

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

June 1, 1931

#### Money Market in May

The principal occurrence of the past month in the money market has been a continuation of the decline in money rates which started late in April. The decline was led by acceptance rates, which reached the lowest levels since the bill market was established in this country, and carried all of the other principal rates in the New York money market except call loan rates to new low levels for many years. There has been also a marked tendency on the part of commercial banks in various parts of the country to reduce their rates of interest on deposits, in view of the lower rates of return that are now obtainable on their invested funds. On May 19 the members of the New York Clearing House Association reduced the interest rate from 1 to 1/2 per cent on all domestic demand deposits, except the deposits made by savings banks, on which the rate was reduced from 1 1/2 to 1 per cent. Rates paid on some classes of time deposits also were lowered. There were also frequent reports during the month of reductions or proposed reductions in the interest rates paid by the banks in other localities.

Rates prevailing in New York on the principal open market loans and short-term investments near the end of May are compared in the following table with those of a month previous and a year ago, and their position

relative to the rates of the past twelve years is shown in the diagram below.

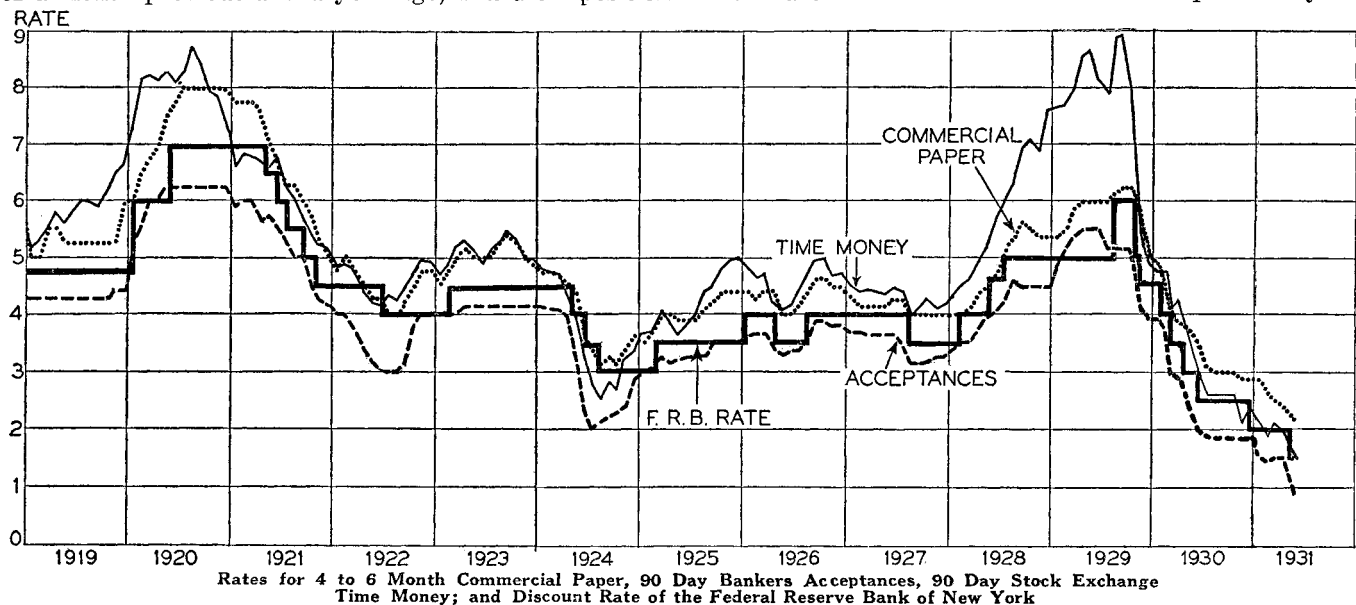
Money Rates at New York

|   | May 29, 1930 | Apr. 30, 1931 | May 29, 1931  |
|---|--------------|---------------|---------------|
| Stock Exchange call loans.....  | *3           | *1 1/2        | *1 1/2        |
| Stock Exchange 90 day loans.....  | 3 1/4        | ††1 3/4-2     | ††1 1/2-1 3/4 |
| Prime commercial paper.....   | 3 1/2-3 3/4  | 2 1/4-2 1/2   | 2-2 1/4       |
| Bills—90 day unindorsed.....  | 2 3/8        | 1 1/4         | 7/8           |
| Customers' rates on commercial loans..                                  | †4.39        | †3.54         | †3.46         |
| Treasury certificates   |              |               |               |
| Maturing September 15 (yield).....                                      | 2.00         | 1.30          | .57           |
| Maturing December 15 (yield).....                                       | 2.42         | 1.52          | .76           |
| Federal Reserve Bank of New York rediscount rate.....                   | 3            | 2             | 1 1/2         |
| Federal Reserve Bank of New York buying rate for 90 day indorsed bills. | 2 1/2        | 1 3/8         | 1             |

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

The rediscount rates of the Reserve Banks also have been rather generally reduced during the past month. The Federal Reserve Bank of New York reduced its rediscount rate from 2 to 1 1/2 per cent on May 8, the lowest Reserve Bank rate ever established in this country, and nine of the other Reserve Banks made reductions in their rediscount rates during the month.

The decline in market rates for acceptances accompanied successive reductions in the buying rates of the Federal Reserve Bank of New York. During the early months of this year Reserve Bank bill holdings declined with unusual rapidity, and the volume in February and March was much smaller than in previous years.



This was due to the fact that funds received by the commercial banks through the retirement of currency from circulation and through gold imports were used directly or indirectly to retire Federal Reserve credit. Member bank indebtedness at the Reserve Banks was largely repaid, and most of the new bills that were created were retained by the member banks, so that the amount of bills offered to the Reserve Banks was not sufficient to offset maturities, except in occasional periods of slightly firmer conditions in the money market. Consequently, maturities of bills from the Reserve Bank portfolios tended to absorb much of the surplus funds in the money market soon after they appeared, and the supply of funds available for other purposes in member banks was not materially increased either by the seasonal retirement of currency or by the flow of gold from other countries. The recent reductions in Federal Reserve buying rates for bills have not been followed by any large increase in the bill holdings of the Reserve Banks, but access to Federal Reserve credit has been facilitated somewhat, and bills have been offered to the Reserve Banks a little more freely when funds have been needed in the money market.

Accompanying the general decline in money rates, the prices of the highest grade bonds tended to advance gradually during most of the month. The average price of United States Government bonds advanced to the highest level reached at any time since the war, and high grade municipal and corporation bonds rose gradually. There was also a moderate strengthening of several of the principal European exchanges at New York during May, apparently reflecting the withdrawal of foreign funds from this market, or an increase in the amount of domestic funds employed abroad, or both. No tendency for funds to be withdrawn from New York to other parts of this country occurred during May, however, and, except for the advance in the high grade issues, the bond market showed no material improvement. Under present conditions banks generally tend to limit the employment of their funds as far as possible to call loans or bills or the highest grade investments.

