MONTHLY REVIEW
of Credit and Business Conditions
Second Federal Reserve District

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Money Market in September

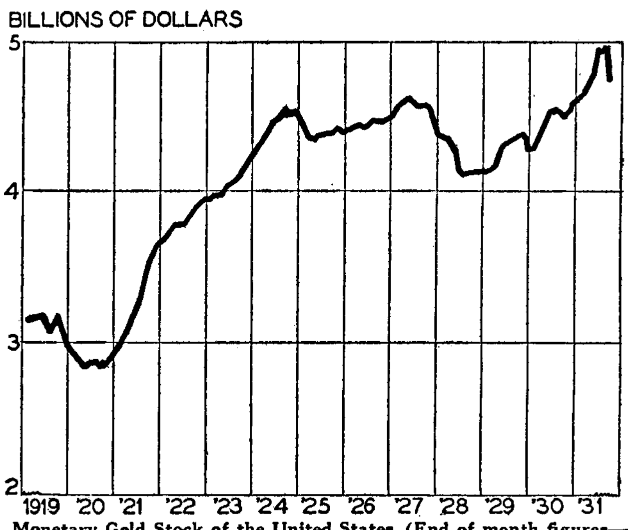
The announcement was made by the British Government on September 20 of the suspension for the time being of the operation of the sub-section of the Gold Standard Act of 1925 which required the Bank of England to sell gold at a fixed price. This action on the part of Great Britain was the dominating influence upon the New York money market in September. In the days before the action was actually taken, apprehension with regard to Great Britain's position was a disturbing factor, but the suspension of gold payments came suddenly and subsequent events indicated that the market generally was surprised by the move. The effects of the British action were accentuated by the suspension of gold redemption in a number of other countries.

Sterling exchange dropped immediately to between $4.10 and $4.30 and subsequently declined to between $3.75 and $3.95, and a number of other foreign exchanges that had been weak in recent months declined relatively further. In fact, for a few days the foreign exchange market was disorganized and regular quotations in many cases were unobtainable. The prices of foreign securities in this market were severely affected, many issues declining a number of points to fractions of the prices at which they had originally been sold. Domestic security prices after some early strength later showed irregular declines of substantial proportions.

The development affecting the New York money market most directly was the earmarking of approximately $270,000,000 of gold for the account of foreign central banks which in most cases were seeking to show an increase in metallic gold reserve in their published statements. In addition, some gold was purchased here for export to France, reflecting a rate of exchange which made gold movement profitable. There were exports also to Holland and Switzerland.

The funds used by foreign central banks to pay for gold earmarked were provided in three principal ways. In the first place foreign central banks held on September 21 about $185,000,000 of deposits at the Reserve Banks, and a considerable part of these were turned into gold. In addition foreign central banks sold to the Reserve Banks a considerable volume of bills held in safekeeping for them by the Reserve Banks. Neither of these two operations took funds out of the money market. But in addition to these operations foreign central banks called upon correspondent banks in New York City with which they had deposits or funds employed to make payments to the Reserve Banks for the purchase of gold. This withdrawal of funds from the market was offset by large sales of bills by member banks and dealers to the Reserve Bank. Thus there was no net loss of funds to the money market as a consequence of either gold exports or earmarking, and the New York City banks found themselves at the end of the month not only practically without any indebtedness at the Reserve Bank but with surplus reserves approximately as large as they had held before these movements began.

Large offerings of bankers acceptances to dealers in connection with these movements of funds, together with some apprehension as to possible effects on money conditions of continued gold exports and earmarkings, resulted in advance in market rates on acceptances by $\frac{3}{8}$ of one per cent, followed the next day by an adjustment upward of $\frac{1}{4}$ of 1 per cent in the Federal Reserve buying rate for bills. There was a corresponding upward movement in the yields on short-term Government securities, and time money was slightly firmer. These changes were, however, evidently due to the particular situation of the bill market, and to anticipation of possible general tendencies in money rather than to any actual shortage of funds in the market as is indicated by a continued excess reserve position of New York banks, the continuation of the call money rate unchanged at $1\frac{1}{2}$ per cent, and a quotation of $\frac{1}{8}$ to $\frac{1}{4}$ of one per cent on Federal funds



Monetary Gold Stock of the United States (End of month figures—September preliminary)

throughout this whole period. The anticipation of a tendency toward firmer rates was also reflected in the bond market, where Government bonds as well as others showed reactionary tendencies.

Money Rates at New York

	Sept. 30, 1930	Aug. 31, 1931	Sept. 30, 1931
Stock Exchange call loans	2	1½	1½
Stock Exchange 90 day loans	††2¼–2½	††1¼–1½	2½
Prime commercial paper	3	2	2
Bills—90 day unindorsed	1⅞	⅞	1¼
Customers' rates on commercial loans	†4.00	†3.44	†3.33
Treasury certificates and notes			
Maturing December 15 (yield)	1.25	.34	.85
Maturing March 15 (yield)	1.77	.48	1.17
Federal Reserve Bank of New York rediscount rate	2½	1½	1½
Federal Reserve Bank of New York buying rate for 90 day indorsed bills	‡2	1	1¼

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

The effects of these gold movements on the Federal Reserve System and on the country's basic reserve position are shown by the following table giving changes in the basic elements of supply and demand for reserve funds and currency on Wednesday, September 16, the report date just before the British suspension, and on Wednesday, September 30. For purposes of comparison the figures are also given for December 31, 1929.

(In millions of dollars)

	Dec. 31 1929	Sept. 16 1931	Sept. 30 1931
Supply:			
Monetary gold stock	4,284	5,015	4,739
Federal Reserve credit	1,582	1,279	1,578
Treasury currency adjusted*	1,778	1,800	1,776
Total	7,644	8,094	8,093
Demand:			
Currency in circulation	4,866	5,087	5,246
Member bank reserves	2,355	2,418	2,364
Foreign, non-member, and other deposits in F. R. Banks	30	224	120
Unexpended capital funds of F. R. Banks	393	365	363
Total	7,644	8,094	8,093

*Currency based primarily on the credit of the United States Government (such as United States notes, National Bank notes, and silver currency) less funds held on deposit in the Reserve Banks by the Treasury.

