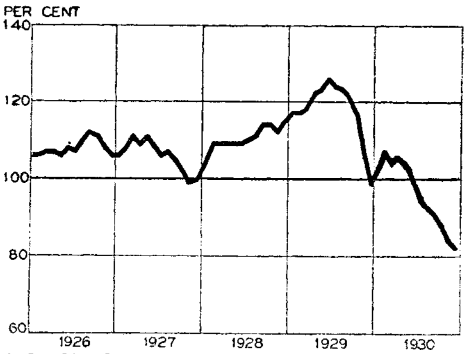
* Sales and stock reported by Silk Association of America; quantity not value
r Revised ** Reported by the National Machine Tool Builders Association

Chain Store Trade

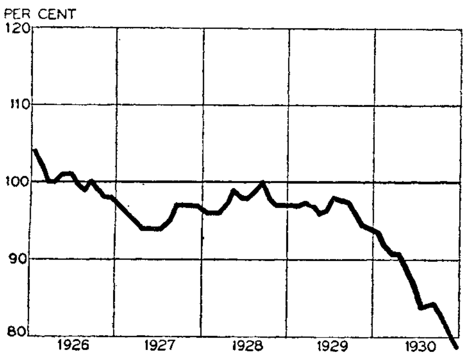
The total December sales of reporting chain store systems in this district averaged 6 per cent below 1929. Taking into consideration the fact that there was one more selling day in 1930 than in 1929, which would affect the volume of sales in some lines at least, the daily rate of sales would show a somewhat larger decrease. The daily sales of all reporting types of chain store organizations declined from a year previous, the largest decreases being in sales of drugs, shoes, and candy.

Total sales for the year 1930 for all the reporting chains were nearly 2 per cent smaller than in 1929, as compared with an increase of 10 per cent in the previous year, due partly to lower prices. An increase of 8 per cent in the total sales reported by grocery chains—the only type of chain stores to show an increase—was reduced to a 3 per cent increase, after making allowance for the number of stores operated.

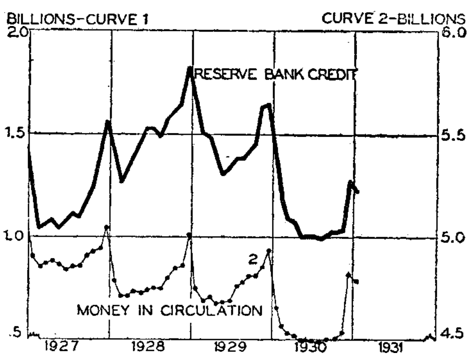
Type of store	Percentage change December 1930 compared with December 1929			Percentage change year 1930 from year 1929	
	Number of stores	Total sales	Sales per store	Total sales	Sales per store
Grocery	+ 5.9	+ 2.9	— 2.9	+ 8.3	+ 3.0
Ten cent	+ 4.6	— 3.1	— 7.4	— 4.0	—10.2
Drug	— 3.3	—18.2	—15.4	— 8.1	— 9.5
Shoe	+ 7.1	—19.3	—24.7	—13.8	—19.9
Variety	+ 7.6	—13.7	—19.8	— 4.2	—17.3
Candy	— 5.7	—27.9	—23.6	— 6.5	— 4.1
Total	+ 5.2	— 6.3	—10.9	— 1.8	— 8.1



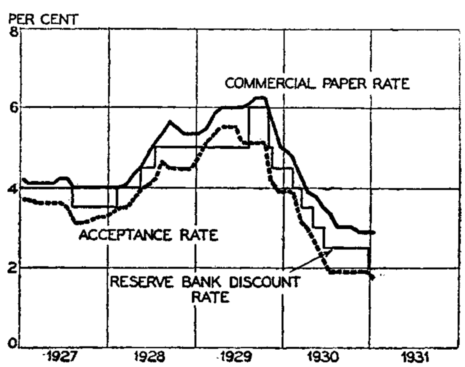
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variations (1923-25 average = 100 per cent)



Wholesale Price Index of United States Bureau of Labor Statistics (1926 average = 100 per cent)



Reserve Bank Credit and Money in Circulation (Monthly averages of daily figures; latest figures are averages of first 19 days of January)



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

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

PRODUCTION and factory employment declined further in December. Wholesale prices decreased during the first half of the month but thereafter were generally steadier. Conditions in the money market remained easy and in January money rates reached new low levels.

Production

Industrial production was further reduced during December, and the Federal Reserve Board's index, which makes allowance for usual seasonal changes, showed a decline of over 2 per cent. Output of steel and iron, textiles, petroleum, cement, and copper was substantially curtailed. Activity in meatpacking plants and at anthracite mines increased in December, and in the automobile industry there was an increase in output, reflecting the introduction of new models. After the turn of the year, automobile output increased further, and steel plants were more active.

Construction contracts awarded during December were in about the same volume as in November, according to reports of the F. W. Dodge Corporation. There were slight declines, partly seasonal in nature, in contracts for residential and commercial construction, while public works and utility awards increased somewhat.

Employment and Wage-Payments

Employment in manufacturing industries was reduced further by 2.5 per cent between the middle of November and the middle of December, and factory pay rolls also declined. The largest reductions in working forces were in the canning, lumber, steel, and wearing apparel industries. There was little change in employment in railroad car shops, and in cotton and silk mills, while in the automobile, meatpacking, and paper and printing industries working forces were increased slightly.

In early January, following year-end inventory periods, reports indicate increased employment in certain industries, particularly automobiles, steel, and railroads.

Distribution

Sales of department stores increased in December by slightly less than the amount which is usual for the holiday season, according to preliminary reports to the Federal Reserve Banks. In December, as in earlier months of the year, the volume of sales probably reflected the influence of declining retail prices. Distribution of commodities by freight showed a further decline for the month of December as a whole.

Value of American exports to foreign countries was smaller in December than in November, and approximately 35 per cent below that of December 1929, the decrease reflecting in part the decline in wholesale prices.

Wholesale Prices

Wholesale prices of commodities declined sharply in the first half of December, while in the following four weeks average fluctuations were relatively small. For the month of December as a whole, there were large decreases in prices of corn, hogs, cotton, hides, and lumber, while prices of wheat, beef, and silk averaged somewhat higher than in November.

During the first two weeks in January, prices of corn, sugar, and silk increased, and the price of wheat in American markets remained fairly stable. Silver prices reached new low levels.

Bank Credit and Money Rates

Loans and investments of reporting member banks declined in the four-week period ended January 14, reflecting further liquidation of security loans, as well as a reduction in "all other" loans and in investments.

Changes in the position of Reserve Banks in recent weeks reflected largely changes in the demand for currency. In December this demand increased more than is usual for the season, owing to the withdrawal of cash by banks and by the public in districts where there were important bank failures. In the two weeks after Christmas the return flow of currency from circulation was smaller than the usual seasonal amount and the result was that money in circulation, which during the larger part of 1930 had been in considerably smaller volume than in 1929, in January 1931 was above the level of a year ago. In the following two weeks the return flow of currency was somewhat larger than usual, indicating a return of part of the extra currency which had been called into use in December.

Money rates in the open market continued at low levels during December, and declined further in the first half of January.

The discount rate at the Federal Reserve Bank of New York was reduced to 2 per cent on December 24, and in the following three weeks the rate at the Federal Reserve Bank of Boston was reduced to 2½ per cent, and rates at the Federal Reserve Banks of Cleveland, St. Louis, Chicago, Atlanta, and San Francisco to 3 per cent.