The only noticeable effect of the reduction in deposit rates by New York banks was a tendency for out-of-town banks and other depositors to employ their funds more largely in the call loan market. The Stock Exchange call loan rate was maintained at  $1\frac{1}{2}$  per cent, except on two days in the early part of the month, and, after deducting the commission charged by the New York banks, a net yield of 1 per cent was thus obtainable on call loans by out-of-town banks and other lenders, as compared with  $\frac{1}{2}$  per cent on deposits. During the two weeks ended May 27, the balances of out-of-town banks with New York banks were reduced \$108,000,000, while their loans to brokers increased \$48,000,000. Similarly, although total brokers loans placed by reporting New York City member banks declined \$97,000,000 during this period, the loans placed by these banks for customers other than out-of-town banks increased \$24,000,000. The result was that \$169,000,000 of the New York banks' own brokers loans were retired.

#### MEMBER BANK CREDIT

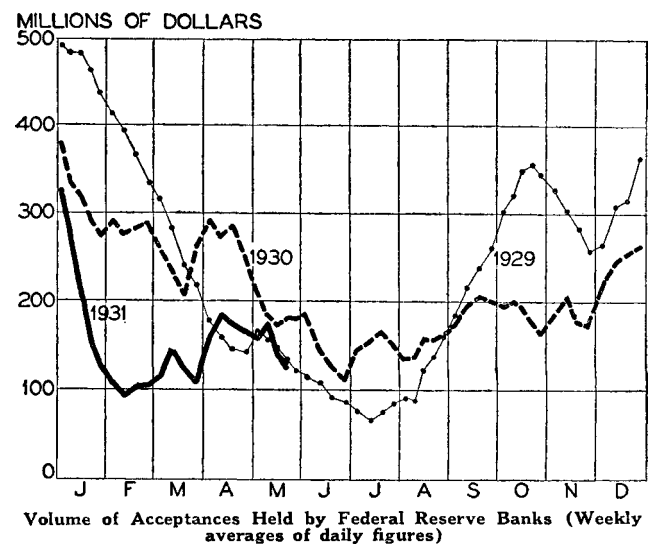
Weekly reports from member banks in the principal cities throughout the country indicated much the same tendencies in member bank credit in May as in the preceding months. Due in part to the shifting of funds noted above, the loans on securities made by the reporting banks declined further to the lowest levels in two and one-half years, and the other loans of these banks were reduced to the smallest volume since 1924. The continued disbursement of funds by the United States Treasury, largely through loans to veterans, tended to increase private deposits and to offset the shrinkage of deposits in these banks incident to the continued liquidation of loans.

#### BILL MARKET

During May the principal development in the discount market was the further decline in bill rates, as the result of which unendorsed bills were offered by dealers in the latter part of the month at  $\frac{7}{8}$  per cent for 30 to 90 day maturities, 1 per cent for 4 months, and  $1\frac{1}{4}$  per cent for 5 and 6 months. These rates show net declines during the month of  $\frac{3}{8}$  of one per cent for the maturities up to 120 days and of  $\frac{1}{4}$  per cent for the longer bills.

In the first week of May, the requirements of New York City banks for funds resulted in the offering of larger amounts of bills to the dealers and to the Reserve Bank. Following a further slight increase during the next week, dealers' portfolios remained nearly constant at a substantial figure for the balance of the month, and, on the whole, conditions in the bill market were rather quiet. The bill holdings of the Federal Reserve Banks tended downward after the increase in the first week of the month, but as the accompanying diagram shows, they remained at a level well above the February and March low points, whereas during the corresponding months of 1930 and 1929 Reserve Bank bill portfolios were declining.

The amount of acceptances outstanding was reduced \$45,000,000 during April to \$1,422,000,000, and during the same period the amount of bills held as investments



by the group of accepting institutions reporting to the American Acceptance Council declined \$62,000,000. Federal Reserve holdings rose meanwhile by a net amount of \$39,000,000. Outstandings on April 30 were slightly higher than on the corresponding date of 1930, the first year-to-year increase to be shown since September, due to a comparatively slight seasonal decline so far in 1931.

#### COMMERCIAL PAPER MARKET

Open market quotations for prime commercial paper declined during May—first to  $2\frac{1}{4}$  per cent, and then to a range of  $2-2\frac{1}{4}$  per cent. Investment demand for the best grade of paper continued rather active and widespread, and although the inducement of lower rates brought a certain amount of new borrowing into the market, the supply of highest grade material was insufficient to meet the demand, and there was a rapid turnover of paper into investing institutions' portfolios.

Reflecting the limited supply of paper, outstandings of only \$307,000,000 were reported to this bank by 20 dealers on April 30. This figure was down  $1\frac{1}{2}$  per cent further from the level of the previous month and showed a reduction of 45 per cent from the amount outstanding in April 1930.

#### Central Bank Rate Changes

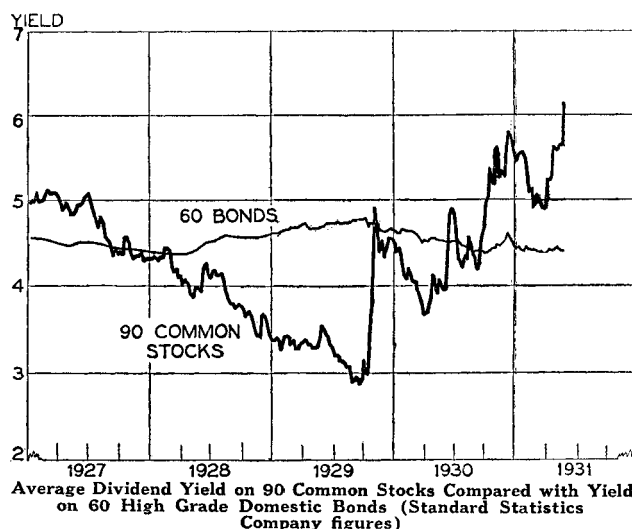
On May 14 the Bank of England lowered its discount rate from 3 per cent to  $2\frac{1}{2}$  per cent, the higher rate having been in force since May 1, 1930. This change was followed on May 16 by a reduction of the Netherlands Bank rate to 2 per cent from  $2\frac{1}{2}$  per cent, a rate which had been in effect since January 24, 1931.

Twice during May the Central Bank of Chile raised its rate of discount to member banks—the first time on May 5 from 7 to 8 per cent and again on May 7 from 8 to 9 per cent. On May 7, also, the rate to the public was raised from 8 to 10 per cent. A seasonal lowering of the Imperial Bank of India rate was effected on May 28 from 7 to 6 per cent, the higher rate having been operative since January 15, 1931.

