

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

September 1, 1931

Money Market in August

The money market was subject to recurrent demands of unusual character during August, but, chiefly because of a considerably increased use of Federal Reserve credit, the supply of funds in the market was ample during most of the month, and money rates remained at practically the same levels as in the latter part of July.

The increase in Federal Reserve credit, as the accompanying diagram indicates, was well in advance of the usual autumn expansion, and carried the volume outstanding to the highest level since the past year-end period. There were two principal causes of the demand for Federal Reserve credit: first, the continued transfer of a large volume of foreign bank funds from active employment in the money market to inactive deposits in the Reserve Banks; and, second, an unseasonal demand for currency. In addition there were other influences of a more temporary nature, such as the sale of \$60,000,000 of Treasury bills on a date when there were no maturing securities, an operation which had the effect of transferring \$60,000,000 from the commercial banks to Government deposits in the Reserve Banks pending their disbursement.

Between the middle of June and the middle of August, nearly \$175,000,000 was taken out of the New York money market by the increase in foreign bank deposits in the Reserve Banks. Until June these funds had been kept invested in acceptances and to some extent in Government securities, but subsequently, as the acceptances or securities matured, the funds were not reinvested but were placed in the deposit accounts of foreign correspondents in the Reserve Banks in accordance with instructions received from these correspondents.

The currency withdrawals from all Reserve Banks during August were approximately \$150,000,000 in excess of the usual seasonal requirements. This unseasonal demand for currency reflected chiefly the strengthening of vault cash supplies by banks and the withdrawal of funds by depositors in localities in various parts of the country where bank suspensions occurred during the month.

Until August the losses of funds sustained by the commercial banks in connection with the transfer of foreign funds to the Reserve Banks and the unusual currency demands were provided for largely out of funds obtained through gold imports or out of excess reserves which the banks had previously acquired. Early in August, however, the excess reserves were largely used up, and there-

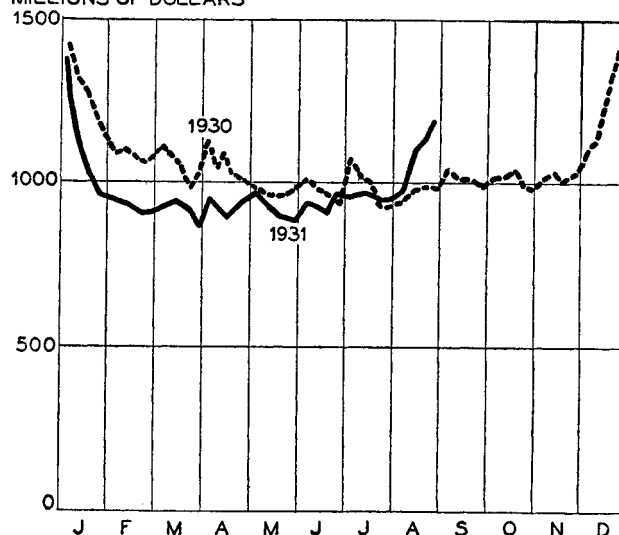
after an increase in Federal Reserve credit was necessary to meet the continuing demands on the banks. This was provided in part through Reserve Bank purchases of \$50,000,000 of Government securities, in part through an increase of about \$60,000,000 in discounts for member banks, and more largely through an increase of more than \$100,000,000 in Reserve Bank holdings of dollar and foreign currency acceptances. A considerable part of the increase in holdings of dollar acceptances was of a temporary character, taking the form of purchases of acceptances under sales contracts from bill dealers at times when the commercial banks were not in the market for bills because of other demands on them.

Money Rates at New York

	Aug. 29, 1930	July 31, 1931	Aug. 31, 1931
Stock Exchange call loans.....	2	1½	1½
Stock Exchange 90 day loans.....	††2½-2¾	††1½-1¾	††1½-1¾
Prime commercial paper.....	3	2	2
Bills—90 day unindorsed.....	1¾	¾	¾
Customers' rates on commercial loans..	†4.00	†3.58	†3.44
Treasury certificates			
Maturing December 15 (yield).....	1.58	.42	.45
Maturing March 15 (yield).....	.....	.47	.48
Federal Reserve Bank of New York re-discount rate.....	2½	1½	1½
Federal Reserve Bank of New York buying rate for 90 day indorsed bills.	†2	1	1

††Nominal †Average rate of leading banks at middle of month
†1-75 days—1½ per cent

MILLIONS OF DOLLARS



Total Volume of Reserve Bank Credit Outstanding, 1931
Compared with 1930

Except for a brief period of slightly firmer conditions early in the month, money rates were generally steady in August at the levels prevailing in the latter part of July.

Evidence of a continued tendency for commercial banks to adjust the interest paid on deposits downward into closer conformity with the present rates of return on invested funds is contained in reports from all parts of this district. This is indicated in the following table which shows the number of banks outside of New York and Buffalo paying various rates of interest on time deposits.

Rate of Interest	Number of banks paying specified rates prior to January 1, 1931	Number of banks paying specified rates July 1, 1931
3	36	166
3½	12	271
4	818	496
4¼	1	4
4½	126	59
4¾	1	1
5	5	2
	999	999

Up to the beginning of 1931 over 80 per cent of the commercial banks outside of the two largest cities of the district paid 4 per cent on time deposits; only 5 per cent paid lower rates; and 13 per cent paid 4½ per cent or more. Many reductions were made effective by July 1, and on that date less than 50 per cent of the banks were still paying 4 per cent on time deposits; 44 per cent were paying 3 or 3½ per cent; and only 6 per cent continued to pay 4½ per cent or more. The movement toward lower interest rates has continued in New York City also, and commercial banks generally now pay 2 per cent on compound interest accounts.

