

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

November 1, 1931

#### Money Market in October

During October this country sustained a net loss of approximately \$439,000,000 of gold, probably the largest gold movement ever experienced by this or any other country. The outflow represented a continuation of the movement which started in the latter part of September, but the character of the movement changed in October and in the latter part of the month the outflow diminished considerably. The reductions in the monetary gold stock of the United States by calendar weeks since the movement started have been approximately as follows:

| Week ended                     | Amount        |
|--------------------------------|---------------|
| September 26 .....             | \$173,000,000 |
| October 3 .....                | 168,000,000   |
| October 10 .....               | 153,000,000   |
| October 17 .....               | 151,000,000   |
| October 24 .....               | 60,000,000    |
| October 31 (preliminary) ..... | 7,000,000     |

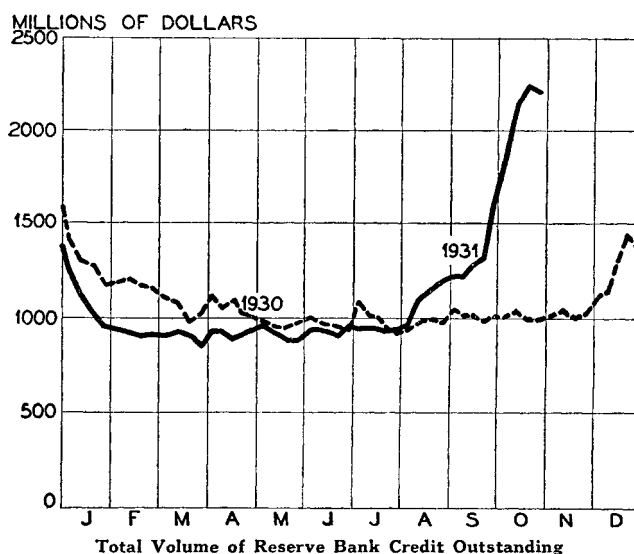
Whereas the early part of the gold loss represented purchases by foreign central banks to strengthen their own position, and the gold was left under earmark in this country, the loss in recent weeks has represented more largely the withdrawal of funds from this market by European private banking organizations and individuals, as a result of which French and Swiss francs, belgas, and Dutch guilders rose to levels at which gold exports were profitable. When the immediate shock and confusion of Great Britain's suspension of gold payments had passed and as gold exports began to exercise something of their normal effect in hardening money rates here and piling up surplus funds abroad, dollar exchange strengthened relative to the European exchanges to the point where the profit in gold shipments was practically eliminated. The total outflow of gold since the movement began in September is now approximately equal to the inflow of gold since the beginning of 1930, but leaves the monetary gold stock of the United States at the end of October above the levels prevailing in the latter part of 1928 and early 1929.

The Federal Reserve System still has reserves in excess of the amount which it is legally required to

hold against Federal Reserve notes in circulation and against member bank reserve balances and other deposits, amounting to more than \$1,000,000,000. In addition there is about \$1,000,000,000 of gold certificates in circulation in this country, a considerable part of which could if desired be replaced with other forms of currency.

The domestic demand for currency during the past month has shown tendencies somewhat similar to those in the foreign demand for gold. In the latter part of September and early October the demand for currency was unusually heavy, partly due to seasonal requirements, but after October 7 the demand slackened considerably, and in the last week of the month there was a small net return of currency to the Reserve Banks.

The combined effect of the withdrawal of foreign funds from this country and of the demand for currency was reflected in a large increase in demand for Federal Reserve credit, which is shown in the accompanying diagram. Between the week ended September 19 and October 24, the total volume of Federal Reserve credit in use increased from \$1,265,000,000 to \$2,255,000,000, the highest level since 1921. The additional credit, as the following table shows, was supplied by the Reserve Banks partly through a large increase in acceptance



holdings and partly through an almost equally large increase in discounts for member banks.

(In millions of dollars)

|   | Average for week ended |              |
|---|------------------------|--------------|
|   | September 19           | October 24   |
| Bills discounted .....                    | 269                    | 704          |
| Bills bought .....                        | 212                    | 768          |
| U. S. Government securities .....         | 741                    | 728          |
| Other Federal Reserve credit .....        | 43                     | 55           |
| <b>Total Federal Reserve credit .....</b> | <b>1,265</b>           | <b>2,255</b> |

This rapid increase in the demand for Federal Reserve credit was accompanied by a general rise in money rates in the New York money market; first a moderate rise in open market bill rates, then two successive advances of 1 per cent each in the discount rate of the Federal Reserve Bank of New York, followed by a general rise in all open market money rates. The advances in the discount rate of the Federal Reserve Bank of New York were made effective on October 9 and October 16, and raised the rate from  $1\frac{1}{2}$  to  $3\frac{1}{2}$  per cent. Advances were made also in the discount rates of the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Kansas City, Dallas, and San Francisco. The rates prevailing in the New York money market at the end of October are shown in the following table, together with the comparative rates of a month previous and a year ago.

Money Rates at New York

|  | Oct. 31, 1930  | Sept. 30, 1931 | Oct. 30, 1931               |
|--|----------------|----------------|-----------------------------|
| Stock Exchange call loans .....  | 2              | $1\frac{1}{2}$ | $2\frac{1}{2}$              |
| Stock Exchange 90 day loans .....  | $2\frac{1}{2}$ | $2\frac{1}{2}$ | $*3\frac{1}{2}-4$           |
| Prime commercial paper .....   | $\frac{3}{8}$  | $\frac{1}{2}$  | $3\frac{3}{4}-4\frac{1}{4}$ |
| Bills—90 day unindorsed .....  | $1\frac{1}{8}$ | $1\frac{1}{4}$ | $3\frac{1}{4}$              |
| Customers' rates on commercial loans ..                                    | †3.88          | †3.33          | †3.67                       |
| Treasury certificates and notes  |                |                |                             |
| Maturing December 15 (yield) .....   | 1.32           | .85            | 1.48                        |
| Maturing March 15 (yield) .....  | 1.67           | 1.17           | 2.32                        |
| Federal Reserve Bank of New York re-<br>discount rate .....                | $2\frac{1}{2}$ | $1\frac{1}{2}$ | $3\frac{1}{2}$              |
| Federal Reserve Bank of New York<br>buying rate for 90 day indorsed bills. | ‡2             | $1\frac{1}{4}$ | $3\frac{1}{2}$              |

\* Nominal † Average rate of leading banks at middle of month  
‡ 1-75 days— $1\frac{1}{8}$  per cent

The rise in short-term money rates was accompanied by a rise in yields on long-term bonds, and a fall in bond prices. Until September, the prices of United States Government bonds and other high grade bonds had held at comparatively high levels, but in the latter part of September and much of October they declined substantially, first in anticipation, then in the realization, of higher money rates. The fall in bond prices was much larger than would normally have been expected in response to the rise in short-term money rates, however, as it carried prices well below the lowest levels of 1929, when much higher money rates prevailed.