#### Security Markets

After recovering somewhat on the closing day of April and holding fairly steady during the first two weeks of May, stock prices developed renewed weakness during the remainder of May. The railroad shares declined about 13 per cent further from the lowest point reached in April to new lows since at least early in 1924. In industrial stocks the extent of the drop from the previous month's low was somewhat less than in the rails, but prices declined to the lowest levels since 1926. Public utility stocks also were reduced somewhat further to new low points for the year, but at no time did average prices come within 3 per cent of the low reached last December. Throughout May, activity on the New York Stock Exchange remained small, but the turnover tended to increase on declining prices.

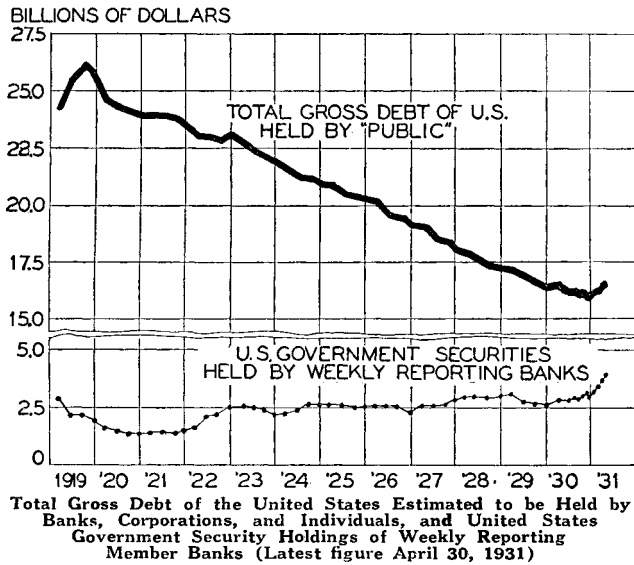
As a result of the drop in prices over the past few months, the average yield obtainable on 90 dividend paying common stocks has risen slightly above 6 per cent, as the accompanying diagram indicates. One



factor that has prevented the average yield from going higher has been the fairly frequent reductions in dividend payments. Nevertheless, the current yield on stocks has reached a level about 1 per cent higher than early in 1927, whereas prices of stocks in general have declined to about the same level as at the beginning of 1927. This higher yield than in 1927 apparently reflects the maintenance of dividend rates by these corporations at a higher level than in 1927. Meanwhile, the average yield on high grade domestic bonds during recent months has fluctuated at a level slightly below  $4\frac{1}{2}$  per cent, or about  $1\frac{3}{4}$  per cent less than the average yield obtainable on common stocks.

In the bond market, the influence of lower money rates was manifest principally in prices of the high grade issues. Most of the price averages of domestic corporation bonds ended the month showing minor changes and no strength was evident except in average prices of the highest grade issues. Foreign bonds continued to decline rapidly, and an average of the prices of 40 representative foreign issues listed in this market declined to a lower level than at any previous time through 1925, the period for which the data are available.

Prices of United States Government bonds, on the other hand, advanced continuously and substantially during the first three weeks of the month. The average price of the nine outstanding Liberty Loan and Treasury bond issues advanced  $1\frac{1}{4}$  points to a higher level than ever before, exceeding by a moderate margin the relatively high prices at which long-term Government's were selling around the close of 1927 and the beginning of 1928. Despite some recession in the closing part of the month, average prices of United States Government bonds showed a net gain of about  $\frac{3}{4}$  of a point for the month. The strength in Government's during recent months has been in the face of an increase of \$950,000,000 since January 31 in the volume of United States securities available to the public. The "public's" holdings shown in the following diagram include those of banks, corporations, and individuals, but exclude the amount of Government securities held by the Treasury



as investments for the Adjusted Service Certificate Fund and other special accounts. The net increase during the elapsed part of the current fiscal year (since June 30, 1930) has amounted to \$775,000,000; this follows a reduction of \$900,000,000 in the amount of Government securities held by the public during the previous fiscal year and substantial reductions in other preceding years, as the diagram shows. The rise in prices of Government bonds despite this increase in the volume of Government securities outstanding undoubtedly is due to the recent tendency of banks to employ their funds as far as possible in the highest grade investments. As the diagram indicates, the weekly reporting member banks' investments in United States Government securities have increased to a higher figure than ever before; the increase of \$1,100,000,000 since June 30, 1930, has been more than the total increase in the estimated amount of the Government's debt outstanding with the public.

**New Financing**

Complete data for April give a total of \$615,000,000 of bonds and stocks offered during that month, exclusive of financing by the United States Government. The total was smaller than in March and was \$335,000,000 less than in April 1930. About one-third of the issues were for refunding purposes, leaving a net amount of \$412,000,000 of new capital raised. Of this amount \$262,000,000 went to domestic corporations, \$101,000,000 to States and municipalities, and \$49,000,000 to foreign corporations and governments. The amount of new capital issues by domestic corporations was about as large as in previous months this year, due in part to the flotation of \$100,000,000 of stock issues, which included \$60,000,000 of American Telephone and Telegraph Company stock that was sold to employees of the Company and its subsidiaries.

New security financing during May was also in reduced volume, with the total somewhat less than the flotations in the previous month. The only classification of security issues that compared favorably with the April offerings was State and municipal financing, which

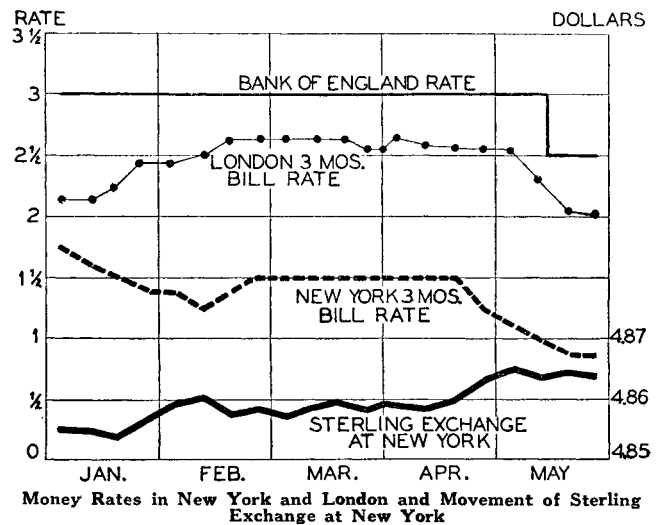
was enlarged by the sale of \$52,000,000 of 3 per cent 4-year corporate stock of the City of New York. The net interest cost to the City on this issue was approximately 3 per cent, the lowest borrowing rate since the Greater City's incorporation in 1898.