As the table indicates the monetary gold stock of the United States reached a total in excess of $5,000,000,000 in the third week of September, reflecting an increase of over $700,000,000 since the end of 1929. In the past ten days gold earmarkings and exports have restored to other nations something less than half of the gold they sent to the United States in these two years. Thus in a few days a substantial step has been taken towards some redistribution of a part of this country's excessive gold reserve. As the foregoing diagram indicates, however, this country's monetary gold stock at the end of September remained about $150,000,000 larger than at the beginning of 1931, and considerably larger than at any time in the preceding three years. Since a considerable part of the huge gold import to this country in the years since 1920 has not been used as a basis for credit or currency expansion, large exports or transfer of ownership of gold here through earmarking can now take place without any important effect on the money market or on the country's general monetary position.

Treasury Tax Period Operations

Operations totaling more than $2,000,000,000 were conducted for the United States Treasury by the Reserve Banks during the September tax period, with little effect on the money market. These transactions included the sale of $800,000,000 of 3 per cent Treasury bonds maturing 1951-55 and $300,000,000 of 1⅛ per cent Treasury certificates maturing in one year, the redemption of more than $600,000,000 of maturing certificates, the payment of interest on the national debt, and the collection of third-quarter income taxes. Over $300,000,000 of the maturing securities were exchanged for securities of the new issue, but cash redemptions of the remainder exceeded income taxes actually collected and cash payments for new securities on September 15 by approximately $130,000,000. The Treasury issued special one-day certificates of indebtedness to the Reserve Banks to cover these payments, and the Federal Reserve Bank of New York sold participations totaling $90,000,000 on the 15th and half that amount on the following day to member banks, in order to relieve the banks of a part of the large excess of funds which they held as the result of Treasury disbursements. Nevertheless, the principal New York banks held a considerable excess of reserves during the tax period.

Bill Market

During the first part of September dealers' purchases of bills exceeded their sales, and the portfolios of the discount houses showed a net increase until around the middle of the month. At that time, the quarterly financing operations of the Treasury placed a considerable amount of funds in the New York money market temporarily and caused an excess of reserves in the New York City banks, so that these banks became buyers of bills, and dealers' portfolios were reduced to about the level prevailing at the opening of the month. In the succeeding week, however, substantial offerings of bills were made to the dealers by New York banks which were disposing of bills for the account of foreign correspondents, in order to provide funds with which to purchase gold for earmarking at the Federal Reserve Bank. These sales to the dealers together with some apprehension of firmer conditions in the money market led dealers to raise their rates by ⅛ per cent for all maturities on September 22 and to effect a further general advance of ¼ per cent on September 24. The rate increases by the dealers caused New York banks to sell to the Reserve Bank a very large volume of bills which they had purchased or discounted at lower rates. These bills were bought by the Reserve Bank at its previously established buying rates, but on the following day, September 25, the buying rate of the New York Reserve Bank was raised in conformity with the advance in open market rates.

Open market rates for 5 and 6 months bills were raised ¼ per cent further on September 28, so that the offering quotation for these maturities toward the end of September at 1⅞ per cent was ⅝ per cent higher than a month earlier. The offering rates of 1¼ per cent for 30 to 90 day bills and 1⅝ per cent for 4 months bills at the end of September were ⅜ per cent higher than a month earlier. As a result of sales to the Reserve Bank and the higher bid rates quoted, dealers' portfolios of bills toward the end of the month became of comparatively small proportions.

During the month of September, the total portfolio of purchased bills held by the Federal Reserve Banks showed an increase of $270,000,000 to $469,000,000, the largest holdings since January 1929. This increase included the large purchases of bills from domestic banks and discount houses and also the repurchase of bills from foreign central banks which desired to convert at least a part of the funds they had invested in this market into gold.

At the end of August, the group of accepting banks and bankers that report to the American Acceptance Council were holding as investments $606,000,000 of bills out of a total of $1,090,000,000 outstanding, but their holdings were reduced during September as the result of sales of bills to the Reserve Banks.

Commercial Paper Market

Inactivity continued to be reported in the commercial paper market during September. On one side, the amount of new paper that was created was of small volume, while on the other hand the bank investment demand was generally light. In previous months the principal deterrent to a larger sales volume had been the limited amount of paper that dealers had been able to offer, but in September the absence of a demand for paper on the part of the banks was also a factor. Consequently, there was a tendency toward slightly higher rates in the second half of September, although the prevailing rate for prime names remained at 2 per cent.

At the end of August, the amount of commercial paper outstanding through 20 dealers that report their figures to this bank was 6 per cent smaller than a month earlier. The outstandings of $271,000,000 were little more than half of the amount reported at this time in 1930.

Banking and Credit Abroad

A critical point in international monetary affairs was reached during September, and, as in the previous month, London was the center of financial disturbance. In the first three weeks of September it had become known that the credit of $400,000,000 extended by French and American bankers to the British Government had not adequately served to repulse those factors which were exercising a depressing influence upon sterling exchange. On September 20, after consultation with the Bank of England, the British Government announced that the Bank would no longer be required by law "to sell gold at fixed prices," the London stock exchange would not be opened on the following day, and the commercial banks would "cooperate in restricting purchases by British citizens of foreign exchange except those required for the actual needs of trade or for meeting contracts." It was added that if further measures prove to be advisable, "his Majesty's Government will not hesitate to take them." The chief reason given for this decision was that "since the middle of July, funds amounting to more than £200,000,000 have been withdrawn from the London market," and "during the last few days withdrawals of foreign balances have accelerated so sharply that his Majesty's Government felt they were bound to take the above decision." The statement contained the following declaration: "This decision will, of course, not affect the obligations of his Majesty's Government or of the Bank of England which are payable in foreign currencies." Simultaneously the Bank of England announced the raising of its discount rate from 4½ to 6 per cent.