#### MEMBER BANK CREDIT

Reports from weekly reporting member banks in leading cities throughout the country have shown a large shrinkage of deposits in recent weeks. This shrinkage, which in the first three weeks of the month amounted to \$1,250,000,000, apparently was due in part to the with-

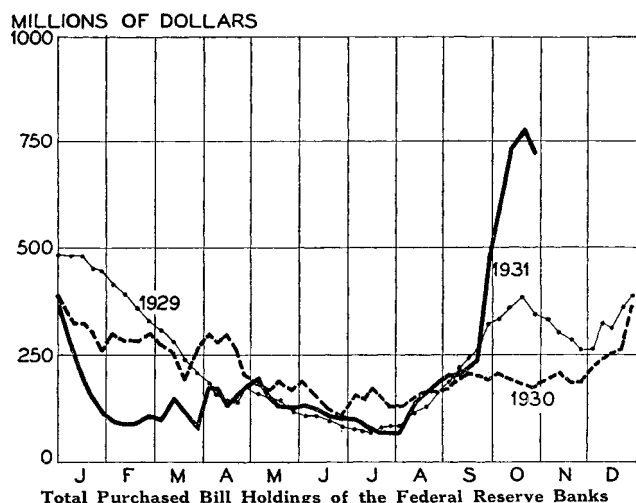
drawal of funds by foreign and domestic depositors, but more largely to the liquidation of loans and investments. During the same period the total loans and investments of these banks showed a reduction of more than \$800,000,000, over half of which was in security loans and the remainder divided between other loans and investments. Since the first of July total deposits of the reporting banks have been reduced \$2,000,000,000, and total loans and investments have declined \$1,200,000,000.

#### BILL MARKET

The principal developments in the bill market during October were a rapid advance in rates and a further marked concentration of the outstanding bills in the portfolio of the Federal Reserve Banks. In the first half of the month, the small investment demand for bills reflected the fact that, as foreign central banks had either disposed of a large part of their bill holdings in order to provide funds with which to purchase gold, or were then disposing of their bills, reinvestment demand from this important source was largely lacking. At the same time domestic banks, in order to meet demands on them for funds, were disposing of their bills, partly through the dealers, though more largely by sale to the Reserve Bank.

Following the initial increase in the Federal Reserve discount rate, open market rates were advanced in several steps by a total of 1 to  $1\frac{1}{4}$  per cent, making the offering quotation for unindorsed 90 day bills  $2\frac{3}{8}$  per cent. As a result of the disturbance in the rate structure of the discount market, the majority of the new bills created were immediately offered by the banks to the dealers. By the middle of the month the increased sales of bills by the domestic banks, dealers, and foreign central banks had increased the Reserve Banks' portfolio of bills to \$730,000,000, a rise of \$261,000,000 since the end of September and of \$512,000,000 since the middle of September. The second increase in the New York Reserve Bank's rate, on October 16, was followed by an advance in open market offering rates ranging from  $\frac{7}{8}$  to  $1\frac{1}{4}$  per cent and bid rates were advanced sufficiently to create a spread of  $\frac{1}{4}$  per cent between bid and offering rates. The offering rate for unindorsed 90 day bills became  $3\frac{1}{4}$  per cent, representing an advance of  $2\frac{3}{8}$  per cent from the low level that prevailed through the summer months.

After bill rates attained these levels, a moderate investment demand for bills from foreign account developed, some demand from local institutions arose, and, as the available supply of bills was very moderate, dealers' portfolios were reduced to a small figure. Bill holdings of the Reserve Banks showed a comparatively moderate further increase during the week ended October 21, but this was due to offerings of bills prior to the last rate increase. Foreign buying of bills during the remainder of the month absorbed all of the limited amount of new bills that came into the market, and Federal Reserve holdings for own account declined somewhat from the high figure of October 21, due to an excess of maturing bills over the amount of bills offered to the Reserve Banks by banks and dealers.



Coincident with the increases in open market bill rates effected during the month, advances were made in the rates at which the Federal Reserve Bank of New York makes purchases of bills. By October 16, the buying rate for indorsed bills maturing in 90 days or less had been raised to  $3\frac{1}{8}$  per cent, as compared with a rate of  $1\frac{1}{4}$  per cent at the month's opening.

On September 30, the total volume of dollar acceptances outstanding amounted to \$996,000,000, a decrease of \$94,000,000 during that month. On the same date, the Federal Reserve Bank's total purchased bill holdings amounted to \$469,000,000, an increase of \$254,000,000 during September. As the accompanying diagram indicates, this continued tendency for bills to flow into the Reserve System during the greater part of October resulted in raising the Federal Reserve bill portfolio to a new high level, and it is probable that toward the end of the month more than two-thirds of the outstanding dollar acceptances were held by the Reserve Banks for their own account, as against a very small proportion during the summer months.

#### COMMERCIAL PAPER MARKET

The open market offering range for prime commercial paper advanced to  $2-2\frac{1}{4}$  per cent in the opening days of October, rose to  $2\frac{1}{2}-3$  per cent after the first increase in the Reserve Bank discount rate, and to  $3\frac{3}{4}-4\frac{1}{4}$  per cent following the second discount rate increase at New York. Throughout the period the investment demand on the part of the banks was generally at a low ebb, though toward the end of the month some increase in the amount of orders received by the dealers from country banks was reported. With the market so largely of a nominal nature because of the small demand for and supply of commercial paper, no prevailing rate for prime names could be quoted, though it is probable that after the middle of the month more paper was sold at 4 per cent than at any other rate.

At the end of September, the reporting dealers had \$248,000,000 of commercial paper outstanding. This represents a decrease of 9 per cent from the August 31

figure and of 52 per cent from the amount outstanding in September 1930.