**Foreign Exchange**

The foreign exchange list on the whole was quiet and steady throughout May. The pound sterling, at \$4.86½ and higher, moved for a time to levels which had not been reached previously since last September. The accompanying diagram shows the relative position of money rates in London and New York during recent months and the concurrent movement of sterling exchange. This diagram indicates that sterling firmed as the money rate differential widened and has been virtually unchanged since the reduction in the Bank of England rate and the accompanying decline in London bill rates. A like influence operated to lend strength to the French franc, which moved from \$0.03907/8—the vicinity of the gold import point from Paris—up to \$0.0391½ on May 27, the highest quotation for this currency since early March.

Guilders weakened on the lowering of the Netherlands Bank rate, losing five points to \$0.4015 between the 1st and the 16th, but recovered towards the close of the month to a level above the month's opening. Swiss francs made a slow advance from \$0.1926¼ on the 1st to \$0.1931 on the 23rd, then firmed to \$0.1934 on the 26th, and closed the month slightly under this quotation. Reichsmarks, which had been hesitant throughout the month, developed sudden weakness on the 26th, going on that day from \$0.2380¾ to \$0.2374½ after some selling on the Berlin stock exchange and moderate withdrawals of funds from Berlin. The Austrian schilling remained steady in the second half of the month at \$0.1406½. Scandinavian exchanges firmed slightly in the course of the month. The Spanish peseta, following an early display of strength, weakened decidedly on the 11th, and after relatively wide fluctuations, was quoted at the close of the 28th at \$0.0912, a new low for this currency.

Canadian dollars continued at a discount of about



1/64 of a cent. The silver exchanges eased gradually, Hong Kong going from \$0.24½ to \$0.23⅞ and Shanghai from \$0.31⅞ to \$0.28⅞, but these quotations were still above their February lows. The Argentine peso was further depressed; after dropping below \$0.70 on the 22nd, it was unable to return to that level and ruled at last report at \$0.6849. Other South American currencies continued weak.

### Foreign Trade

After a temporary gain in the previous month, the value of this country's foreign merchandise trade showed somewhat more than the usual seasonal decline during April. Exports, amounting to \$217,000,000, were again at the lowest level since November 1914. Imports, valued at \$187,000,000, were seasonally larger than in January or February of this year, but, except for those months, were the smallest since the summer of 1921. The decreases from a year ago in exports and imports amounted to 35 and 39 per cent, respectively.

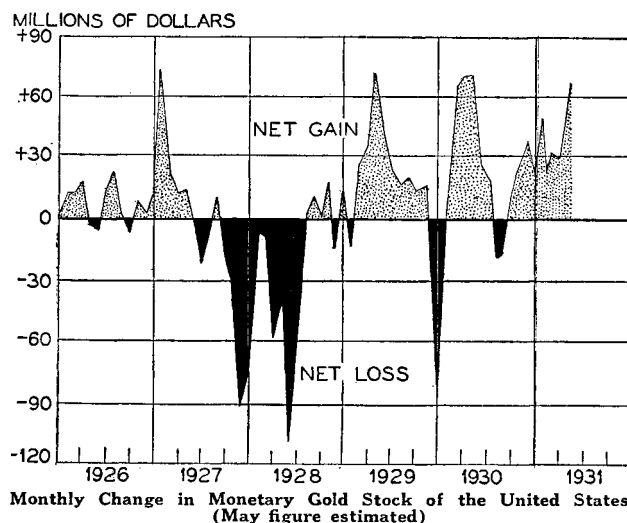
Among the leading exports, finished manufactures showed the heaviest decline from April 1930, both in actual dollar value and in the percentage of decline. This group, however, showed a slight gain over March, contrary to the usual seasonal tendency. The smallest decrease in value from a year ago was in the exports of crude foodstuffs, chiefly grains, which were down only 9 per cent. Crude material exports were 24 per cent less in value than last year, about two-thirds of this decline being accounted for by a drop in the value of raw cotton shipped abroad, which was due entirely to a reduction of over 35 per cent in the price of that commodity. The actual volume of cotton exports during the past three months has been larger than last year.

All of the main groups of imports showed declines in value, as compared either with a year ago or with the previous month. The largest actual decrease in either comparison was in crude materials. Quantity receipts of raw silk, after showing increases over a year ago in other recent months, were 22 per cent less than in April 1930, and were reduced to about one-half the March volume. On the other hand, the volume of crude rubber imports was only slightly less than a year ago and was somewhat larger than in March.

### Gold Movement

A net gain of approximately \$70,000,000 to the monetary gold stock of the country occurred during May chiefly as the result of the receipt of \$40,030,000 of gold from Argentina, \$15,650,000 from France, \$3,240,000 from Colombia, \$983,000 from Mexico, \$964,000 from China, and \$850,000 from Japan, as well as something over \$1,000,000 in small amounts from other foreign sources. In addition there was a decrease of \$4,000,000 in gold held under earmark for foreign account at the Boston Reserve Bank, partly offset by a special export of \$600,000 of gold to Mexico. The net gain to the gold stock in the first five months of 1931 is estimated at about \$203,000,000, as against \$233,000,000 acquired in the January to May period of 1930.

The Bank of England increased its gold holdings by about \$23,800,000 in the four weeks ended May 27, chiefly through the acquisition of most of the gold



offered in the London market. Gold continued to be shipped from Russia to Germany last month to the amount of \$4,800,000.

### Building

During April a decline of 9 per cent from the previous month occurred in the total volume of building contracts awarded, according to the F. W. Dodge Corporation survey of building activities in 37 States. April usually marks the seasonal peak of building contract awards, and as a result of the unseasonal decline, this bank's April index of total contracts dropped to a new low level for recent years. All the major classifications of contracts were smaller than in March of this year or in April of 1930. In the case of residential contracts a decline of 5 per cent from the previous month and of 22 per cent from a year ago occurred. Ordinarily residential building is more active in April than in March, and consequently this bank's seasonally adjusted index receded further in April, though it remained higher than in December or January. Contracts awarded for public works and utilities showed a loss of 12 per cent from the previous month and of 20 per cent from a year ago, while other non-residential work was 8 per cent lower than in March and nearly one-half less than in April of last year, due to large declines in commercial and factory construction. The total volume of contracts was 30 per cent below that of April 1930.

During the first four months of the current year total contracts were 26 per cent smaller than a year ago, and declines were shown by all the major types of construction. In the first three weeks of May, the average daily volume of contracts dropped 7 per cent below the April level, which is slightly more than the usual seasonal decline, and continued to be far below the level of a year ago.

In Metropolitan New York and vicinity, residential building contracts during April were 31 per cent above the level of a year ago. While all types of residential construction except hotels participated in the increase over last year, the most important gain was in dwellings erected by housing development companies. Contracts for public works and utilities, however, were 44

per cent below the volume placed in April 1930, and other non-residential contracts in the aggregate were 26 per cent lower, so that total building and engineering contracts in the Metropolitan area showed a net loss of 17 per cent from last year's figure.