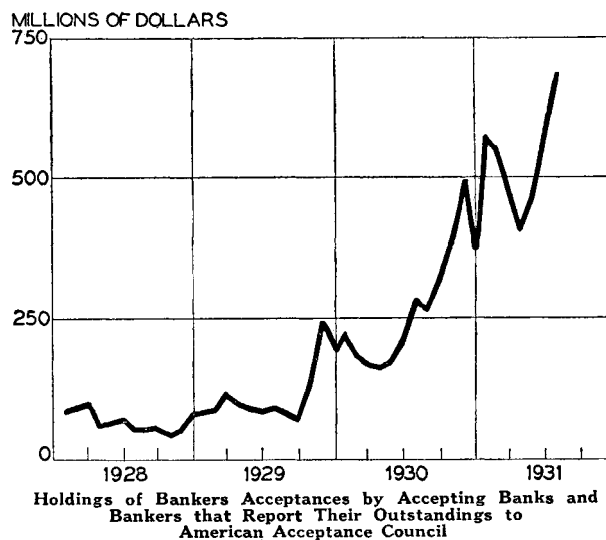
MEMBER BANK CREDIT

The loans and investments of weekly reporting member banks declined substantially during the past month, both in this district and elsewhere. In the four weeks ended August 19, security loans of all reporting banks declined nearly \$120,000,000, all other loans (including acceptances purchased) declined more than \$70,000,000, and investments were reduced about \$95,000,000, making a total reduction of approximately \$285,000,000.

Since July 1, the reduction in the total loans and investments of weekly reporting banks has amounted to nearly \$500,000,000. This decline added to the preceding decline since the autumn of 1929 of about \$2,000,000,000 in the loans and investments of all member banks makes a total shrinkage in member bank credit of about the same amount as in the post-war liquidation of 1920-1922. The reduction in loans has amounted to about \$4,750,000,000, but this decline has been partly offset by an increase of about \$2,250,000,000 in investments.

BILL MARKET

During the first week of August the volume of business in the bill market was light and dealers' portfolios were little changed. In the succeeding week, the reserve position of the New York City banks became unfavorable, and in an effort to correct this position, the banks



sold a substantial volume of bills to the dealers, whose portfolios more than doubled. These bills were temporarily sold by the dealers to the Reserve Bank under repurchase agreement, in addition to which the Reserve System's bill portfolio was increased by purchases of a smaller amount of bills directly from the New York banks. In the week ended the 19th, a return of funds to the New York market placed the banks in the position of again being buyers of bills, with the result that dealers' portfolios were considerably reduced and bills sold to the Reserve Bank during the previous week were repurchased by the dealers. During the balance of the month, dealers' purchases and sales of bills were light, with some tendency toward a reduction in dealers' stocks.

Federal Reserve holdings of bills for own account were increased \$114,000,000 between July 29 and August 26, due in part to net purchases of domestic bills and in part to acquisition of foreign currency bills abroad. On the other hand, the volume of dollar acceptances held by the Reserve Banks for foreign correspondents was reduced further in August.

During the month of July, the total volume of American acceptances outstanding declined \$140,000,000 to \$1,228,000,000. Meanwhile, the group of accepting banks and bankers that report their outstandings to the American Acceptance Council increased their investment holdings of bills by \$115,000,000 to \$668,000,000, a new high figure, as the accompanying diagram indicates, and equivalent to 54 per cent of the amount of bills outstanding. The increase in the bill holdings of accepting institutions in July was accounted for by a reduction in Federal Reserve holdings of domestic bills for own account, by a large decrease in the amount of bill investments of foreign correspondents in this market, and by a decline in dealers' portfolios of bills, the total of which was larger than the reduction in bills outstanding.

COMMERCIAL PAPER MARKET

Reports from leading commercial paper dealers indicated the continuance of a quiet market during August, due primarily to the dearth of open market paper available. Investment demand on the part of the commercial

banks throughout the country remained of substantial volume, and prime paper was quickly absorbed at the prevailing rate of 2 per cent, with extra choice names taken at slightly below that level whenever they came into dealers' offering lists.

A further decline of about 1 per cent occurred during July in the amount of commercial paper outstanding through 20 reporting dealers. The outstandings of \$289,000,000 on July 31 continued to be about 45 per cent smaller than at the corresponding time a year ago.

Banking and Credit Abroad

The center of attention abroad shifted during August from Berlin to London where a combination of factors was exercising a depressive effect upon the exchange quotation of the pound sterling. As reported last month, the Bank of England sustained a net loss of some \$160,000,000 of gold in the second half of July, and in that fortnight raised its rate of discount in two steps from 2½ to 4½ per cent. These corrective measures were followed by the granting of a cooperative central bank credit, announced by this bank on August 1 in the following terms:

The Federal Reserve Bank of New York, in association with other Federal Reserve Banks, has agreed to purchase from the Bank of England, if requested, up to the approximate equivalent of \$125,000,000 of prime commercial bills. This agreement of the Federal Reserve Bank of New York has been made in cooperation with the Bank of France as a part of a credit arrangement in favor of the Bank of England, aggregating in all about \$250,000,000.

Moreover, the Bank of England on August 1 by Treasury Minute under the terms of Section 8 of the Currency and Bank Notes Act of 1928, increased its fiduciary note issue by £15,000,000 to £275,000,000, thus, in effect, releasing £15,000,000 of gold for other uses than as cover for note issue. This measure was originally taken for a period of three weeks and then renewed for a further three weeks.