#### National Credit Corporation

An important development of the past month with respect to the commercial banking situation has been the organization, at the suggestion of President Hoover, of the National Credit Corporation. The proposal, as contained in the President's statement on October 7, was as follows:

"To mobilize the banking resources of the country to meet these conditions, I request the bankers of the nation to form a national institution of at least \$500,000,000. The purpose of this institution is to be the rediscount of banking assets not now eligible for rediscount at the Federal Reserve banks in order to assure our banks, being sound, that they may attain liquidity in case of necessity, and thereby enable them to continue their business without the restriction of their credit or the sacrifice of their assets."

This announcement was quickly followed by the appointment of an organization committee in New York, headed by Mortimer N. Buckner, President of the New York Clearing House Association. During the following days a plan for the incorporation of the project was formulated by the committee, and a board of directors selected, consisting of one member from each of the twelve Federal Reserve districts.

A plan of organization was prepared, and on October 14 copies of it were sent to all clearing house associations throughout the country. Meanwhile, in advance of a formal request for subscriptions, the members of the New York Clearing House Association agreed to subscribe \$150,000,000 to the new corporation. After the formation of the corporation all banks throughout the country were invited to participate by subscribing to gold notes of the corporation in an amount equal to 2 per cent of their net demand and time deposits, but not to exceed 10 per cent of their capital and surplus. Steps have also been taken to have the subscribing banks throughout the country form groups or associations to work with the corporation.

The plan of operation is that the directors of the corporation will call for the payment of subscriptions in installments, and the funds thus obtained will be loaned against sound assets not eligible for rediscount at the Reserve Banks to banks that need liquid funds. The loans will be made through the groups or associations of banks, each of which will have a loan committee to pass on the loan applications of the banks in that group or association, and the corporation will receive the notes of the groups or associations of banks secured by the notes of the borrowing banks and by the collateral furnished by the borrowing banks.

In short, the corporation will tend to mobilize the liquid banking resources of the country and make funds more readily available to banks with assets that are sound but ineligible for rediscount at the Reserve Banks. It will tend to distribute rather than to expand bank credit, and will relieve banks of the necessity of sacrificing their assets by "dumping" them in the market when they need liquid funds.

## Renewal of Credit to Bank of England

The following announcement was made by this bank on October 30th:

"On August 1, 1931 announcement was made that the Federal Reserve Bank of New York in association with other Federal Reserve Banks had agreed to purchase from the Bank of England up to the approximate equivalent of \$125,000,000 of prime commercial bills. That agreement expires on October 31, 1931, and the Federal Reserve Bank of New York in association with other Federal Reserve Banks has renewed the agreement for a period of three months for the approximate equivalent of \$75,000,000, the period and amount requested by the Bank of England. The renewal of this agreement by 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 now aggregating in all \$150,000,000."

## Gold Movement

The monetary gold stock of the United States was further reduced during October by the unprecedented amount of \$439,000,000, as a result of exports of gold to several European countries and of some further net earmarkings of gold for foreign central banks. The net increase in the amount of gold held under earmark for foreign account, amounting to \$110,000,000, was considerably smaller than in September; this net change in earmarked holdings takes into account the release of gold previously earmarked, a part of which was shipped abroad and is included in the month's export figures. The gold exports of the month, partly counterbalanced by imports, totaled \$393,400,000, of which more than 80 per cent went to France. The amounts and destinations of the principal gold exports during October are shown in the accompanying table, together with the amounts that were taken for these countries during the last half of September.

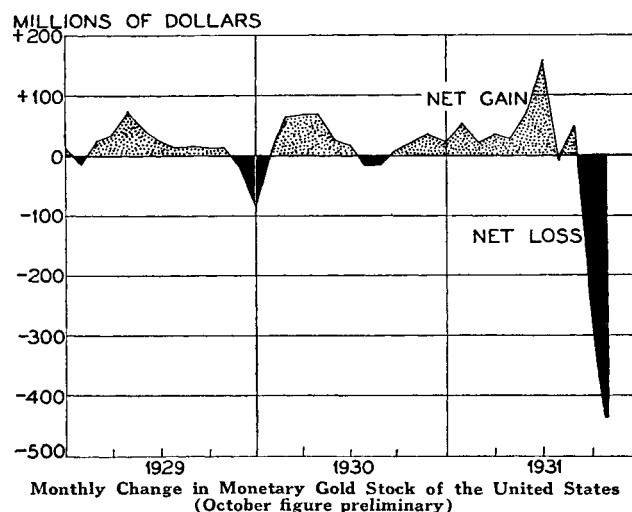
(In thousands of dollars)

| Country          | Sept. 16-30 | October 1-31 | Total     |
|------------------|-------------|--------------|-----------|
| Belgium.....     | —           | \$11,500     | \$11,500  |
| France.....      | \$24,100    | 323,300      | 347,400   |
| Germany.....     | —           | 900          | 900       |
| Holland.....     | 4,200       | 33,700       | 37,900    |
| Italy.....       | —           | 4,100        | 4,100     |
| Portugal.....    | —           | 2,100        | 2,100     |
| Switzerland..... | —           | 15,000       | 15,000    |
| Total.....       | \$28,300    | \$390,600    | \$418,900 |

At the Port of New York, imports during October amounted to \$31,000,000, of which \$15,500,000 was received from Argentina, \$5,000,000 from Sweden, \$5,500,000 from Canada, and \$2,750,000 from Uruguay. In addition to these imports, \$22,500,000 was received from Japan and \$5,500,000 from China at San Francisco.

Since September 16 when the peak of \$5,015,000,000 in this country's monetary gold stock was reached there has been a net loss of \$716,000,000 of gold, including an increase of \$385,000,000 in earmarked gold held for foreign account, and exports of \$420,000,000, partially offset by imports of \$85,000,000 during this period.

The accompanying diagram indicates that the gold outflow of the past two months has followed a period of nearly three years during which the movement of gold was almost continuously toward this country. The recent outward movement has therefore constituted a



release of gold that had recently come to this country, leaving the United States monetary gold stock at about the same level as in February 1930.

Since the suspension of gold payments by the Bank of England most of the gold arriving in London from South Africa has been withheld from sale, though small parcels have been sold to the trade at varying prices.