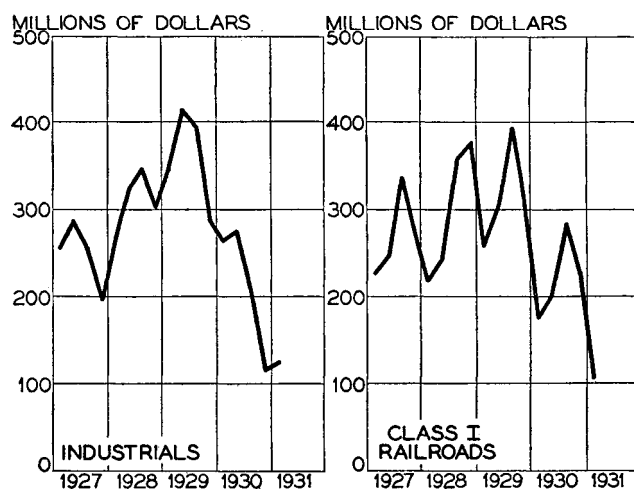
### Business Profits

Although only a small number of companies relative to the total in the country make public quarterly earnings statements, reports of 287 industrial and mercantile concerns, segregated into 20 main groups of industry, have been compiled by this bank for the first quarter of 1931. The net profits of this list of corporations during this period were 56 per cent smaller than in the corresponding period of 1930 and were 66 per cent less than in 1929. These figures represent the net earnings that remain after deducting all fixed charges including bond interest, but before payment of any dividends on preferred or common stocks.

Companies engaged in the business of supplying food and food products exhibited the best resistance to the influence of the business depression, showing a reduction of only 8 per cent from the net return of the first quarter of 1930 and 9 per cent from the 1929 first quarter. The reporting paper companies had a reduction of only 11 per cent from 1930, and showed an increase over 1929. The tobacco companies were another group that made a comparatively good showing, and chemical concerns and companies in the printing and publishing business suffered much less shrinkage in profits than the average for all industrial corporations. The motion picture companies, one of the most favorably situated groups for the year 1930, reported 41 per cent less profits in the first quarter of this year than a year previous, although the total was only 10 per cent smaller than in 1929. Net profits between 40 and 60 per cent below a year ago were reported in the coal and coke, office equipment, automobile, realty, miscellaneous mining and smelting, and electrical equipment groups. Reductions of 60 to 70 per cent occurred in the net returns of companies manufacturing automobile parts and accessories, railroad equipment, and machinery. The most severe declines were in the steel industry, the net profits of which were only 12 per cent of those in the first quarter of 1930; in the copper companies, which showed profits only 3 per cent as large as a year previous; and in the oil and building supply groups, where deficits occurred.

As the first part of the accompanying diagram indicates, industrial and mercantile profits during the initial quarter of 1931 were somewhat above the low level of the final quarter of 1930, in accordance with the usual seasonal tendency. In 1930, first quarter earnings were lower than in the last quarter of 1929.

Net operating income of Class I railroads, shown in the other part of the diagram, dropped to the lowest level for the first quarter of any year since 1921. The 1931 first quarter net income showed a reduction of 39 per cent from the comparable period of 1930 and of 59 per cent from 1929. The net return of telephone and other public utility companies continued to be relatively well maintained. Net operating income of the telephone companies was approximately the same as in the first quarter of 1930, and was down only 3 per cent



Quarterly Net Profits of 163 Industrial Companies and Net Operating Income of 171 Class I Railroads

from 1929, while net earnings of other public utilities for which reports are available showed a reduction of 16 per cent from 1930 and of 8 per cent from 1929.

(Net profits in millions of dollars)

| Corporation group                                 | No. of Cos. | First quarter |              |              |
|---|-------------|---------------|--------------|--------------|
|   |             | 1929          | 1930         | 1931         |
| Food and food products                            | 36          | 40.2          | 39.6         | 36.5         |
| Paper   | 9           | 4.1           | 5.8          | 5.2          |
| Tobacco   | 5           | 2.1           | 1.7          | 1.4          |
| Chemical  | 16          | 20.2          | 18.9         | 13.4         |
| Printing and publishing                           | 8           | 8.5           | 9.5          | 6.5          |
| Motion picture                                    | 6           | 11.1          | 16.9         | 10.0         |
| Coal and coke                                     | 7           | 1.3           | 1.6          | 0.9          |
| Office equipment                                  | 6           | 5.9           | 4.4          | 2.3          |
| Automobile  | 17          | 101.1         | 55.1         | 23.8         |
| Realty  | 6           | 3.6           | 3.3          | 1.6          |
| Mining and smelting (excl. copper, coal and coke) | 14          | 12.6          | 8.7          | 3.8          |
| Electrical equipment                              | 7           | 22.0          | 19.3         | 7.8          |
| Automobile parts and accessories (excl. tires)    | 29          | 23.3          | 12.9         | 4.6          |
| Railroad equipment                                | 7           | 7.3           | 9.5          | 2.9          |
| Machinery   | 17          | 10.2          | 9.4          | 2.9          |
| Steel   | 15          | 70.3          | 58.0         | 7.1          |
| Copper  | 8           | 15.3          | 6.5          | 0.2          |
| Oil   | 22          | 31.5          | 26.8         | Def. 6.2     |
| Building supplies                                 | 9           | 3.5           | 1.7          | Def. 0.4     |
| Miscellaneous                                     | 43          | 43.3          | 30.0         | 18.7         |
| <b>Total 20 groups</b>                            | <b>287</b>  | <b>437.4</b>  | <b>339.6</b> | <b>148.0</b> |
| Telephone (net operating income)                  | 104         | 70.0          | 67.6         | 67.8*        |
| Other public utilities (net earnings)             | 40          | 66.5          | 72.3         | 61.1         |
| <b>Total public utilities</b>                     | <b>144</b>  | <b>136.5</b>  | <b>139.9</b> | <b>128.9</b> |
| Class I railroads (net operating income)          | 171         | 259.3         | 176.5        | 107.1        |

\* March estimated

### Commodity Prices

Declines in commodity prices continued to predominate during May, and the general level of wholesale prices reached a new low for the post-war period, and in fact was close to the 1913 level. The most notable exception to the general movement was in the price of crude rubber, which recovered from the record low of 5 $\frac{7}{8}$  cents reached in April, and toward the close of May was fairly steady around 6 $\frac{5}{8}$  cents a pound.

Copper broke through the previous low point of 9 $\frac{1}{2}$  cents, reaching a range of 8 $\frac{1}{2}$  to 8 $\frac{3}{4}$  cents a pound, which is reported to be the lowest price on record. Lead dropped to 3.75 cents a pound, a new low since 1915,

and other lows for a number of years were established by zinc, tin, scrap steel, finished steel, and pig iron.