The drain of gold out of London to the Continent was appreciably abated during August, and after the 10th of that month, withdrawals from the Bank of England were inconsiderable. Actually, between July 29 and August 26 the Bank of England reported a net gain of £1,335,000, or \$6,500,000, its gold bullion stock on the latter date standing at £134,644,000, or \$655,250,000. Sterling exchange held fairly steady during this period at a level well above the point at which gold shipments to the United States or to most other countries would have been profitable. On the 28th of August simultaneous announcement was made in New York and in Paris that private banking groups had agreed to extend to the British Government a credit of \$200,000,000 in each center.

In Germany, restrictions on the withdrawal of deposits in commercial banks were raised on August 5, and the large banks which had temporarily suspended payment were enabled to resume business. On August 8 full liberty to withdraw savings deposits was restored. Satisfaction has been expressed by the German authorities with the restraint and the confidence displayed by the public since the return to normal deposit banking.

Foreign exchange deliveries are still under the control of the Reichsbank, but a number of the more stringent limitations earlier enforced have now been liberalized. On August 12 the Reichsbank's official rate of discount was lowered from 15 to 10 per cent, the rate for loans on securities being simultaneously brought down from 20 to 15 per cent, and on the 19th the loan rate was further reduced from 15 to 12 per cent. The Reichsbank reported on August 23 a visible reserve of gold and foreign exchange amounting to \$399,800,000 against a low of \$354,600,000 on July 15. On August 23, also, its reserve ratio, at 41.5 per cent, was above the statutory minimum of 40 per cent for the first time since July 7.

The negotiations reported last month to have been carried on directly between New York bankers and their German banking debtors were continued after August 8, in cooperation with banking creditors in other markets, through the international committee set up in accordance with the recommendation of the London seven-power conference for the study of Germany's credit position and requirements. On August 19 that committee announced from Basle, Switzerland, that agreement, in principle, had been reached on a plan whereby foreign credits outstanding to German debtors would be maintained for a maximum period of six months. In addition to the guarantees originally obtaining, two additional forms of security are afforded by the Basle agreement. One is the association of a direct responsibility on the part of the ultimate German user of the credit with that of the German debtor bank itself. The other is the guarantee of the German Gold Discount Bank for a certain proportion of the credits. An individual agreement in an approved standard form will be made in every instance directly between the German debtor bank and the foreign creditor bank. The international committee accepted a figure of 5.1 billion reichsmarks, or about \$1,214,000,000, as the total short term foreign indebtedness of the German banks around July 15. This total excludes direct short debt of public bodies and of non-banking enterprise, which are estimated at some \$548,000,000 additional. A sample inquiry made in respect of 28 banks owing over \$1,000,000,000 at short term abroad, revealed that the American portion thereof was equivalent to 37.1 per cent.

Central Bank Rate Changes

The Reichsbank on August 12 reduced its discount rate to 10 per cent from the 15 per cent rate put into effect August 1. At the same time the "lombard," or loan rate, was reduced from 20 to 15 per cent, and on the 19th a further reduction in this rate to 12 per cent was effected. On August 5, the National Bank of Czechoslovakia raised its rate from 4 to 5 per cent; on the 10th, the Bank of Danzig rate was lowered from 10 to 7 per cent; and on the 11th, the discount rate of the Bank of Portugal was reduced from 7½ to 7 per cent.

A seasonal increase from 6 to 7 per cent was effected on August 6 by the Imperial Bank of India, and the Central Bank of Chile lowered its rediscount rate to member banks from 9 to 8 per cent on the 5th and from 8 to 7 per cent on the 26th.

Foreign Exchange

Irregular movements in many currencies characterized the foreign exchange market during August. Sterling broke from \$4.86 1/16 on the 3rd to slightly below \$4.85 on the 7th, but a gradual recovery followed until the 11th, after which it fluctuated between \$4.85 3/4 and \$4.85 7/8 until the 25th. On that date, when the announcement of the new National Government was made, sterling went to \$4.86 and gained a further 3/16 of a cent on the next day, but was quoted at \$4.85 31/32 before the month closed. French francs declined to \$0.0391 9/16 on the 7th, but by the 15th had recovered to \$0.0392, or not greatly below the highest level of the month. Reichsmark quotations during the first half of the month varied between \$0.2350 and \$0.2375; on the 17th they rose to \$0.2380, but receded to \$0.2367 on the 21st, and closed the month at \$0.2374. Only the Dutch, Belgian, and Swiss currencies remained consistently above par throughout the month, though they too were subject to considerable fluctuation. Italian lire moved within narrow limits, and the Scandinavians, though somewhat lower during the course of the month, closed at about the opening levels. Pesetas dropped from \$0.0903 1/2 on the 1st to a new low of \$0.0852 on August 6, after which there was a steady recovery, so that on the 27th the quotation was again over \$0.09.

Among the South American currencies new lows were established by three—Argentine pesos at \$0.6329 on August 7 and 8, Brazilian milreis at \$0.0615 on August 28, and Uruguayan pesos at \$0.41 on the 6th. Later in the month, some recovery occurred in the Argentine and Uruguayan quotations.

Japanese yen were steady during the entire month. The Chinese silver currencies were down slightly during the two middle weeks, but recovered most of the loss in the last week. The rate on Canadian dollars was stable at a discount of about 5/16 of one per cent.