## Central Bank Rate Changes

On October 10 the discount rate of the Bank of France was raised to 2½ per cent from 2 per cent, which had been the rate since January 3, 1931. Following three increases in the month of September which brought their discount rates up from 4 per cent to 8 per cent, both the Sveriges Riksbank and the Norges Bank lowered their rates to 7 per cent on October 8, and again to 6 per cent on October 19. The Finlands Bank, after raising its discount rate from 6 to 7½ per cent on October 2 and then to 9 per cent on the 13th (the day following the declaration of the suspension of gold payments by that bank), lowered its rate to 8 per cent on October 26. On the 29th the discount rate of the Bank of Greece was lowered from 12 to 11 per cent. The Lithuanian Bank is reported to have raised its rate from 7 per cent, where it had stood since February 1, 1925, to 8½ per cent on October 3.

The discount rate of the Bank of Japan, which had been 14 rin per diem on 100 yen (equivalent to 5.11 per cent per annum) since October 7, 1930, was raised on October 6, 1931 by 2 rin and is now equivalent to 5.84 per cent per annum. The rate charged member banks by the Central Bank of Chile was lowered from 7 to 6½ per cent on October 6, the higher rate having been in force since August 26, 1931.

## Foreign Exchange

Relatively wide fluctuations and irregularity of trend marked the foreign exchanges during October. Sterling moved in a range of about 13¾ cents, touching a high of \$3.97 on the 1st and closing at \$3.8550 on the 30th. The reichsmark was weak in the first fortnight, but developed moderate strength at the end of the month. The currencies of the four European countries in which gold

and foreign exchange trading is unrestricted—Belgium, France, the Netherlands, and Switzerland—were very firm during the first half of the month, but declined gradually thereafter. The three Scandinavian exchanges moved irregularly lower. Canadian dollars were at their highest level of October towards the end of the month, as were the leading South American exchanges, which firmed appreciably after the middle of the month. In the Far Eastern currencies, the Shanghai and Hong Kong silver exchanges closed strong as did the rupee, but the yen showed a net loss during October.

Closing cable rates at New York  
(In dollars)

| Exchange on | Par      | Sept. 30 1931 | October 1931 |          | Oct. 30 1931 |
|-------------|----------|---------------|--------------|----------|--------------|
|             |          |               | High         | Low      |              |
| Austria     | \$ .1407 | *             | \$ .1402     | \$ .1350 | \$ .1395     |
| Belgium     | .1390    | \$. 1397 ½    | .1407        | .1394    | .1395        |
| Denmark     | .2680    | .2200         | .2300        | .2180    | .2195        |
| England     | 4.8665   | 3.9250        | 3.9700       | 3.8375   | 3.8550       |
| France      | .0392    | .0394         | .0394 ¼      | .0393 ½  | .0393 ½      |
| Germany     | .2382    | .2330         | .2370        | .2298    | .2370        |
| Italy       | .0526    | .0512         | .0522        | .0514    | .0515 ¼      |
| Netherlands | .4020    | .4026         | .4075        | .4017    | .4038        |
| Norway      | .2680    | .2225         | .2300        | .2170    | .2170        |
| Poland      | .1122    | *             | .1130        | .1130    | .1123        |
| Spain       | .0930    | .0900         | .0905        | .0880    | .0891        |
| Sweden      | .2680    | .2300         | .2450        | .2210    | .2240        |
| Switzerland | .1930    | .1963         | .1990        | .1950    | .1950        |
| Canada      | 1.0000   | .8800         | .9100        | .8700    | .8963        |
| Argentina   | .9648    | .5450         | .5376        | .4630    | .5319        |
| Brazil      | .1196    | .0560         | .0628        | .0500    | .0625        |
| Uruguay     | 1.0342   | *             | .4050        | .3150    | .4050        |
| Japan       | .4985    | .4925         | .4940        | .4895    | .4895        |
| Hongkong    | —        | .2400         | .2563        | .2425    | .2550        |
| Shanghai    | —        | .3100         | .3325        | .3125    | .3250        |

\* Not quoted at the end of September

### New Financing

Aside from two United States Treasury Bill issues totaling \$100,000,000 sold to replace maturing issues of the same amount, offerings of new securities during October were scant. There were no domestic corporation or foreign issues announced, and the bulk of the public offerings was composed of a \$12,000,000 Federal Intermediate Credit Bank short-term debenture issue and \$25,000,000 of New York City issues, the latter representing a part of a total of \$42,000,000 of revenue bills and corporate stock purchased from the City by several New York banks. The month's aggregate consequently appears to have been the smallest for any month since the war.

In September, a total of \$309,000,000 of new financing was consummated, of which \$241,000,000 represented new capital issues and \$68,000,000 refunding. The new capital issues of the month, while the largest since June, were \$140,000,000 smaller than a year ago. Domestic corporate new issues amounted to \$106,000,000, as against \$285,000,000 in September 1930, while State and municipal financing totaled \$111,000,000, an increase of \$19,000,000 over a year ago. Foreign issues amounted to \$24,000,000, due principally to the sale of part of a Canadian National Railway issue in this market.

### Security Markets

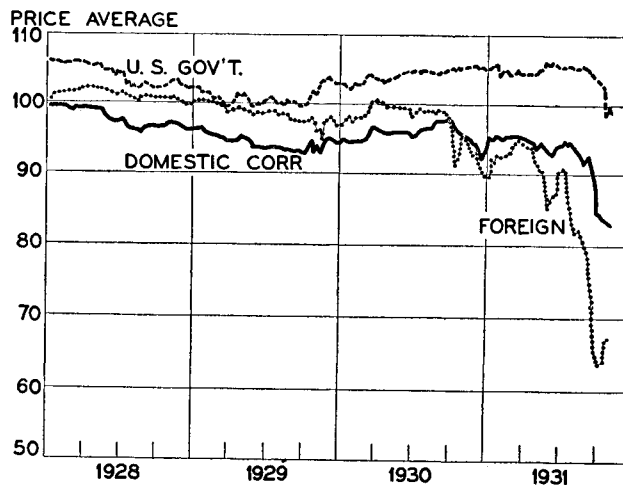
During the first few days of October, the trend of stock market prices continued downward, and by October 5 the general level was the lowest since early

in 1922, and only about 20 per cent above the lowest point of 1921. As the result of this further substantial decline, public utility shares reached a new low since 1927, industrial stocks were the lowest since about 1922, and railroad stocks, according to available data, broke through their 1897 low. On October 6 the Washington report of an impending important financial development, which proved to be the formation of the National Credit Corporation, was accompanied by a sharp advance in stock prices—in fact the greatest percentage rise for any day since October 1929—and a further substantial advance in prices occurred within the next few days. Thereafter a moderate net rise was registered, though a declining tendency appeared in railroad stocks after the Interstate Commerce Commission decision on freight rates was announced. As a result, by October 24, stock prices in general had reached a level about 24 per cent above the low of the early part of the month. In the final week of the month, however, some net recession occurred.