Spot cotton fell to 8.65 cents a pound, the lowest figure since the period shortly following the outbreak of the World War, and the Borsodi composite for raw silk touched \$2.11 a pound, a new low level in the history of this commodity; wool prices likewise declined gradually to a new low for many years. Corn remained above the low level reached at the end of April, but live stock prices broke sharply to new lows for many years, and hides ranged between 8 and 8½ cents a pound, about ¾ of a cent under the prevailing level of the previous month. The price of crude petroleum dropped further to 84 cents a barrel.

### Indexes of Business Activity

This bank's indexes of the distribution of goods and of general business activity continued in April to show no decided tendency toward either recovery or decline. Perhaps the two most favorable factors were increases of more than seasonal proportions in car loadings of merchandise and miscellaneous freight, and in sales of department stores. There was also a substantial decline in the number of business failures. Car loadings of bulk freight declined no more than usually in April, and the number of new corporations formed in New York State showed about the average seasonal contraction. Merchandise exports showed little change other than seasonal, but imports declined considerably more than usually in April. Other reductions, after seasonal adjustment, were shown in advertising and in sales of new life insurance.

During the first half of May, car loadings of merchandise and miscellaneous freight declined slightly from the April level.

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

|   | 1930<br>April | 1931 |       |       |
|---|---------------|------|-------|-------|
|   |               | Feb. | March | April |
| <b>Primary Distribution</b>                               |               |      |       |       |
| Car loadings, merchandise and misc. ....                  | 96            | 78   | 77    | 80    |
| Car loadings, other .....                                 | 93            | 75   | 73    | 74    |
| Exports .....   | 81            | 65   | 65    | 64p   |
| Imports .....   | 102           | 77   | 82    | 77p   |
| Panama Canal traffic .....                                | 78            | 63   | 57    | 61    |
| <b>Distribution to Consumer</b>                           |               |      |       |       |
| Department store sales, 2nd Dist. ....                    | 102           | 97   | 99    | 102   |
| Chain store sales, other than grocery ..                  | 90            | 86   | 80    | 88    |
| Life insurance paid for .....                             | 103           | 84   | 85    | 82    |
| Advertising .....   | 91            | 80   | 81    | 78    |
| <b>General Business Activity</b>                          |               |      |       |       |
| Bank debits, outside of New York City ..                  | 98            | 82   | 83    | 85    |
| Bank debits, New York City .....                          | 136           | 91   | 103   | 103   |
| Velocity of bank deposits, outside of New York City ..... | 111           | 91   | 91    | 90    |
| Velocity of bank deposits, New York City                  | 150           | 87   | 97    | 99    |
| Shares sold on N. Y. Stock Exchange ...                   | 396           | 242  | 197   | 188   |
| Postal receipts .....                                     | 99            | 86   | 86    | 87    |
| Electric power .....                                      | 95            | 81   | 80p   |       |
| Employment in the United States .....                     | 94            | 80   | 80    | 80    |
| Business failures .....                                   | 103           | 115  | 114   | 108   |
| Building contracts .....                                  | 83            | 68   | 72r   | 59    |
| New corporations formed in N. Y. State ..                 | 86            | 85   | 90    | 89    |
| Real estate transfers .....                               | 67            | 61   | 58    | 55    |
| General price level* .....                                | 174           | 157  | 157   | 155   |
| Composite index of wages* .....                           | 226           | 218  | 219   | 217   |
| Cost of living* .....                                     | 168           | 152  | 151   | 149   |

p Preliminary r Revised \*1913 average=100

### Production

Steel mill activity showed a further reduction, largely seasonal in character, during May, and the Iron Age operating ratio toward the end of the month declined to 44 per cent of theoretical capacity, approximately the level of mid-January. Production of bituminous coal showed only part of the upward tendency that is usual in May, and although output of crude petroleum and of cotton goods averaged as high as in April, the tendency during the month was downward.

Industrial activity in April was irregular, but in the aggregate showed a further slight upward tendency after allowance for the usual seasonal movements. Among the major industries, perhaps the most substantial advance was in the output of automobiles, which increased 21 per cent over March. Increases occurred also in this bank's indexes of the output of various important fuels—coal, coke, and petroleum—and in the slaughtering of livestock and in production of tobacco, cement, and shoes. A small gain occurred in mill consumption of raw cotton, but a sharp contraction was shown in consumption of silk. Production of steel ingots declined more than seasonally, and average daily output of lead was further reduced.

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

|                                     | 1930<br>April | 1931 |       |       |
|-------------------------------------|---------------|------|-------|-------|
|                                     |               | Feb. | March | April |
| <b>Metals</b>                       |               |      |       |       |
| Pig iron .....                      | 102           | 60   | 63    | 64    |
| Steel ingots .....                  | 101           | 66r  | 69    | 66    |
| Copper, U. S. mines .....           | 85            | 69   | 65    | 65p   |
| Lead .....                          | 99            | 67   | 66    | 62    |
| Zinc .....                          | 78            | 52   | 51    | 50    |
| Tin deliveries .....                | 89            | 73   | 79    | 84    |
| <b>Automobiles</b>                  |               |      |       |       |
| Passenger cars .....                | 90            | 55   | 57    | 65p   |
| Motor trucks .....                  | 113           | 87   | 76    | 79p   |
| <b>Fuels</b>                        |               |      |       |       |
| Bituminous coal r .....             | 105r          | 76r  | 81r   | 83r   |
| Anthracite coal r .....             | 77r           | 91r  | 78r   | 92r   |
| Coke .....                          | 101           | 70   | 70    | 72    |
| Petroleum, crude .....              | 99            | 81   | 81    | 86p   |
| Petroleum products .....            | 96            | 76   | 77    |       |
| <b>Textile and Leather Products</b> |               |      |       |       |
| Cotton consumption .....            | 86            | 75   | 78    | 82    |
| Wool mill activity .....            | 67            | 75   | 73    | 72p   |
| Silk consumption .....              | 85            | 99   | 100   | 84    |
| Leather, sole .....                 | 105           | 85   | 80    | 88p   |
| Boots and shoes .....               | 107           | 88   | 96p   | 111p  |
| <b>Foods and Tobacco Products</b>   |               |      |       |       |
| Livestock slaughtered .....         | 96            | 96   | 91    | 99    |
| Wheat flour .....                   | 99            | 91   | 90    | 91    |
| Sugar meltings, U. S. ports .....   | 80            | 67   | 58    | 71    |
| Tobacco products .....              | 103           | 98   | 96    | 98    |
| <b>Miscellaneous</b>                |               |      |       |       |
| Cement .....                        | 108           | 76   | 79    | 87    |
| Tires .....                         | 85            | 64   | 67    |       |
| Printing activity .....             | 95            | 86   | 85    |       |
| Paper, newsprint .....              | 93            | 86   | 91    | 89    |
| Paper, other than newsprint .....   | 98            | 83p  | 82p   |       |
| Wood pulp .....                     | 98            | 81   | 78p   |       |

p Preliminary r Revised

### Employment and Wages

Following a seasonal increase during February and March, little change appears to have taken place in factory employment in April. The number of workers employed in reporting New York State factories showed a decline of about the usual proportions from the middle



of March to the middle of April, and for the country as a whole factory employment showed little change. Both payrolls and average weekly earnings in New York State factories receded somewhat during April, but these declines were in accordance with the usual seasonal tendency for that month. Out-of-door activity increased materially in April in consequence of the return of favorable weather, and the United States Employment Service reported increases in employment in farm work, building, and road construction.