Gold Movement

During the first few days of August \$11,000,000 in gold was received at the Port of New York from Germany and \$1,500,000 from England. Subsequently, imports from South America and Mexico accounted for the bulk of the gold received here, \$5,300,000 coming from Argentina, \$1,000,000 from Uruguay, and \$7,600,000 from Mexico. At San Francisco, \$25,000,000 of gold was received from Japan and \$1,000,000 from China. Exports for the month were negligible, but there was an increase of \$16,000,000 in the amount of gold held under earmark for foreign account. A preliminary estimate indicates a net gain to the country's monetary gold stock during August of about \$44,000,000, and a net gain for the year thus far of about \$400,000,000.

The Bank of England's gold holdings showed a net gain of \$6,500,000 in the month of August, as compared with a loss of over \$150,000,000 in July. The bulk of the withdrawals were made in the second week of the month, \$13,500,000 being taken for Holland, \$6,000,000 for France, and \$2,250,000 for Belgium. These withdrawals were more than offset by the reported receipt of \$10,500,000 in sovereigns from Australia and South

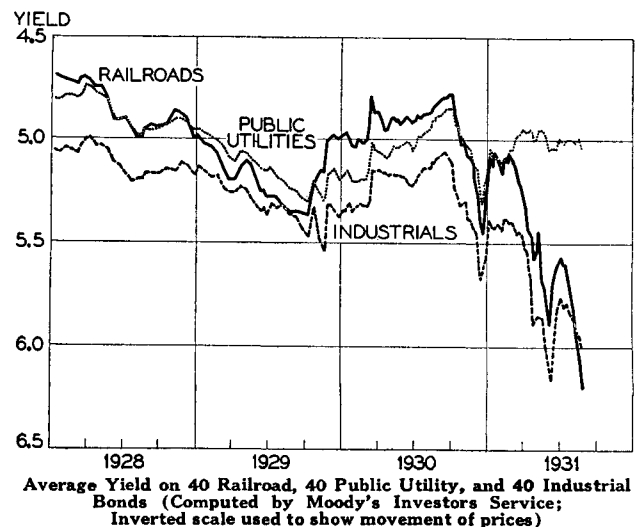
Africa, \$2,400,000 in bars from France, and \$17,000,000 in sovereigns released from earmark. A total of over \$20,000,000 was offered in the market during August of which \$11,000,000 was obtained by an "undisclosed" buyer, \$6,500,000 by Holland, and \$2,750,000 by France.

Security Markets

During August, the general level of stock prices fluctuated within comparatively narrow limits. A rather steady rise during the second week of the month was followed by a declining tendency which left industrial and public utility shares only slightly higher than at the end of July and prices of railroad shares somewhat lower. Average prices of railroad stocks, apparently reflecting apprehension over unfavorable earnings reports and possible additional dividend reductions, dropped slightly below the early June quotations and touched new low levels since 1922. Both industrial and public utility stock prices, however, remained some 15 per cent above their June lows at the close of August.

Trading on the New York Stock Exchange during August was in even smaller volume than in the previous month. Days on which the stock turnover was less than 1 million shares were more numerous than those on which the turnover exceeded that number, and on no day did the total business exceed 2 million shares.

Except for steadiness in United States Government issues, the bond market was weak during most of August. Typical price averages of domestic corporation bonds dropped from 1 to 2 3/4 points, depending upon the quality of the bonds included. All of the averages declined below their lows of last June, and several dropped to the lowest levels for a number of years past. Much of the decline in the domestic bond market during August represented weakness in railroad issues, the movement of which is shown in the accompanying diagram, in comparison with that of public utility and industrial bonds. This diagram is based on the average yields for 40 railroad, 40 utility, and 40 industrial bonds of various grades computed by Moody's Investors Service, inverted to show the movement of bond prices. It indicates that prices of railroad bonds have declined more during



recent months than prices of other types, so that the average yield on railroad issues, which in 1930 was considerably lower than on industrial bonds and about the same as on public utility bonds, has risen to a position where it is now slightly higher even than the return on industrial issues. Prices of public utility issues have held fairly steady and their average yield has recently hovered around 5 per cent, while the yield on rail issues has risen to over 6 per cent; in the early months of this year, railroad and utility bonds were both selling at prices to yield around $5\frac{1}{8}$ per cent. This divergence of movement apparently reflects the continuance of public utility earnings at levels only slightly below a year ago, while railroad net operating income has declined greatly, chiefly because of the large reduction in traffic caused by depressed business conditions.

The general tendency in foreign bond prices continued downward during August, but the declines were much less severe than in July. An average of the prices of 40 representative foreign issues receded about 3 points further to a new low since 1925, the period for which the figures are available. This decline compares with a drop of nearly 8 points during July. Weakness in the foreign bond market during August was chiefly in South American issues; some of the Austrian and German issues, which had been under especial pressure during July, showed slight recoveries.

New Financing

A further decline in flotations of new securities, other than United States Government issues, occurred during August, and the total offered to the public during that month was the smallest for any month since at least 1919. The volume of new issues appears to have been less than half of the small offerings during the previous month or during August 1930. All classes of financing were much curtailed, and of the month's small total about one-half represented short term municipal financing.

In each month since March, the volume of new security issues has been smaller than in the previous month; final figures for July show a total of \$274,000,000, which was only 38 per cent of the March offerings. Of the July total, \$229,000,000 represented new capital issues and \$45,000,000 represented issues for refunding purposes. Domestic corporation flotations accounted for \$115,000,000 of the new capital total, State and municipal issues amounted to \$111,000,000, and foreign issues (Canadian) to \$3,000,000.