On Monday September 21 the British Parliament passed the "Gold Standard (Amendment) Act, 1931", which suspended the force of sub-section 2, Section 1 of the Gold Standard Act of 1925, released the Bank of England from the obligation to observe that sub-section of the act, and empowered the Treasury, for a period of six months, "to make and from time to time to vary orders authorizing the taking of such measures in relation to the exchanges and otherwise as they may consider expedient for meeting difficulties arising in connection with the suspension of the gold standard." The sub-section referred to had put upon the Bank of England the obligation to deliver against legal tender, "gold bullion at the price of £3 17s 10½d per ounce troy of gold of the standard of fineness prescribed for gold coin by the coinage act, 1870, but only in the form of bars containing approximately 400 ounces troy of fine gold." A shipment of bar gold was sold on September 24 in London at the rate of £5 3s 5d a fine ounce, which would give the British pound a gold value on that day of slightly under $4.00, and a further small amount was sold on September 29 at £5 5s 3d, indicating the gold value of the pound then as $3.928.

The world-wide effects of the British decision cannot be calculated in their variety and complexity so soon after the event. News reports indicate that, apart from the closure for several days of most European and other stock markets, and the general demoralization of the foreign exchanges during that period, the following occurrences have taken place: in Denmark, Norway, Sweden, and Egypt the normal operation of the gold standard has been suspended; in Italy some regulation of the acquisition of foreign exchange has been effected; Brazil by official announcement and Greece according to press report will now base their currencies on the United States dollar; the Portuguese escudo, which had been stabilized at the rate of 110 escudos to the pound sterling, will remain in that relationship; the Indian rupee continues based on sterling; the South African pound, however, will according to press despatches, remain on the gold standard; and Canada's intention to maintain the gold standard was announced by the Canadian Prime Minister. The central banks of Czechoslovakia, the Netherlands, Denmark, Norway, Sweden, Italy, Greece, and Bulgaria and the Imperial Bank of India, followed the Bank of England in raising their several discount rates.

Elsewhere than in England, the most important event in the field of credit was the signing on September 17, by all the interested parties, of the so-called Stillhaltung Agreement between foreign creditors and German debtors in respect of short term foreign banking accommodation extended to Germany. The agreement will run for six months from September 1, 1931, and guarantees Germany, during this period, the maintenance of all the foreign banking credit actually in use by German banks on July 31, 1931. The funds specifically excepted from the maintenance provisions of the agreement are (1) reichsmark balances held in German banks in the names of the foreign parties to the agreement, and (2) funds required in settlement of overdue and/or maturing forward foreign exchange contracts between the parties to the agreement. The latter become payable on maturity and transferrable into foreign currencies at the will of the foreign creditor; of the reichsmark balances, 25 per cent of the total may be withdrawn and transferred abroad within the first month after signature of contracts between individual creditors and debtors, and thereafter 15 per cent becomes so available each month until the balance is exhausted. It is provided, however, that if the Reichsbank represents to the Bank for International Settlements that the transfer of these funds abroad imperils the position of the reichsmark exchange, such transfer may be postponed from month to month within the life of the Stillhaltung Agreement.

Central Bank Rate Changes

During September thirteen European central banks changed their discount rates. Reductions were reported in the first part of the month by the four banks listed in the first group of the following table, reflecting the relaxation in Central Europe of the strain experienced at the peak of the summer credit crisis. The increases shown in the second part of the table were practically all a consequence of the developments in Great Britain, although part of the rate increases shown for Denmark and Norway occurred prior to the Bank of England rate change on September 21. The third part of the table shows the principal European central banks whose discount rates remained unchanged during September.

Outside of Europe, the only central bank to change its rate during September was the Imperial Bank of India, whose rate was advanced from 7 to 8 per cent on September 22.

European Central Bank Rates
(per cent)

Central Bank of	Recent Low	Aug. 31, 1931	Sept. 30, 1931
Decreases during September			
Danzig	5	7	6
Estonia	6½	7	6½
Germany	5	10	8
Hungary	5½	9	8
Increases during September			
Bulgaria	8½	8½	9½
Czechoslovakia	4	5	6½
Denmark	3½	3½	6
England	2½	4½	6
Greece	9	9	12
Italy	5½	5½	7
Netherlands	2	2	3
Norway	4	4	8
Sweden	3	4	8
Unchanged during September			
Austria	5	10	10
Belgium	2½	2½	2½
France	2	2	2
Poland	7½	7½	7½
Switzerland	2	2	2

Gold Movement

During the month of September, earmarkings of gold for foreign central banks and exports to several European countries were considerably in excess of the amount of gold imported and resulted in a reduction of about $255,000,000 in the monetary gold stock of the United States, the largest monthly loss ever recorded. The earmarking transactions alone, chiefly consummated on and after September 21, accounted for a net loss of $277,000,000 of gold. Withdrawals of gold for export in the second half of the month totaled $28,700,000, of which $23,600,000 went to France, $4,200,000 to Holland, $700,000 to Switzerland, and minor amounts to several other European countries. The actual exports of gold were more than offset by further imports totaling $46,000,000. Of this amount $25,700,000 was received at New York from Argentina, $6,300,000 from Canada, $3,600,000 from Mexico, $2,900,000 from Colombia, and $2,000,000 from Peru, while $3,500,000 arrived at San Francisco from China. Notwithstanding the large loss of gold in September, the monetary gold stock of this country still shows a gain of about $145,000,000 for the year to date.

The Bank of England increased its gold holdings by about $7,500,000 during September. The principal acquisitions included the purchase of $10,000,000 South African gold in the market, the receipt of $2,750,000 in sovereigns from South Africa, and the release of $4,300,000 of gold from earmark. A total of $21,500,000 was withdrawn from the Bank of England for shipment to Holland before the suspension of gold payments by the Bank was announced.