The turnover on the New York Stock Exchange continued in somewhat accelerated volume during the first ten days of October, but subsequently declined to an average daily amount of about 1,500,000 shares.

In the bond market, prices of domestic corporation issues also continued downward during the first few days of October, after which a steadier tendency was apparent, especially in the prices of the less high grade issues which heretofore had shown the largest declines. On the whole, bond price averages containing a large proportion of the lower grade issues closed the month somewhat above the low levels reached prior to the announcement of the formation of the National Credit Corporation. Accompanying the October rise in money rates, however, price averages representing primarily high grade investment bonds continued to decline, though at a less rapid rate than in late September.

The October rise in money rates was reflected clearly in the market quotations of United States Government bonds. These issues held fairly steady during the first week of the month, but declined nearly 5 points on the average during the subsequent ten days, accompanying



Movement of Bond Prices (Federal Reserve Bank of New York composite of 5 domestic bond averages; average of 11 United States Government bonds—adjusted for inclusion of new Treasury Bond issues of March, June, and September; and Baker, Kellogg & Co. average of 40 foreign bonds)

the abrupt rise in short-term money rates. For a time prices of Government bonds were below the lowest levels reached in 1929 when money rates were much higher. Subsequently there was a recovery of about 1½ points in the average price of the outstanding Liberty and Treasury issues, but these bonds showed an average net loss of about 3 points for the month.

Foreign bonds moved irregularly during October, but on the whole were somewhat firmer, following the drastic declines of the previous month. An average of the prices of 40 representative foreign bonds rose 5 points, thereby canceling over one-fourth of the September loss.

### Foreign Trade

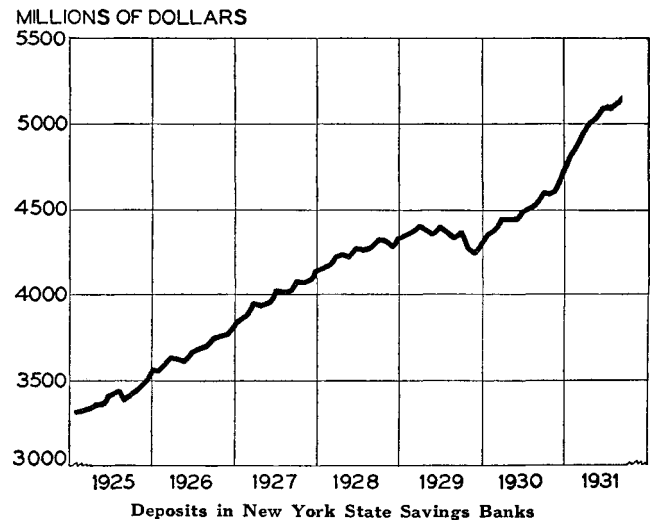
The dollar value of this country's foreign merchandise trade increased slightly during September from the low level of the previous month. Neither exports nor imports, however, showed all of the usual seasonal advance between these two months. Imports, at \$171,000,000, were 24 per cent below a year ago, the same reduction as in August. Exports, valued at \$181,000,000, showed a decline of 42 per cent from September 1930, a somewhat smaller loss than in the previous month.

In both imports and exports, crude materials and crude foodstuffs showed the heaviest percentage declines in values from September 1930. This is at least partly explainable by a larger drop in the prices of raw materials than in the prices of wholly and semi-manufactured products. Cotton and grain exports both were less than two-thirds of their September 1930 volume, and only a little more than one-third of the 1930 value. Raw cotton exports, however, showed more than the usual seasonal increase over August, following an unseasonal decline in that month, but shipments of grains were reduced slightly, contrary to the usual seasonal tendency. Quantity receipts of raw silk and coffee were considerably smaller than in September 1930, while crude rubber imports were in slightly larger volume.

### Savings Bank Deposits

Figures collected by the Savings Bank Association of the State of New York from practically all of the savings institutions in the State show that deposits of these banks rose to a new high level of \$5,172,000,000 on September 30. As the accompanying diagram indicates, the increase of deposits in the savings banks has been unusually rapid during the past year, exceeding even the 1930 rise which followed a net withdrawal of savings bank deposits during the second half of 1929. The amount due depositors at the end of September was 12½ per cent larger than a year ago and 22 per cent higher than in November 1929, whereas in the three years prior to September 1928, the average yearly increase in the deposits of these banks was 8 per cent.

The number of depositors likewise has shown a large increase, being 9 per cent in excess of the September 1930 total, and 13 per cent larger than in November 1929. Deposits of banks located in Manhattan and the Bronx showed the largest year-to-year increase, about 15 per cent, but Brooklyn banks and institutions in other parts of the State also reported increases of around 10 per cent.



### Employment and Wages

The number of workers employed in manufacturing concerns increased slightly from August to September. In New York State this increase appears to have been a little larger than usual, but for the country as a whole the increase was less than the average expansion in past years, and the seasonally adjusted index of employment for the United States declined to a new low level since at least 1919, the first year for which the index is available.

Factory payrolls in New York State appear to have increased a little less than usually in September, and for the country as a whole payrolls declined rather markedly. Average weekly earnings in New York State factories declined to the lowest level since early in 1923. The Bureau of Labor Statistics reported that 362 establishments reduced their wage rates in the month ended September 15; these reductions averaged 10.6 per cent and affected 61,600 employees.

### Production

Industrial production showed no consistent change in October. Activity in the steel and automobile industries declined further, but production of bituminous coal and output of cotton goods increased seasonally, and production of petroleum rose sharply, accompanying the reopening of the East Texas field.