Business Profits

Earnings reports of 266 mercantile and industrial concerns available at this time for the April to June quarter of 1931 show an average decrease of 52 per cent in net profits from the corresponding period of 1930 and a 69 per cent drop from 1929. These percentage reductions are not materially different from those shown by first quarter earnings. None of the 20 groups of industrial and mercantile concerns shown in the accompanying table had larger earnings for the second quarter than in 1930. The best resistance to the shrinkage of earnings was reported by the paper, automobile, household equip-

ment, and food and food products groups. On the other hand, companies in the large basic industries—copper, coal and coke, oil, and steel—were prominent among the groups showing the largest percentage declines.

Reports of 435 industrial companies are available for the first half of 1931, a larger number than for the second quarter since many concerns publish mid-year but not quarterly statements. These reports indicate a decline of 51 per cent in net profits as compared with the first half of 1930 and of 65 per cent from 1929. Companies operating stores reported a 4 per cent rise in net profits from a year ago, though their return was 20 per cent less than in 1929, and the clothing and textile group as a whole reported a small amount of profits, as compared with no net earnings in 1930. The paper and food and food products companies suffered a net reduction of less than 10 per cent from 1930, and the chemical, automobile, and tobacco companies had profits around 25 per cent smaller. Declines of less than 50 per cent occurred also in the printing and publishing, electrical equipment, leather and shoe, household equipment, building supply, and realty groups. Of the remaining groups of companies, 7 reported profits from 54 to 76 per cent smaller than a year ago, steel companies had net earnings 86 per cent smaller, copper companies reported practically no aggregate net return, and composite returns for the oil and rubber groups showed deficits.

Net operating income of Class I railroads for the second quarter of the year was seasonally somewhat larger than in the first quarter, but remained at a comparatively low level; income for the first half of the year was

(Net profits in millions of dollars)

Corporation groups	Number of companies	Second quarter			Number of companies	First six months		
		1929	1930	1931		1929	1930	1931
Clothing and textiles	24	12	0	1	12	0	1	
Stores	10	14	11	12	14	11	12	
Paper	7	5	4	11	9	11	10	
Food and food products	34	42	42	36	46	102	99	
Chemical	16	20	18	12	21	50	49	
Automobile	16	138	68	63	16	238	123	
Tobacco	6	4	2	1	9	6	4	
Printing and publishing	8	9	9	5	10	18	19	
Electrical equipment	7	27	19	12	13	52	40	
Leather and shoe	8	5	2	2	10	9	4	
Household equipment	8	5	2	2	10	9	4	
Building supplies	9	6	4	3	19	20	15	
Realty	7	8	5	2	8	16	11	
Office equipment	7	8	5	2	8	16	11	
Mining and smelting (excl. copper, coal and coke)	12	15	7	4	16	31	18	
Automobile parts and accessories (excl. tires)	29	26	15	8	39	55	31	
Motion picture	6	8	5	0	6	17	17	
Coal and coke	7	1	0	0	8	3	2	
Machinery	12	9	6	2	21	24	21	
Railroad equipment	7	10	11	3	10	25	27	
Steel	14	87	51	8	19	143	111	
Copper	7	9	2	0	9	26	9	
Oil	24	59	43	22	28	97	76	
Rubber	7	5	2	0	9	26	9	
Miscellaneous	30	35	28	22	58	118	81	
Total { 20 groups for 2nd quarter } { 25 groups for 1st half }	266	523	342	165	435	1121	799	
Telephone (net operating income) . .	103	68	70	72	103	138	138	
Other public utilities (net earnings)	63	85	84	78	63	178	178	
Total public utilities	166	153	154	150	166	316	316	
Class I railroads (net operating income)	171	303	201	132	171	563	377	

—Deficit

37 per cent smaller than in 1930, and less than half that of 1929, and was the smallest since the first six months of 1921. Net earnings of public utilities, other than telephone companies, for the first half year were about 11 per cent less than in 1930 or 1929. Net operating income of telephone companies, on the other hand, was nearly 3 per cent larger than a year ago, following a slight reduction between 1929 and 1930.

Building

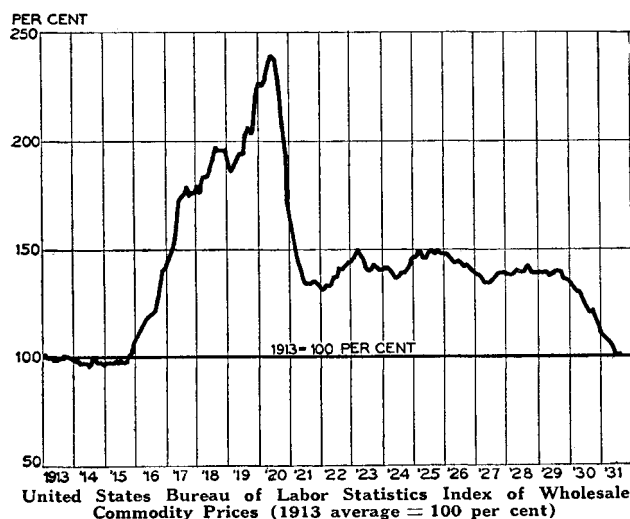
A decrease of 14 per cent from the previous month and of 22 per cent from a year ago was shown by the July total of construction contracts awarded in 37 States, reported by the F. W. Dodge Corporation. The decline from June to July was more than the usual seasonal movement and it appears that, except for public works and utilities projects, the volume of building and engineering work continued at very low levels. As compared with a year ago, public works and public utility contracts were reduced 4 per cent, while other non-residential contracts were down 34 per cent, and residential building contracts were 24 per cent smaller.