Foreign Exchange

Prior to the suspension of the gold standard by Great Britain on September 21, nearly all the active foreign exchanges fluctuated uncertainly. Sterling sold at $4.86 5/32 on September 1, declined to $4.85¾ on the 10th, and after a mild recovery, dropped further to $4.85 on the 19th. Three months forward sterling was at a discount of 9 cents on the 19th as against 2¼ on the 17th. French francs were steady around $0.0392⅛ during most of this period. Reichsmarks dropped rapidly from $0.2373 on the 1st of the month to $0.2330 on the 9th, and then recovered to $0.2365 by the 18th. Guilders, from $0.4031¾, receded to $0.4029 on the 5th, but strengthened to $0.4037 by September 19, while Swiss francs rose from $0.1947 to $0.1953 between the 1st and 19th.

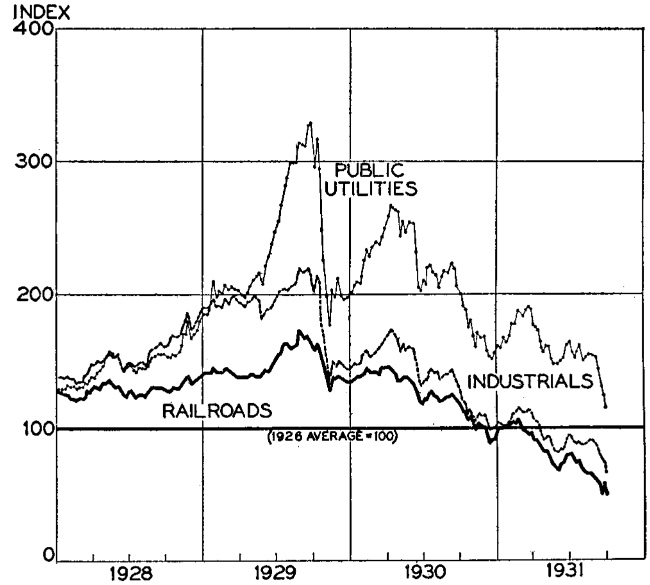
On Monday, September 21, the foreign exchange market was disorganized for several hours and firm quotations were obtained with difficulty. Sterling closed at $4.31 after wide fluctuations, which had carried the nominal quotations much lower during the course of the day. An irregular decline continued during the succeeding days until sterling reached its lowest closing rate at $3.75 on the 25th; the rate then firmed and steadied, closing at $3.91½ on the 29th. French francs closed at $0.0391¾ on the 21st, and on the 22nd rose suddenly above the estimated gold export point to $0.0394, holding thereafter at about this level. Reichsmarks, after holding fairly well, dipped to $0.2250 on the 23rd, but recovered subsequently and closed the month at $0.2350. Guilders firmed to $0.4040 on the 23rd, in the three following days declined steadily to $0.3994, but ended the month at $0.4020. Swiss francs were the one uninterruptedly strong European currency of the period, remaining throughout at a level well above the theoretical gold export point to Switzerland and closing on the 29th at $0.1960. Belgas, after a temporary decline shortly after the 21st, recovered to close the month at $0.1399, somewhat above the month's opening. Lire were highly irregular in a range between $0.0522½ on the 23rd and a reported quotation at one time of $0.0494, but closed the month at $0.0507. Quotations of the Scandinavian exchanges were largely nominal. Danish crowns were the most unsteady, following announcement of a gold export embargo, going as low as $0.2070 on the 24th and closing the month at $0.2200; Norwegians declined to $0.2180 on September 25 and closed at $0.2200 on the 28th on announcement of the suspension of the gold standard. After holding generally in the neighborhood of $0.2660, Swedish crowns dropped to $0.2350 on September 28 on the news that Sweden had also suspended the gold standard.

After September 21, the discount on Canadian dollars widened suddenly to about 7 per cent, and increased further to 12 per cent on September 30. The only South American currencies quoted in New York after the 21st were Argentine pesos and Brazilian milreis; both touched new lows, pesos at $0.5405 on the 23rd and milreis at $0.0525 on the 25th. Yen, after weakening temporarily, steadied at about $0.4938. The Chinese silver currencies advanced in the latter part of the month due to higher prices in the silver market.

Security Markets

Beginning early in September, industrial and public utility stocks joined with railroad shares, which had been weak throughout August, in showing substantial day to day price reductions. As a result, by the 19th of the month the general level of stock prices, including industrials, rails, and utilities had been lowered by about 20 per cent from the prices prevailing at the opening of September. In the days immediately following the announcement of Great Britain's suspension of the Gold Standard Act with its attendant upheaval in international finance, stock prices in this market showed extremely wide fluctuations, day to day changes of 5 to 10 points occurring in many of the leading shares quoted on the New York Stock Exchange. The net effect of these movements was a further drop in industrial and public utility stock prices. Toward the end of the month industrial stocks as a group were quoted at new low levels since 1924, public utility averages were the lowest since 1927, and railroad shares were only slightly above the September 19 level, which appears to have been the lowest for railroad stocks since 1897.

From the accompanying diagram, it appears that as a result of the most recent declines, quotations for industrial, railroad, and public utility stocks have receded to levels that are less than one-third of those



Price Movements of Industrial, Railroad, and Public Utility Stocks (Standard Statistics Company weekly price indexes)

prevailing at the 1929 peak of prices. In the course of the two year decline in the stock market somewhat more than two-thirds of the September 1929 market prices has vanished—probably a larger proportionate decline than at any time in the past, and certainly the largest for the period for which stock price averages are available.

Accompanying the September decline in prices, the turnover of stocks on the New York Exchange increased, but for the most part was still in the comparatively moderate range of 2 to 3 million shares daily. The largest turnover was on September 21, when 4,400,000 shares changed hands.