The ratio of orders for workers to applications for employment at New York State employment offices showed a seasonal rise during April, and this level was maintained in the month of May. The rate of voluntary labor turnover also increased seasonally during April.

### Department Store Trade

The total April sales of the reporting department stores in this district showed a decrease of 8 per cent from a year ago, due in part to the fact that April sales this year included a much smaller part of the Easter business than last year. Department stores in all localities in this district, with the exception of Westchester, reported sales smaller than in April 1930, the decreases ranging from 3 per cent to 16 per cent. The reports from the various localities showed greater irregularity than in March; the declines reported in the sales of stores in Buffalo and the Hudson River Valley were only about half as large as in March, and the decreases reported by the Rochester and Bridgeport stores were about the same as in March, while the reductions in other parts of the district were generally larger in April than in March. The leading apparel stores reported April sales 10 per cent smaller than last year, following a slight increase in March, doubtless reflecting chiefly the effect of the early Easter.

Stocks of merchandise on hand at the end of the month, valued at retail prices, showed an even larger decline from a year ago than in March. The percentage of outstanding charge accounts collected during April remained slightly smaller than a year previous.

| Locality                     | Percentage change from a year ago |                  |                            | Per cent of accounts outstanding March 31 collected in April |       |
|------------------------------|-----------------------------------|------------------|----------------------------|--|-------|
|                              | Net sales                         |                  | Stock on hand end of month | 1930   | 1931  |
|                              | April                             | January to April |                            |  |       |
| New York                     | -8.4                              | -5.9             | -13.0                      | 47.1   | 47.7  |
| Buffalo                      | -2.7                              | -5.5             | -17.3                      | 47.0   | 46.8  |
| Rochester                    | -3.0                              | -5.2             | -9.5                       | 38.9   | 41.5  |
| Syracuse                     | -9.1                              | -7.5             | -17.5                      | 32.3   | 29.0  |
| Newark                       | -7.4                              | -4.9             | -18.7                      | 44.1   | 41.6  |
| Bridgeport                   | -7.4                              | -8.3             | -13.7                      | 40.0   | 37.0  |
| Elsewhere                    | -8.4                              | -6.9             | -12.0                      | 34.8   | 32.9  |
| Northern New York State      | -7.6                              | .....            | .....                      | .....  | ..... |
| Southern New York State      | -8.0                              | .....            | .....                      | .....  | ..... |
| Hudson River Valley District | -6.6                              | .....            | .....                      | .....  | ..... |
| Capital District             | -15.9                             | .....            | .....                      | .....  | ..... |
| Westchester District         | +10.8                             | .....            | .....                      | .....  | ..... |
| All department stores        | -7.9                              | -5.9             | -14.1                      | 44.6   | 44.1  |
| Apparel stores               | -10.1                             | -5.7             | -13.6                      | 47.6   | 44.0  |

Sales and stocks in major groups of departments are compared with those of April 1930 in the following table.

|                                   | Net sales percentage change April 1931 compared with April 1930 | Stock on hand percentage change April 30, 1931 compared with April 30, 1930 |
|-----------------------------------|---|---|
| Toilet articles and drugs         | + 9.0   | -11.3   |
| Toys and sporting goods           | - 1.0   | + 2.5   |
| Women's and Misses' ready-to-wear | - 4.5   | -16.5   |
| Home furnishings                  | - 6.1   | -12.6   |
| Women's ready-to-wear accessories | - 6.2   | -15.0   |
| Hosiery                           | - 9.0   | -22.7   |
| Books and stationery              | - 9.9   | -11.0   |
| Men's furnishings                 | - 9.9   | -14.8   |
| Shoes                             | -10.0   | -16.9   |
| Silks and velvets                 | -10.2   | -18.2   |
| Linen and handkerchiefs           | -10.7   | -13.1   |
| Cotton goods                      | -10.7   | -10.5   |
| Silverware and jewelry            | -11.2   | - 8.3   |
| Furniture                         | -12.3   | -22.2   |
| Woolen goods                      | -15.1   | -22.0   |
| Luggage and other leather goods   | -19.5   | -25.4   |
| Men's and Boys' wear              | -23.8   | -17.0   |
| Musical instruments and radio     | -36.6   | -15.7   |
| Miscellaneous                     | + 0.3   | -11.2   |

### Wholesale Trade

April sales of reporting wholesale firms in this district showed seasonal decreases in a majority of lines, and were 16.8 per cent smaller than a year ago. Sales of men's clothing, cotton goods, shoes, stationery, paper, diamonds, and jewelry continued to show substantial declines compared with last year, in most cases as large or larger than in March. The decline in sales of hardware compared with a year previous was the smallest since October 1929, however, and the yardage sales of silk goods, reported by the Silk Association of America, were almost 16 per cent above a year ago, the largest increase in nearly two years. April machine tool orders, reported by the National Machine Tool Builders Association, decreased 11 per cent from March, and were somewhat further below the level of a year ago than in March.

The value of stocks of merchandise on hand at the end of the month showed large decreases from a year ago in all reporting lines, with the exception of drugs. The ratio of collections to accounts outstanding was slightly lower than in April 1930.

| Commodity        | Percentage change April 1931 compared with March 1931 |                    | Percentage change April 1931 compared with April 1930 |                    | Per cent of accounts outstanding March 31 collected in April |       |
|------------------|---|--------------------|---|--------------------|--|-------|
|                  | Net sales   | Stock end of month | Net sales   | Stock end of month | 1930   | 1931  |
|                  |   |                    |   |                    |  |       |
| Groceries        | + 0.1   | - 8.7              | -16.8   | - 9.1              | 77.3   | 78.5  |
| Men's clothing   | -37.3   | .....              | -22.8   | .....              | 33.6   | 33.2  |
| Cotton goods     | - 0.2   | - 1.7              | -22.4   | -32.8              | 32.3   | 34.0  |
| Silk goods       | + 1.4*  | + 9.0*             | +15.8*  | -21.6*             | 47.0   | 56.2  |
| Shoes            | -14.7   | - 6.1              | -24.7   | -38.8              | 50.7   | 46.0  |
| Drugs            | +19.8   | - 4.1              | - 7.2   | +19.3              | 35.2   | 31.6  |
| Hardware         | + 8.2   | - 0.5              | - 4.8   | -11.5              | 52.0   | 44.8  |
| Machine tools**  | -10.6   | .....              | -41.3   | .....              | .....  | ..... |
| Stationery       | - 4.7   | .....              | -20.4   | .....              | 76.2   | 76.3  |
| Paper            | - 4.3   | .....              | -22.5   | .....              | 61.4   | 56.7  |
| Diamonds         | - 8.9   | + 0.3              | -32.3   | -21.5              | .....  | ..... |
| Jewelry          | + 2.3   | + 4.5              | -31.8   | -31.6              | 25.2   | 19.7  |
| Weighted average | - 7.6   | .....              | -16.8   | .....              | 51.8   | 51.3  |

\* 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, JUNE 1, 1931

## Business Conditions in the United States

(Summarized by the Federal Reserve Board)

**O**UTPUT of manufactures and employment at factories showed little change from March to April, and output of mines, which ordinarily decreases at this season, also remained unchanged. Wholesale prices continued to decline, and money rates eased further.