In September, productive activity declined slightly further instead of showing the usual seasonal expansion. The Federal Reserve Board's index of industrial production, which is adjusted for seasonal variations but not for long-time growth, reached a new low level since 1922 and was 40 per cent below the 1929 peak. Additional curtailment was reported in production of pig iron, steel ingots, automobiles, lumber, crude petroleum, and cement. The September increase in output of bituminous coal appears to have been less than seasonal, and coke production failed to show the usual increase; anthracite coal production, however, rose slightly further. Among the textiles, mill consumption of raw cotton showed about the usual seasonal increase, and consumption of raw silk increased considerably more than usually, but wool mill activity

showed a contra-seasonal decline. Shoe production was also reduced. Substantial gains occurred in the indexes of slaughtering of live stock and of production of newsprint paper.

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

|                                      | 1930  |      | 1931 |       |
|--------------------------------------|-------|------|------|-------|
|                                      | Sept. | July | Aug. | Sept. |
| <b>Metals</b>                        |       |      |      |       |
| Pig iron                             | 79    | 50   | 43   | 41    |
| Steel ingots                         | 81    | 52   | 48   | 43    |
| Copper                               | 81    | 55   | 54   | 54p   |
| Lead                                 | 89    | 56   | 58r  | 57    |
| Zinc                                 | 75    | 37   | 38   | 38    |
| Tin deliveries                       | 105   | 76   | 76   | 70    |
| <b>Automobiles</b>                   |       |      |      |       |
| Passenger cars                       | 49    | 46   | 40   | 29p   |
| Motor trucks                         | 75    | 63   | 59   | 54p   |
| <b>Fuels</b>                         |       |      |      |       |
| Bituminous coal                      | 88    | 79   | 76   | 73    |
| Anthracite coal                      | 84    | 61   | 66   | 71    |
| Coke                                 | 84    | 61   | 57   | 55    |
| Petroleum, crude                     | 87    | 86   | 75   | 66p   |
| Petroleum products                   | 88    | 80   | 80   |       |
| <b>Textiles and Leather Products</b> |       |      |      |       |
| Cotton consumption                   | 68    | 82   | 78   | 79    |
| Wool mill activity                   | 70    | 98   | 99   | 83p   |
| Silk consumption                     | 101   | 85   | 77   | 94    |
| Leather, sole                        | 106   | 84   | 92p  | 85p   |
| Leather, upper n.                    | 93n   | 103n |      |       |
| Boots and shoes                      | 83    | 90   | 97p  | 85p   |
| <b>Foods and Tobacco Products</b>    |       |      |      |       |
| Live stock slaughtered               | 98    | 84   | 91   | 99    |
| Wheat flour                          | 98    | 98   | 92   | 84    |
| Sugar meltings, U. S. ports          | 84    | 81   | 74   | 80    |
| Tobacco products                     | 95    | 91   | 88   | 87    |
| <b>Miscellaneous</b>                 |       |      |      |       |
| Cement                               | 106   | 89   | 83   | 77    |
| Tires                                | 57    | 73   | 58   |       |
| Lumber r.                            | 64r   | 49r  | 45r  | 43r   |
| Printing activity                    | 90    | 81   | 78   |       |
| Paper, newsprint                     | 87    | 90   | 80   | 86p   |
| Paper, other than newsprint          | 83    | 83   | 77p  |       |
| Wood pulp                            | 89    | 79   | 75   |       |

p Preliminary r Revised n New series

### Building

The total value of building contracts awarded during September in 37 States was 8 per cent larger than in the previous month, according to the F. W. Dodge Corporation report. This August to September rise appeared to be somewhat more than seasonal, due to increases in public works and utility contracts and in other non-residential projects. For the three month period ended with September, however, total contracts showed a 26 per cent decrease from a year ago, following a 37 per cent drop in the previous quarter and a reduction of 24 per cent in the first quarter of 1931.

Following the slightly more favorable showing in September, the average daily volume of contracts awarded during the first three weeks of October was considerably below the September level. An increase in residential building during this period of less than seasonal proportions, and a more than seasonal drop in public works and utility projects, were only partly offset by a less than seasonal falling off in other non-residential work, which was due to the placing of large contracts for the "Radio City" project in New York.

September building contracts placed in Metropolitan New York and vicinity were 17 per cent smaller than a year ago, and the total for the third quarter of this year was 23 per cent below 1930, reflecting sizable declines in residential and non-residential building and a small decline in public engineering work. The total

value of contracts awarded in the completed nine months of this year has also been about 23 per cent below the figure for the comparable period of 1930.

### Indexes of Business Activity

Average daily car loadings of merchandise and miscellaneous freight, which usually reflect fairly well changes in the general business situation, increased markedly in the first week of October but declined somewhat in the next two weeks. For the completed three weeks of October this bank's adjusted index averaged slightly above the level of September.

September indexes of the distribution of goods and of general business activity again indicated a downward movement. Car loadings of merchandise and miscellaneous freight failed by a considerable margin to show the usual seasonal increase, and gains of less than usual proportions occurred also in car loadings of bulk freight, in foreign trade and department store sales, and in bank debits outside of New York City. In addition, life insurance sales declined more than seasonally, new corporations formed showed a marked reduction, and business failures increased.