The bond market was also subject to large price declines and to a materially enlarged volume of selling during September. All divisions of the bond list participated in the downward movement, with foreign issues showing the greatest depreciation for the month. Available price averages of domestic corporation bonds dropped steadily in September, following a net decline during the previous month, and by the closing days of September were down 5 to 9½ points for the month to new lows for several years past. The comparison with the lows of previous years depends to a considerable extent upon the particular issues and grades of bonds composing the various averages, but in general it appears that domestic corporate issues have reached a lower level than at any time since at least 1924.

As the result of the marked weakness in foreign issues, including virtually all issues quoted on the Exchange, a price average composed of 40 representative foreign issues dropped 18 points further in September. This decline followed a decline of about 3 points in August and one of nearly 8 points in July, so that the average reached a new low level for the period of approximately seven years during which it has been computed. Losses that were large for United States Government bonds, though smaller than in other types of bonds, occurred also in the prices of Treasury and Liberty Loan issues. The new Treasury Bond issue floated on September 15 dropped to 97½, and other Treasury Bonds showed net losses of 2½ to 3½ points, while Liberty Loan issues were off more than 1 to 2½ points.

New Financing

Final figures for the amount of new securities offered during August were not materially higher than the preliminary data for the month. The total of $126,000,000, which included $120,000,000 of new capital issues and $6,000,000 of refunding, was the smallest for any month in recent years. Of the new capital issues, State and municipal financing accounted for $74,000,000, domestic corporate bonds for $34,000,000, and domestic corporate stock issues for $12,000,000. There was no foreign financing consummated.

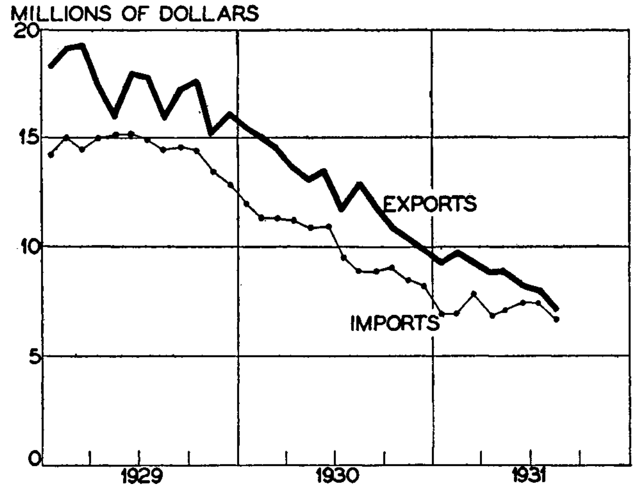
Although offerings of new securities continued to be in small volume during September, the total for the month as a whole appears to have been somewhat larger than in August. In the week beginning September 21, however, new offerings were almost entirely suspended. The month's total was composed chiefly of State, municipal, and Federal Intermediate Credit Bank issues, including a $20,000,000 State of New Jersey issue, which was taken directly by a large insurance company, and $40,000,000 of State of New York serial bonds. This latter issue was purchased by an underwriting syndicate for distribution at an interest cost of 3.23 per cent to the State, the lowest interest charge for any comparable borrowing of the State in about 25 years. Also included in the month's total was the sale in this market of a part of a $50,000,000 issue of Canadian National Railway bonds, guaranteed by the Canadian Government.

Foreign Trade

This country's total foreign merchandise trade followed during August the downward course of the past two years, contrary to the usual tendency at this season. Imports were reduced to $167,000,000 and exports to $162,000,000, thus creating an unfavorable balance of merchandise trade for the first time since May 1929. Imports were 24 per cent less in value than in August 1930, a somewhat smaller decrease from a year ago than in most recent months. Exports, on the other hand, were 46 per cent smaller than in August 1930, which is the largest loss so far reported during the present depression.

Grain and cotton exports, especially to Europe, showed unseasonal declines in August and were far below the levels of a year ago. The quantity of grain shipped abroad was 49 per cent smaller than a year ago and cotton exports were 42 per cent smaller; in value the declines were considerably larger due to the unusually low prices obtainable for these commodities.

The accompanying diagram indicates the changes that have occurred in the export and import trade of the United States since the 1929 peak. The data shown are average daily figures for each month of the period, adjusted for the usual seasonal movements indicated by past experience. It appears from the diagram that the seasonally adjusted figures for exports have declined considerably more from the peak of 1929 than have the



Average Daily Merchandise Exports and Imports During Each Month of 1929-1931, Adjusted for Seasonal Variations

similar figures for imports, so that the excess of exports has narrowed materially in recent months. The decline in exports has been continuous during 1930 and 1931, while imports, after showing in 1930 much the same decrease as exports, have held at a fairly constant level between January and August of this year.

Building

The course of building contract awards continued downward in August, and all of the major categories of building and engineering work were more than seasonally below the level of the previous month. According to the F. W. Dodge Corporation report, the principal decline was in contracts for public works and utilities, which after seasonal adjustment were the lowest since 1925. The decline in this group from the August 1930 volume amounted to 43 per cent, while residential and other non-residential contracts were down 28 and 27 per cent, respectively. Consequently, total building and engineering contracts in August showed a decrease of 33 per cent as compared with August of last year. Contract awards during the first three weeks of September, however, were more than seasonally above the level of August; increases in the daily average figures were due to larger contracts for public works and utilities and for other non-residential building.

In Metropolitan New York and vicinity, August contracts showed a contraction of about one-third from a year ago, due chiefly to the continued low level of commercial building.

Commodity Prices

After holding fairly steady for several months, the general level of wholesale commodity prices weakened somewhat in the latter part of September, and probably reached a level slightly below the 1913 average. Among individual commodities, new low records for all time were established in copper at 7 cents a pound and in rubber at 4½ cents a pound. The price of cotton declined to 5.95 cents a pound, and cash corn dropped further to 37⅝ cents a bushel, both new low levels for many years. Hog prices also declined to a new low for a number of years, and the prices of meats and hides showed a downward tendency. Lead, zinc, and tin prices declined somewhat toward the close of the month, but only tin broke through the low level reached earlier this year.