For the period from January through July of this year, the total value of building contracts was 30 per cent smaller than in the corresponding months of last year. Residential building showed the smallest relative decline, 16 per cent, followed by public works and utilities, which were reduced by 27 per cent, while other non-residential construction was 42 per cent smaller, due to large declines in the amount of commercial and factory construction. During the first three weeks of August, a continuation of the downward movement of recent months was evident in awards of building contracts. The daily average value of contracts awarded during this period was 23 per cent smaller than in the previous month, or much more than the average seasonal decline of past years. Declines in excess of the usual seasonal change were reported in all of the major types of building activity.

Commodity Prices

The general level of wholesale commodity prices has recently shown greater stability than for some time past. The monthly index of the Bureau of Labor Statistics was unchanged from June to July, the first time since last September that the index has not declined, and various weekly indexes fluctuated in August not far below the levels of the two preceding months. The movement of the Bureau of Labor Statistics monthly wholesale price index since 1913 is shown in the accompanying diagram. This indicates that wholesale prices in general, after maintaining an average level about 50 per cent above that of 1913, have declined during the past two years practically to the 1913 level.

Although the general level of commodity prices has shown little net movement during recent weeks, there have been sizable changes among several individual commodities. The outstanding instance is cotton, which, on the day following the release of the August 1 Department of Agriculture crop estimate, dropped 1.15 cents. This with a smaller subsequent decline brought the spot price to 6½ cents, a new low level for many years. New



low quotations for a number of years have also been reached by the grains. Corn prices broke sharply to a new low level for many years and wheat prices also reached a new low at the end of August. Crude rubber continued to decline, and toward the end of August was quoted at the lowest price in the history of the commodity. Live stock prices, on the other hand, have recovered substantially, following the drastic declines which culminated toward the end of May. Hides also had a rapid recovery in July, and, despite subsequent reaction, remained appreciably above the low levels of February and May. Domestic wool recovered somewhat from the June low, and silk at the close of August was quoted around \$2.38, as compared with the record low of \$2.10 reached in June.

Among the fuels, the most notable movement was in crude petroleum prices, which, after dropping more than 50 per cent between January and July, recovered about one-fourth of the loss. Fluctuations in metal prices have generally been within a narrow range, although in some cases, notably pig iron and copper, new low levels for a number of years have been established.

Employment and Wages

New York State and Federal reports indicate that employment conditions became somewhat more unfavorable during July. After adjustment for the usual seasonal movements, factory employment in the United States declined a little more than 1 per cent to the lowest level in many years, reductions occurring in all of the major industrial groups except the textile, leather, and tobacco industries. In New York State, the decline in factory employment from the middle of June to the middle of July also was somewhat in excess of the average movement of past years. The United States Employment Service reported an increase in out-of-door employment during July, but this increase was primarily of a seasonal character, reflecting chiefly the enlarged demand for agricultural and highway labor.

Factory payrolls for the country as a whole were reduced nearly 5 per cent from the middle of June to the middle of July, a decline somewhat larger than the average in past years, and a decrease was shown

also in the average weekly earnings of those workers who retained their jobs. On the other hand, factory payrolls in New York State showed a decline of slightly less than the usual seasonal proportions, and average weekly earnings of factory workers showed a small but unseasonal increase.

The ratio of orders for workers to applications for work at New York State employment bureaus declined slightly further during July and in the first three weeks of August, and the rate of voluntary labor turnover increased only slightly in July from the previous month's low level.

In recent months, wage reductions in manufacturing industries have been considerably more numerous than for several years previous. The accompanying table gives the number of wage reductions reported to the Bureau of Labor Statistics by a large list of manufacturing establishments. On the basis of these figures, it appears that more than four times as many workers were affected by wage cuts during the first seven months of 1931 as during the corresponding period of 1930, and that the average reduction in wage rates was somewhat larger than a year ago.

Month ended	Number of establishments reporting decreases	Number of employees affected	Average percentage decrease in wage rates
Jan. 15	335	43,507	10.2
Feb. 15	228	39,096	10.3
Mar. 15	175	22,502	10.3
Apr. 15	195	22,543	10.1
May 15	293	46,377	10.4
June 15	210	25,645	10.8
July 15	238	33,238	9.7
Total Dec. 15, 1930 to July 15, 1931	1,674	232,908	10.3 (Av.)
Corresponding period 1930	386	56,941	9.0 (Av.)

Production

Little change in industrial production during August was apparent from data which became available in the course of the month. Steel mill activity, as measured by current weekly estimates, fluctuated irregularly and for the month as a whole appears to have averaged slightly lower than in July. Cotton goods production showed an increase from the July level, in accordance with the usual seasonal tendency, and bituminous coal production rose slightly, although in this industry the expansion of output was probably less than seasonal. Automobile output was reported to have shown a further reduction.

During July, productive activity declined by somewhat more than the usual seasonal amount, and the index of the Federal Reserve Board receded to a level only slightly above the low point of last December. Decreased production was general in the metal, automobile, and fuel industries. The output of pig iron, steel ingots, copper, and zinc reached the lowest figures since 1924 or earlier; the only exceptions to the downward tendency in the metals group were in lead production, which increased unseasonally, and in deliveries of tin which showed less than the usual decline from June. In the case of fuels, petroleum output showed a small increase, whereas no consistent change from June to July has

been apparent in the past, but the increase in bituminous coal production was smaller than the average increase in past years, and curtailment was shown in the output of anthracite coal and of coke. In the automobile industry, declines of more than the usual proportions occurred in factory sales of both passenger cars and trucks. Activity in the boot and shoe industry receded somewhat from the comparatively high levels of preceding months, and declines which exceeded the usual seasonal contraction were shown in the output of cement and of tobacco products.