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

|   | 1930  |      | 1931 |       |
|---|-------|------|------|-------|
|   | Sept. | July | Aug. | Sept. |
| <b>Primary Distribution</b>                         |       |      |      |       |
| Car loadings, merchandise and misc.                 | 86    | 75   | 72   | 67    |
| Car loadings, other                                 | 81    | 69   | 64   | 62    |
| Exports   | 82    | 64   | 58r  | 56p   |
| Imports   | 92    | 80   | 74r  | 72p   |
| Waterways traffic n.                                | 85n   | 64n  | 58n  | 56n   |
| Wholesale trade r.                                  | 92r   | 97r  | 89r  | 85r   |
| <b>Distribution to Consumer</b>                     |       |      |      |       |
| Department store sales, 2nd Dist.                   | 93    | 90   | 89   | 85    |
| Chain grocery sales                                 | 94    | 94   | 91   | 88    |
| Other chain store sales r.                          | 92r   | 87r  | 90r  | 86r   |
| Mail order house sales r.                           | 90r   | 92r  | 83r  |       |
| Advertising   | 87    | 76   | 74   | 74    |
| Gasoline consumption n.                             | 98n   | 86n  | 85n  |       |
| Passenger automobile registrations n.               | 66n   | 53n  | 48n  |       |
| <b>General Business Activity</b>                    |       |      |      |       |
| Bank debits, outside of New York City.              | 92    | 82   | 81   | 79    |
| Bank debits, New York City r.                       | 86r   | 72r  | 67r  | 77r   |
| Velocity of bank deposits, outside of New York City | 100   | 88   | 86   | 85    |
| Velocity of bank deposits, New York City            | 118   | 80   | 77   | 84    |
| Shares sold on N. Y. Stock Exchange                 | 153   | 104  | 76   | 141   |
| Life insurance paid for                             | 93    | 89   | 90   | 88    |
| Postal receipts                                     | 91    | 85   | 81   | 82    |
| Electric power                                      | 93    | 87   | 83p  |       |
| Employment in the United States                     | 85    | 77   | 76   | 74    |
| Business failures                                   | 113   | 100  | 104  | 108   |
| Building contracts                                  | 72    | 58   | 49   | 56    |
| New corporations formed in N. Y. State              | 98    | 96   | 95   | 86    |
| Real estate transfers                               | 58    | 52   | 52   |       |
| General price level*                                | 167   | 149  | 149  | 147   |
| Composite index of wages*                           | 225   | 213  | 214  | 213   |
| Cost of living*                                     | 164   | 148  | 148  | 148   |

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

### Commodity Prices

Of particular importance during October were sharp advances in wheat and cotton prices. The cash price of Number 1 Northern wheat at Minneapolis, after showing a tendency to advance in September, rose nearly 14 cents further during October to 78¼ cents a bushel, the highest quotation since the middle of June and a total advance of about 21 cents from the low reached in July. Similarly, the spot price of cotton, after reaching on October 5 a new low for many years at 5½ cents a pound, rose continuously to 6.95 cents on October 23, subsequently reacting ¼ cent.



Other important commodities moved irregularly during October. Net advances occurred in the prices of steers, corn, and silver, while hides, wool, scrap steel, pig iron, lead, and zinc showed net declines for the month.

The monthly index of the Bureau of Labor Statistics declined  $1\frac{1}{2}$  per cent in September to a level slightly below the 1913 average, reflecting declines in all except the fuel and metal groups. The decrease since the peak of July 1929 now amounts to 29 per cent.

### Crops

It now appears likely that 1931 farm production in the aggregate will show an increase over that of 1930, as a decline in the total acreage under cultivation this year has been offset by the superior condition of a majority of crops. An outstanding example is the cotton crop, which is 2,352,000 bales larger than last year's output, and with the exception of the record 1926 harvest, is the largest ever produced in this country, notwithstanding a marked reduction in the acreage planted. Output of tobacco will establish a new high record, the corn crop is substantially above the small 1930 harvest, and increases have occurred also in the potato and apple crops. A decline in the spring wheat crop to the smallest amount since the beginning of the records in 1910 was more than offset by an increase in winter wheat production, so that the total wheat crop, estimated at 884,000,000 bushels, is 21,000,000 bushels above the 1930 output. The only declines among other important crops are in oats, barley, and hay.

### Department Store Trade

September sales of the reporting department stores in this district were  $12\frac{1}{2}$  per cent less than last year, the same decline as occurred in August. The sales of the New York City department stores remained about 13 per cent smaller than last year, and substantial declines continued to be reported in Newark, Bridgeport, and Northern New York State, though in these localities the decreases were not quite as large as in August. In Syracuse and the Capital District, however, declines were somewhat larger than in the previous month, Buffalo and Westchester reporting stores showed the largest decreases since May, and Rochester and Hudson River Valley stores showed a heavier year-to-year decline than has been previously reported. On the other hand, the Southern New York State department stores reported the smallest decline in sales since March. Sales of the leading apparel stores in this district were about 12 per cent below the previous year, as compared with a 20 per cent drop in August.

Department store sales in the Metropolitan area of New York during the first 13 shopping days of October were 8 per cent smaller than in the corresponding period of 1930. The smaller decline than in the two preceding months probably reflected the more favorable weather conditions for the sale of autumn apparel and other merchandise.

Stocks of merchandise on hand at the end of September, at retail valuations, continued to be smaller than a year previous. The rate of charge account collections during September was further below the level of 1930 than in other recent months.

| Locality                     | Percentage change from a year ago |               |                            | Per cent of accounts outstanding August 31 collected in September |       |
|------------------------------|-----------------------------------|---------------|----------------------------|---|-------|
|                              | Net sales                         |               | Stock on hand end of month | 1930  | 1931  |
|                              | Sept.                             | Jan. to Sept. |                            |   |       |
| New York                     | -12.2                             | -7.8          | -13.1                      | 44.2  | 42.6  |
| Buffalo                      | -20.6                             | -10.3         | -6.3                       | 46.6  | 38.1  |
| Rochester                    | -20.0                             | -7.6          | -11.9                      | 40.3  | 36.2  |
| Syracuse                     | -12.7                             | -9.6          | -12.4                      | 26.8  | 23.2  |
| Newark                       | -11.2                             | -6.2          | -9.8                       | 39.4  | 35.8  |
| Bridgeport District          | -11.5                             | -10.5         | -16.1                      | 35.4  | 33.3  |
| Elsewhere                    | -10.8                             | -9.0          | -11.5                      | 35.6  | 31.2  |
| Northern New York State      | -12.9                             | .....         | .....                      | .....   | ..... |
| Southern New York State      | -3.5                              | .....         | .....                      | .....   | ..... |
| Hudson River Valley District | -16.3                             | .....         | .....                      | .....   | ..... |
| Capital District             | -14.1                             | .....         | .....                      | .....   | ..... |
| Westchester District         | -6.7                              | .....         | .....                      | .....   | ..... |
| All department stores        | -12.5                             | -7.8          | -12.2                      | 41.4  | 38.4  |
| Apparel stores               | -11.5                             | -9.4          | -17.5                      | 39.7  | 36.6  |

### Wholesale Trade

Sales of the reporting wholesale firms in this district averaged 20 per cent smaller in September than a year previous, a decline slightly less than that shown in August. Large declines from a year ago continued to be reported in the sales of groceries, shoes, paper, cotton goods, hardware, stationery, and diamonds. Jewelry sales also remained considerably below the 1930 volume, but the decrease was the smallest in several months; the decline in sales of men's clothing was the smallest since June; and drug sales compared more favorably with a year ago than in August. Sales of silk goods, reported by the Silk Association of America, in yardage rather than dollars, were again larger than in the preceding year, though the September increase was comparatively small. Orders for machine tools were reported by Machine Tool Builders Association to have been smaller than in August, and less than half the volume of a year ago.