Cash wheat prices recovered sharply by the middle of September to 72 cents a bushel for Number 1 Northern at Minneapolis, as compared with the July low of 56⅞ cents, but declined to 64⅝ cents in the second half of the month; wheat futures at Chicago meanwhile declined to the lowest levels on record. Crude petroleum quotations rose further during September to 84 cents a barrel, according to a composite average, and coal prices were a little higher. The price of silver rose sharply, accompanying the suspension of gold payments by several countries, and touched a high of 31 cents, but subsequently lost all of this gain.

Employment and Wages

In August, it is usual for factory employment to begin to show the autumn expansion, but this year employment in New York State declined slightly further, and for the country as a whole showed a less than seasonal increase. This bank's employment indexes consequently declined to new low levels for the post-war years which they cover. In regard to non-manufacturing employment, the United States Employment Service reported that the number of workers engaged in highway construction remained at a high level in August, but that a substantial surplus of building labor continued to be apparent in most cities.

Factory payrolls both for the country as a whole and for New York State showed a decline instead of the usual seasonal advance in August, and average earnings of those workers who were employed declined further. The Bureau of Labor Statistics reported that a total of 221 establishments reduced their wage rates in the month ended August 15; these reductions averaged 10 per cent and affected 21,000 employees. Toward the close of September a number of large corporations, led by the United States Steel Corporation, announced reductions in their wage scales.

Production

Data available for September indicate that, after seasonal adjustment, a further decline has occurred in the level of productive activity. Steel mill operations were curtailed during the month, and the weekly estimates of activity dropped below 30 per cent of capacity for the first time in the current depression. Automobile production showed a further decline, and output of crude petroleum was far below the August average, owing to enforced curtailment in the East Texas field. On the other hand, production of bituminous coal and of cotton goods increased seasonally.

During August, productive activity in general showed a small decline, and, as it is usual for the autumn expansion to commence in this month, a preponderance of this bank's adjusted indexes were lower than in July. The Federal Reserve Board's seasonally adjusted index of the production of manufactures and minerals, from which the trend of growth is not eliminated, dropped to a new low since 1922, the August figure showing a decline of 37 per cent from the peak of June 1929. A downward tendency prevailed in most of the important industrial groups. Activity in the iron and steel industry declined further during August to the lowest level since 1921, and an unseasonal drop occurred in the output of lead. In the automobile and lumber industries also production was further curtailed in August. Among the fuels, crude petroleum output declined substantially, bituminous coal production failed to show all of the increase that is usual for August, and coke production was reduced; anthracite coal alone made a favorable comparison with the previous month. Among the textiles, mill consumption of raw cotton showed a small but unseasonal decline, and consumption of raw silk also decreased instead of showing the usual expansion, but the index of wool mill activity remained at the relatively high level of July, and sole leather and shoe production increased. Declines occurred in the indexes of production of tobacco products, newsprint paper, cement, and wheat flour, and in meltings of sugar, but an increase occurred in live stock slaughterings.

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

	1930	1931		
	Aug.	June	July	Aug.
Metals				
Pig iron	86	56	50	43
Steel ingots	86	58	52	48
Copper	79	63	55	54*p*
Lead	93	53	56	52
Zinc	75	41	37	38
Tin deliveries	85	73	76	76
Automobiles				
Passenger cars	51	50	46	**40*p***
Motor trucks	70	70*r*	63	**59*p***
Fuels				
Bituminous coal	88	80	79	76*p*
Anthracite coal	93	70	61	66*p*
Coke	89	65	61	57
Petroleum, crude	89	86	86	80*p*
Petroleum products	88	80	80	
Textiles and Leather Products				
Cotton consumption	65	78	82	78
Wool mill activity	71	89	98	99
Silk consumption	75	79	85	77
Leather, sole	105	82	84	91*p*
Leather, upper *n*	93*n*	93*n*		
Boots and shoes	84	94	89*p*	94*p*
Foods and Tobacco Products				
Live stock slaughtered	93	84	84	91
Wheat flour	101	81	98	92
Sugar meltings, U. S. ports	74	69	81	74
Tobacco products	100	97	91	88
Miscellaneous				
Cement	114	93	89	83
Tires	66	81	73	
Lumber *r*	68*r*	54*r*	49*r*	45*r*
Printing activity	87	82	81	
Paper, newsprint	90	88	90*p*	80*p*
Paper, other than newsprint	84	82*p*		
Wood pulp	91	78	79*p*	

p Preliminary *r* Revised *n* New series

Indexes of Business Activity

Car loadings of merchandise and miscellaneous freight indicate that the movement of goods failed to show the customary seasonal expansion in the first three weeks of September. Usually a substantial rise takes place late in August and continues to the end of September, but this year car loadings of this type of freight increased less than 1 per cent through the first week of September and then showed a downward tendency.

This bank's August indexes of the distribution of goods and of general business activity showed a decidedly downward movement. Car loadings, both of merchandise and miscellaneous freight and of bulk materials, underwent unseasonal declines, and further losses were recorded in this country's foreign trade. Declines were shown also in the indexes of wholesale trade and of traffic on important waterways. Department store sales in this district and in the country as a whole increased a little less than usual during August, and declines after seasonal adjustment occurred also in chain grocery sales, advertising, automobile registrations, and postal receipts. Moreover, the number of business failures did not decline as much as usual for the month of August.