The most favorable showing in July was made by the textile industries. Mill consumption of raw cotton was reduced less than usually, while silk consumption showed a moderate increase, and wool mill activity rose considerably. Other industries which showed increases in output, after allowance for seasonal changes, were sugar refining, sole leather production, newsprint paper production, and wheat flour production.

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

	1930	1931		
	July	May	June	July
<i>Metals</i>				
Pig iron	91	64	56	50
Steel ingots	82	65	58	52
Copper, U. S. mines	79	63	63	55p
Lead	92	66	53	56
Zinc	73	43	41	37
Tin deliveries	94	86	73	76
<i>Automobiles</i>				
Passenger cars	60	65	50	46p
Motor trucks	79	76	72	66p
<i>Fuels</i>				
Bituminous coal	92	79	80	79
Anthracite coal	86	77	70	61
Coke	93	71	65	61
Petroleum, crude	92	87	86	87p
Petroleum products	90	82	80	
<i>Textiles and Leather Products</i>				
Cotton consumption	71	79	78	82
Wool mill activity	74	85	89	97p
Silk consumption	84	92	79	85
Leather, sole	107	82	82	84p
Boots and shoes	79	114	95p	89p
<i>Foods and Tobacco Products</i>				
Live stock slaughtered	92	92	84	84
Wheat flour	105	83	81	98
Sugar meltings, U. S. ports	93	65	69	81
Tobacco products	105	100	97	91
<i>Miscellaneous</i>				
Cement	114	92	93	89
Tires	64	80	81	
Printing activity	95	84	82	
Paper, newsprint	91	88	88p	90p
Paper, other than newsprint	87	84p		
Wood pulp	89	78	79p	

p Preliminary

Indexes of Business Activity

Although irregularity continued to be evident in the movement of this bank's indexes, the prevailing course of business activity during July appears to have been slightly downward. Car loadings of merchandise and miscellaneous freight showed an unseasonal decline during July and the first half of August, and after seasonal adjustment reached the lowest level since 1922. In addition, declines of more than seasonal proportions occurred in department store sales, both in this district and in the country as a whole, in sales of ordinary life insurance, and in the volume of check transactions. The number of business failures was little changed from the

previous month's level, whereas usually a small seasonal decline occurs at this time.

On the other hand, an increase in car loadings of bulk freight was larger than the usual rise, and, after adjustment for the average seasonal movements of past years, little or no change was shown in the volume of this country's foreign trade, in advertising, and in postal receipts.

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

	1930		1931	
	July	May	June	July
Primary Distribution				
Car loadings, merchandise and misc.	89	79	78	75
Car loadings, other.	89	68	65	69
Exports r.	81r	71r	67r	65r
Importers r.	87r	72r	79r	80r
Panama Canal traffic in American vessels	102	76	73	
Distribution to Consumer				
Department store sales, 2nd Dist.	96	95	99	90
Chain grocery sales r.	96r	95r	96r	94r
Chain store sales, other than grocery.	86	87	84	81
Life insurance paid for r.	98r	92r	92r	89r
Advertising.	85	77	76	76
General Business Activity				
Bank debits, outside of New York City.	96	86	86	82
Bank debits, New York City.	115	102	102	88
Velocity of bank deposits, outside of New York City.	105	91	89	88
Velocity of bank deposits, New York City	118	93	96	80
Shares sold on N. Y. Stock Exchange.	157	117	157	104
Postal receipts.	94	87	84	85
Electric power.	93	81r	81p	
Employment in the United States.	89	80	78	77
Business failures.	106	109	98	100
Building contracts.	72	60	62	58
New corporations formed in N. Y. State.	92	86	94	
Real estate transfers.	62	54	52	
General price level*.	167	153	150	149
Composite index of wages*.	223	216	215	213
Cost of living*.	164	149	148	148

p Preliminary r Revised *1913 average=100

Department Store Trade

July sales of the reporting department stores in this district showed a 6 per cent decrease from 1930, and, after making allowance for an additional selling day in July this year which was due to the incidence of the July 4 holiday on a Saturday, a day when stores in New York and vicinity are always closed during July and August, the daily average volume of sales was about 10 per cent smaller than in July 1930. The New York City and Newark reporting department stores showed total sales about 5½ per cent below the previous year, following increases in June, which also had one more selling day this year than in 1930, and the Westchester stores reported sales 3 per cent smaller than a year ago, after showing an increase in June. Sales in all other sections of the district, except Rochester, were below the previous year, the declines ranging from 6 per cent to 16 per cent. Sales of the reporting apparel stores were 5 per cent smaller than in July 1930, the smallest decrease since March. In the interpretation of these figures it may be borne in mind that they are in dollars and reflect a considerable decline in prices.

Stocks of merchandise on hand at the end of the month, valued at retail prices, continued to be considerably below the previous year. The percentage of charge accounts collected during July was again only slightly lower than last year.