### PRODUCTION AND EMPLOYMENT

Industrial production, as measured by the Board's seasonally adjusted index which covers both manufactures and mines, increased from 88 per cent of the 1923-1925 average in March, to 89 in April, compared with 82, the low point reached last December. Steel mill activity declined by considerably more than the usual seasonal amount, while in the automobile industry there was a larger than seasonal increase in output, according to preliminary reports. Consumption of cotton by domestic mills continued to increase, contrary to the usual seasonal movement, while there was a decrease in unfilled orders for cotton cloth, which was only partly seasonal in nature; consumption of wool, which ordinarily declines in April, increased considerably; at silk mills activity declined. There were large increases in the output of petroleum and anthracite coal, while production of bituminous coal declined by about the usual seasonal amount.

The number employed in factories at the middle of April was about the same as a month earlier. In car-building shops and in establishments producing machinery, employment decreased considerably, while in the automobile and cement industries there were seasonal increases, and in the fertilizer industry a larger than seasonal increase. Employment at textile mills declined by less than the seasonal amount, reflecting chiefly a slight increase in employment at cotton mills, and a small decrease in the clothing industry; at mills producing woolen and silk goods declines in employment were larger than usual. Factory payrolls declined somewhat in April.

Value of building contracts awarded, which fluctuates widely from month to month, declined considerably in April, according to the F. W. Dodge Corporation, and decreases were reported in all the leading classes of construction. In the first four months of the year total awards decreased 26 per cent from the corresponding period of 1930, reflecting declines of 10 per cent for residential building, 17 per cent for public works and utilities, 25 per cent for educational building, 43 per cent for factories, and 57 per cent for commercial buildings.

### DISTRIBUTION

Freight-car loadings showed about the usual seasonal increase in April. Department store sales increased 9 per cent from March, and the Board's index, which makes allowance for the usual seasonal variations including changes in the date of Easter, stood at 105 per cent of the 1923-1925 average, compared with 97 per cent in March.

### WHOLESALE PRICES

The general level of wholesale prices declined 1.6 per cent further in April, according to the Bureau of Labor Statistics. In the first half of May, prices of many leading commodities were reduced further, and for the six-week period as a whole there were large declines in the prices of cotton, silk, and textiles, livestock and dairy products, cement, petroleum products, and nonferrous metals.

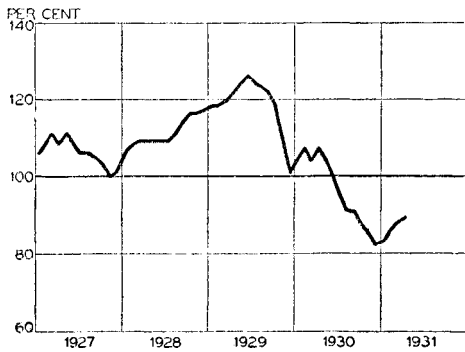
### BANK CREDIT

Loans and investments of reporting member banks in leading cities declined by about \$150,000,000 between April 1 and the middle of May, reflecting substantial liquidation in loans on securities and in all other loans, largely commercial. This liquidation of loans was offset in part by further large additions to the banks' investments, which on May 13 were over \$1,000,000,000 larger than at the beginning of the year.

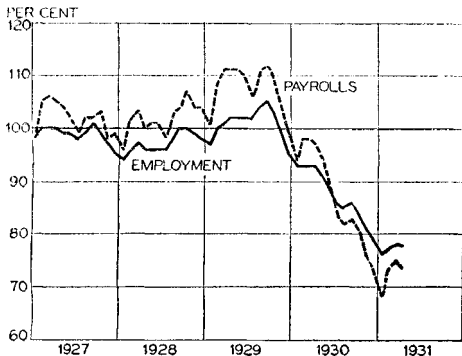
Volume of Reserve Bank credit declined somewhat in the six weeks ended on May 16. Contrary to the usual seasonal tendency, there was some further increase in currency demand for the period, reflecting chiefly banking disturbances in the Middle West. Gold imports continued in considerable volume and supplied the member banks with sufficient funds to meet the additional demand for currency, and also to reduce somewhat the amount of Reserve Bank credit outstanding.

Money rates declined to new low levels during May. Rates on bankers acceptances, which had declined from 1½ per cent in the middle of April to 1¼ per cent by the end of the month, were reduced to ⅞ per cent by the 19th of May. Rates on commercial paper declined from a range of 2¼-2½ to a range of 2-2¼ per cent.

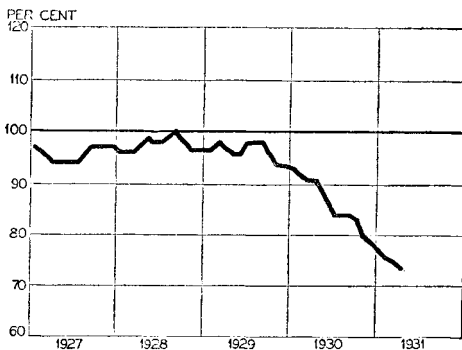
At the Reserve Banks buying rates on bankers acceptances were reduced in April and the first half of May, and in May discount rates were also reduced, the rate at the Federal Reserve Bank of New York being lowered to 1½ per cent.



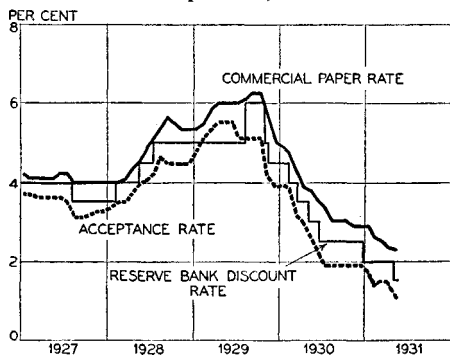
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variations (1923-25 average = 100 per cent)



Index Numbers of Factory Employment and Payrolls, Without Adjustment for Seasonal Variations (1923-25 average = 100 per cent)



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



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