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

	1930	1931		
	Aug.	June	July	Aug.
Primary Distribution				
Car loadings, merchandise and misc.	88	78	75	72
Car loadings, other	86	65	69	64
Exports *r*	89*r*	67*r*	64*r*	57*r*
Imports *r*	87*r*	79*r*	80*r*	72*r*
Waterways traffic *n*	87*n*	61*n*	64*n*	58*n*
Wholesale trade *r*	92*r*	93*r*	97*r*	89*r*
Distribution to Consumer				
Department store sales, 2nd Dist.	99	99	90	89
Chain grocery sales *r*	97*r*	96*r*	94*r*	91*r*
Other chain store sales *r*	96*r*	90*r*	87*r*	90*r*
Mail order house sales *r*	96*r*	89*r*	91*r*	
Advertising	82	76	76	74
Gasoline consumption *n*	90*n*	91*n*	86*n*	
Passenger automobile registrations *n*	64*n*	57*n*	53*n*	48*n*
General Business Activity				
Bank debits, outside of New York City	95	86	82	81
Bank debits, New York City *r*	83*r*	84*r*	72*r*	67*r*
Velocity of bank deposits, outside of New York City	103	89	88	86
Velocity of bank deposits, New York City	112	96	80	77
Shares sold on N. Y. Stock Exchange	127	157	104	76
Postal receipts	91	84	85	81
Life insurance paid for	95	92	89	90
Electric power	89	81	83*p*	
Employment in the United States	86	78	77	76
Business failures	105	98	100	104
Building contracts	72	62	58	49
New corporations formed in N. Y. State	85	94	96	95
Real estate transfers	63	52	52	52
General price level *	166	150	149	149
Composite index of wages *	223	215	213	214
Cost of living *	164	148	148	148

p Preliminary *r* Revised *n* New series *1913 average=100

Department Store Trade

Sales of the reporting department stores in this district during August averaged 12½ per cent smaller than in August 1930, the largest year-to-year decline since May. Department stores located in New York City, Newark, Southern New York State, and the Capital District reported decreases of about 13 per cent, while larger decreases were reported for stores in Rochester, Northern New York State, and Bridgeport District. Declines somewhat less than the average were reported in the sales of stores in the Syracuse and the Hudson River Valley districts. The Buffalo and Westchester District reporting department stores showed comparatively small decreases from the sales of a year previous. Sales of the leading apparel stores showed a large decline from August 1930.

During the first half of September, department stores in the Metropolitan area of New York reported sales 17 per cent less than in the comparable period of last year.

Stocks of merchandise on hand at the end of August, valued at retail prices, remained substantially smaller than a year ago. Collections on charge accounts outstanding continued to be somewhat slower than in the previous year.

Locality	Percentage change from a year ago			Per cent of accounts outstanding July 31 collected in August	
	Net sales		Stock on hand end of month		
	August	January to August		1930	1931
New York	—12.7	— 7.1	—14.3	36.1	35.9
Buffalo	— 6.0	— 8.6	—10.2	44.0	39.9
Rochester	—17.5	— 6.0	—11.5	31.0	34.8
Syracuse	—11.2	— 9.2	—11.4	24.8	23.4
Newark	—12.8	— 5.4	— 9.6	35.1	33.0
Bridgeport District	—14.9	—10.4	—17.2	36.7	33.4
Elsewhere	—12.7	— 8.8	—12.4	34.3	31.7
Northern New York State	—18.2	....	....	....	....
Southern New York State	—13.2	....	....	....	....
Hudson River Valley District	—11.2	....	....	....	....
Capital District	—12.8	....	....	....	....
Westchester District	— 2.8	....	....	....	....
All department stores	—12.5	— 7.1	—13.3	35.3	34.4
Apparel stores	—19.5	— 9.2	—16.2	34.4	34.1

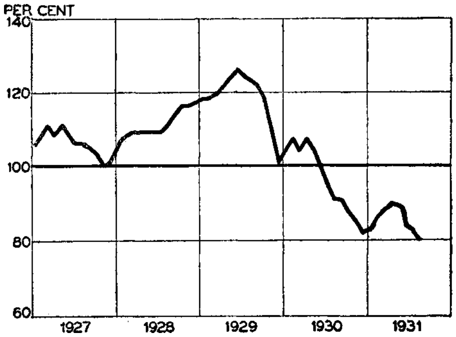
Wholesale Trade

Reporting wholesale firms in this district showed total August sales about 22 per cent below the previous year, the largest decrease since February. Declines from a year ago exceeding 20 per cent were again reported in the sales of men's clothing, cotton goods, paper, diamonds, and jewelry, while decreases of 15 per cent to 20 per cent occurred in the sales of groceries, shoes, hardware, and stationery. Wholesale drug sales also were 16 per cent smaller than in 1930, following an increase in July, and machine tool orders, reported by the National Machine Tool Builders Association, remained far below the 1930 level. Yardage sales of silk goods, reported by the Silk Association of America, however, continued to be larger than a year ago.

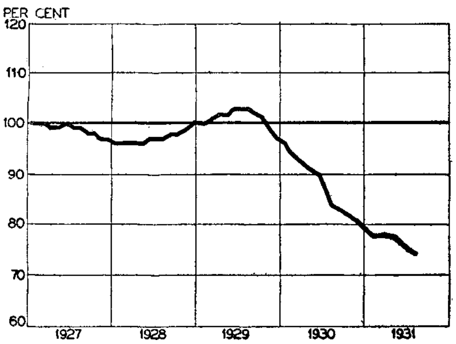
The value of stocks on hand at the end of August was below a year ago in all reporting lines. The ratio of collections to accounts outstanding was about the same as in August 1930.