Locality	Percentage change from a year ago			Per cent of accounts outstanding June 30 collected in July	
	Net sales		Stock on hand end of month	1930	1931
	July	January to July			
New York.	- 5.5	- 6.6	-14.5	46.1	46.4
Buffalo.	-11.2	- 8.9	-12.9	47.1	45.8
Rochester.	+ 4.7	+ 4.6	-17.1	36.2	38.9
Syracuse.	-14.4	- 9.0	-12.3	28.7	26.3
Newark.	- 5.4	- 4.6	-13.0	42.1	41.6
Bridgeport District.	-15.5	- 9.9	-18.4	40.8	36.8
Elsewhere.	- 9.0	- 8.3	-12.3	37.8	34.9
Northern New York State.	- 7.5	.....	.....	.....	.....
Southern New York State.	-10.1	.....	.....	.....	.....
Hudson River Valley District.	- 5.6	.....	.....	.....	.....
Capital District.	-15.5	.....	.....	.....	.....
Westchester District.	- 3.1	.....	.....	.....	.....
All department stores.	- 6.2	- 6.5	-14.2	43.5	43.1
Apparel Stores.	- 5.0	- 8.3	-19.7	41.7	43.0

Wholesale Trade

July sales of representative wholesale firms in this district averaged 17 per cent below a year ago, a considerably larger decline than in June but somewhat below the average decrease for the earlier months this year. Sales of groceries showed the smallest decrease so far this year, and stationery sales the smallest decline since July 1930, while sales of drugs were 6 per cent above a year ago, the first increase since December. Sales of silk goods, reported by the Silk Association of America in yardage rather than in dollar figures, showed a 19 per cent increase over July 1930; in June and July, silk goods sales compared more favorably with a year previous than at any time since 1929. Year-to-year decreases of 8 to 21 per cent occurred during July in sales of hardware, shoes, paper, and cotton goods, while considerably larger decreases were reported in men's clothing, jewelry, and diamonds.

The value of merchandise stocks on hand at the end of July remained substantially below 1930 in all reporting lines except drugs and hardware. Collections in July of this year were only slightly smaller than the previous year.

Commodity	Percentage change July 1931 compared with June 1931		Percentage change July 1931 compared with July 1930		Per cent of accounts outstanding June 30 collected in July	
	Net sales	Stock end of month	Net sales	Stock end of month	1930	1931
Groceries.	+ 2.4	+ 0.5	-13.0	- 6.4	76.4	78.4
Men's clothing.	-13.6	.....	-38.7	.....	36.4	32.1
Cotton goods.	-16.6	+ 4.5	-20.9	-32.8	34.6	34.9
Silk goods.	-10.9*	+ 2.8*	+19.2*	-20.5*	49.8	54.7
Shoes.	-13.4	+ 7.2	-16.4	-38.9	41.1	42.2
Drugs.	+12.0	- 0.5	+ 5.9	+10.6	24.4	23.9
Hardware.	-15.1	- 1.8	- 7.8	+ 2.8	46.2	45.6
Machine tools**.	-16.4	.....	-32.5	.....	.....	.....
Stationery.	+ 9.6	.....	-13.6	.....	70.6	63.3
Paper.	- 8.0	.....	-18.9	.....	60.6	53.2
Diamonds.	-13.5	+28.8	-64.6	-45.4	26.3	18.2
Jewelry.	-41.5	- 5.1	-33.5	-43.0		
Weighted average.	- 7.8	.....	-17.3	.....	50.2	49.5

*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, SEPTEMBER 1, 1931

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL production and factory employment declined by somewhat more than the usual seasonal amount in July, while the general level of commodity prices remained unchanged. Conditions in the money market continued easy.

PRODUCTION AND EMPLOYMENT

Industrial production, as measured by the Board's index, which is adjusted to allow for the usual seasonal variations, declined 1 per cent further in July to 83 per cent of the 1923-1925 average, compared with the low point of 82 for last December and the year's high point of 90 in April. Output of iron and steel, automobiles, lumber, and copper decreased further, while activity at textile mills and shoe factories was maintained at a high level.

Factory employment and payrolls declined by somewhat more than the seasonal amount from the middle of June to the middle of July. Large decreases in employment were reported at car-building shops and machinery and automobile factories, and at lumber mills. In the textile industries as a whole employment decreased somewhat less than is usual in July; and there were increases in employment in the woolen goods and men's clothing industries.

Figures on the value of building contracts awarded during July and the first half of August, as reported by the F. W. Dodge Corporation, show a continuation of the downward movement of recent months.

Department of Agriculture estimates based on August 1 conditions indicated an unusually large crop of winter wheat, an exceptionally small yield of spring wheat, and a total wheat crop of 894,000,000 bushels, 72,000,000 bushels larger than the five-year average. The corn crop was estimated at 2,775,000,000 bushels, about the usual size and 700,000,000 bushels larger than last year's small crop. In spite of a 10 per cent reduction in acreage, the cotton crop was estimated by the Department of Agriculture to be about 15,584,000 bales, an increase of 1,600,000 bales over last year.

DISTRIBUTION

Freight-car loadings increased by slightly less than the usual seasonal amount in July and department store sales, which ordinarily decline sharply at this season, apparently decreased somewhat more than usual.

WHOLESALE PRICES

The general level of wholesale prices in July continued at 70 per cent of the 1926 average, according to the index of the Bureau of Labor Statistics. Increases were reported in the prices of livestock and meats, while prices of building materials and of grains, particularly wheat, declined. During July and the first half of August prices of cotton and cotton textiles declined sharply, while prices of dairy products increased.

BANK CREDIT

Loans and investments of reporting member banks in leading cities declined by about \$340,000,000 between July 15 and August 12, reflecting chiefly further liquidation of loans on securities, and a decrease in all other loans, which was partly a consequence of sales of acceptances to the Reserve Banks. The volume of the member banks' investments also showed a slight decline for the period.

At the Reserve Banks there was an increase in the total volume of credit of \$190,000,000 between July 15 and August 19. Demand for Reserve Bank credit during this period increased as a result of an outflow of \$144,000,000 of currency, which was larger than is usual at this season, and further transfers of foreign funds from the open market into balances at the Reserve Banks. This demand for Reserve Bank credit was met by the Reserve Banks for the most part through the purchase of bills and United States Government securities in the open market, but also through increased discounts for member banks.

Money rates remained at low levels.