Commodity	Percentage change August 1931 compared with July 1931		Percentage change August 1931 compared with August 1930		Per cent of accounts outstanding July 31 collected in August	
	Net sales	Stock end of month	Net sales	Stock end of month	1930	1931
Groceries	—14.5	— 0.4	—18.7	— 9.3	73.2	74.7
Men's clothing	+144.1	......	—35.2	......	34.4	35.8
Cotton goods	+ 9.7	+ 4.4	—24.9	—31.9	35.8	35.0
Silk goods	+26.6*	— 5.8*	+11.4*	—20.2*	43.6	53.9
Shoes	+25.7	+ 5.4	—14.8	—28.3	36.0	34.3
Drugs	—12.3	+ 9.4	—16.0	— 0.7	41.8	31.0
Hardware	— 4.3	— 5.3	—16.4	— 5.5	44.8	43.3
Machine tools**	+16.6	......	—37.0	......	....	....
Stationery	—18.4	......	—20.8	......	67.9	66.9
Paper	— 9.4	......	—24.6	......	55.3	46.6
Diamonds	+ 9.5	— 6.1	—59.2	—32.6	20.6	17.6
Jewelry	+ 6.3	— 0.2	—41.9	—33.7		
Weighted average	+29.4	......	—21.6	......	48.4	48.6

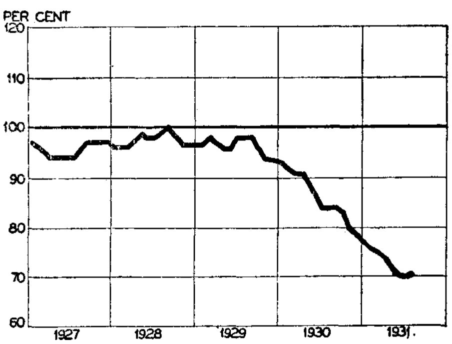
*Quantity not value. Reported by Silk Association of America
**Reported by the National Machine Tool Builders Association



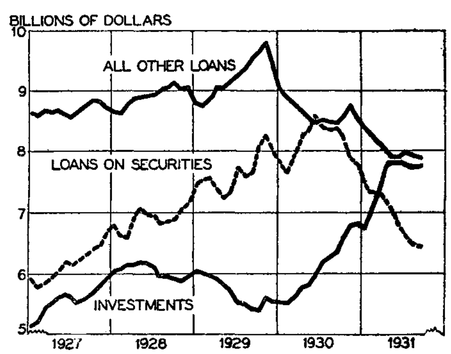
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variations (1923-25 average = 100 per cent)



Federal Reserve Board's Index of Factory Employment with 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)



Monthly Averages of Weekly Figures for Reporting Member Banks in Leading Cities (Latest figures are averages of first three weeks of September)

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

VOLUME of industrial production and factory employment, which usually increases at this season, showed little change from July to August, and the Board's seasonally adjusted indexes consequently declined. The general level of wholesale prices remained in August at about the same level as in the two preceding months, but declined somewhat in the first three weeks of September.

Production and Employment

Industrial production, as measured by the Board's seasonally adjusted index, declined from 83 per cent of the 1923-1925 average in July to 80 per cent in August, which compares with the previous low level of 82 per cent for December 1930. Output of steel, which ordinarily increases in August, declined further to 31 per cent of capacity, reflecting in part curtailment in automobile production; lumber output also decreased, contrary to seasonal tendency. Activity at textile mills and shoe factories showed about the usual seasonal changes, and production in these industries continued to be in substantially larger volume than a year ago. In the latter part of August, output of crude petroleum decreased 30 per cent, the reduction being in East Texas, following earlier curtailment in Oklahoma fields; in the middle of September production increased somewhat.

Volume of factory employment, which usually increases at this season, showed little change from the middle of July to the middle of August. The number employed in the clothing and shoe industries and in canning factories increased, while employment at steel mills, automobile plants, foundries, and car building shops declined.

Value of building contracts awarded, as reported by the F. W. Dodge Corporation, continued to decline in August and for the first eight months of 1931 was 31 per cent less than in the corresponding period of 1930, reflecting decreases of 18 per cent in contracts for residential building, 30 per cent for public works and utilities, 54 per cent for factories, and 56 per cent for commercial building.

Department of Agriculture crop estimates based on September 1 conditions were about the same as estimates made a month earlier. High yields per acre and large crops were indicated for cotton, winter wheat, and tobacco, while crops of spring wheat and hay were expected to be unusually small, chiefly on account of dry weather. The corn crop was estimated at 2,715,000,000 bushels, 600,000,000 bushels larger than last year, but 50,000,000 bushels smaller than the five-year average.

Distribution

Daily average freight-car loadings declined somewhat in August, contrary to the seasonal movement, while department store sales increased, but by an amount slightly smaller than is usual in August.

Prices

The general level of wholesale prices increased from 70.0 per cent of the 1926 average in June and July to 70.2 per cent in August, according to the Bureau of Labor Statistics, reflecting increases in the prices of livestock, meats, dairy products, and petroleum, offset in large part by decreases in the prices of grains, cotton, and cotton textiles. During the first three weeks of September, prices of livestock, meats, hides, and cotton declined while prices of dairy products continued to increase.

Bank Credit

Volume of Reserve Bank credit, which had increased by $240,000,000 during the month of August, increased further by $70,000,000 in the first part of September, and in the week ended September 19, averaged $1,265,000,000. The demand for the additional Reserve Bank credit arose chiefly from an increase of $295,000,000 in the volume of currency outstanding; there were also further transfers to the Reserve Banks by foreign correspondents of funds previously employed in the acceptance market, offset in large part by a growth of $60,000,000 in the country's stock of monetary gold. Following the suspension of the gold standard act by Great Britain, more than $100,000,000 in gold was added to the amount held by the Federal Reserve Banks under earmark for foreign account and there was a corresponding decrease in the country's stock of monetary gold.

Loans and investments of reporting member banks in leading cities, after declining in July and the first half of August, showed little change in the three-week period ended September 9. There was a further decline in loans on securities while the banks' holdings of investments increased somewhat. In the following week, the banks added $227,000,000 to their holdings of United States Government securities when an issue of $800,000,000 of United States Government bonds was brought out, while holdings of other securities were reduced by $40,000,000. Loans on securities continued to decline, and all other loans were also reduced, contrary to the usual seasonal tendency.

Money rates in the open market continued at low levels. On September 22 the rate on bankers acceptances advanced from ⅞ of 1 per cent to 1 per cent. Yields on high-grade bonds increased during the last half of August and the first part of September.