The value of merchandise stocks in all reporting lines at the end of September was smaller than in the corresponding period of 1930. Collections were somewhat slower than a year ago in a majority of lines.

| Commodity        | Percentage change September 1931 compared with August 1931 |                    | Percentage change September 1931 compared with September 1930 |                    | Per cent of accounts outstanding August 31 collected in September |       |
|------------------|--|--------------------|---|--------------------|---|-------|
|                  | Net sales  | Stock end of month | Net sales   | Stock end of month | 1930  | 1931  |
| Groceries        | +12.1  | +5.0               | -19.7   | -10.2              | 77.3  | 77.4  |
| Men's clothing   | +31.2  | .....              | -13.7   | .....              | 43.9  | 40.8  |
| Cotton goods     | +20.8  | +4.0               | -23.5   | -28.9              | 35.4  | 35.6  |
| Silk goods       | +0.2*  | +0.6*              | +3.4*   | -16.2*             | 45.6  | 54.1  |
| Shoes            | -2.7   | -12.6              | -22.5   | -24.9              | 34.6  | 29.9  |
| Drugs            | +38.1  | +0.9               | -10.5   | -3.5               | 61.9  | 32.8  |
| Hardware         | +3.6   | -3.6               | -23.7   | -11.2              | 43.9  | 40.8  |
| Machine tools**  | -21.9  | .....              | -58.8   | .....              | .....   | ..... |
| Stationery       | +12.0  | .....              | -20.4   | .....              | 64.3  | 63.4  |
| Paper            | +7.0   | .....              | -25.7   | .....              | 54.4  | 49.3  |
| Diamonds         | +18.4  | -2.0               | -60.0   | -38.9              | 20.6  | 19.3  |
| Jewelry          | +86.4  | +5.7               | -31.4   | -37.2              |   |       |
| Weighted average | +41.3  | .....              | -20.2   | .....              | 52.8  | 50.0  |

\*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, NOVEMBER 1, 1931

## Business Conditions in the United States

(Summarized by the Federal Reserve Board)

**I**NDUSTRIAL production and factory employment, which usually increase at this season, showed little change from August to September, and, consequently, the Board's seasonally adjusted indexes declined. The general level of wholesale prices also declined. Gold exports and earmarkings, together with an increase in domestic currency demand between the middle of September and the middle of October, resulted in a large growth of Reserve Bank credit in use and a rise in money rates.

### PRODUCTION AND EMPLOYMENT

Industrial production, as measured by the Board's seasonally adjusted index, declined from 79 per cent of the 1923-1925 average in August to 76 per cent in September. Activity at steel mills decreased from 31 per cent of capacity to 28 per cent; output of automobiles was reduced substantially and lumber production continued to decline. At cotton mills production increased seasonally, while activity at woolen mills and shoe factories declined contrary to the usual seasonal tendency. Output of petroleum was smaller in September than in August, but the rate of output prevailing at the end of September was higher than at the end of August.

The number employed at factories showed little change from the middle of August to the middle of September, a period when employment usually increases. In iron and steel mills, automobile factories and lumber mills, employment decreased further, contrary to the seasonal tendency; in the clothing and silk industries there were substantial increases in employment, partly of a seasonal character; in mills producing cotton goods, employment increased less than usual, and in woolen mills it declined from recent relatively high levels.

Data on value of building contracts awarded for the period between the first of August and the middle of October, as reported by the F. W. Dodge Corporation, show a continuation of the downward movement of recent months for residential as well as for other types of construction.

Estimates by the Department of Agriculture, based on October 1 conditions, indicated a cotton crop of 16,284,000 bales, the largest crop reported, except that of 1926, a total wheat crop somewhat larger than usual, and a corn crop of 2,700,000,000 bushels, 29 per cent larger than last year, and 2 per cent smaller than the five-year average.

### DISTRIBUTION

Freight-car loadings of merchandise and sales by department stores increased in September, but by less than the usual seasonal amount.

### WHOLESALE PRICES

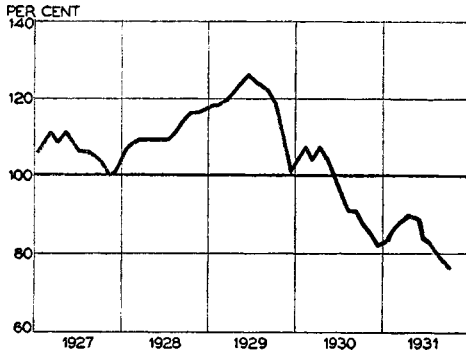
The general level of wholesale prices declined from 70.2 per cent of the 1926 average in August to 69.1 per cent in September, according to the Bureau of Labor Statistics. Decreases in the prices of livestock, meats, hides, woolen goods, cotton and cotton goods were offset in part by increases in prices of dairy products, petroleum, and petroleum products. Further declines in the price of cotton during the first few days of October were followed by substantial increases in subsequent days.

### BANK CREDIT

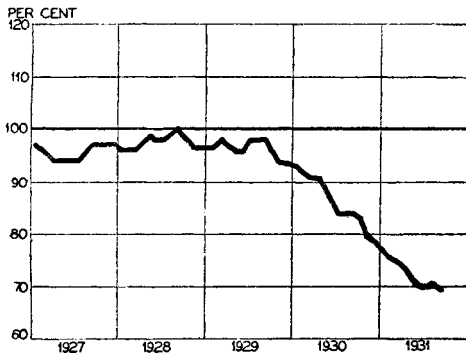
During the four weeks following the suspension of gold payments in England on September 20, \$600,000,000 of gold was withdrawn from this country's monetary stock in the form of exports and earmarkings. Domestic demand for currency continued to increase, the growth for the month ended in the middle of October being about \$400,000,000. The growth in the amount of currency outstanding, however, slowed down after the first few days in October. The demands for credit arising from gold movements and currency growth were met by member banks through the sale of acceptances and currency growth were met by member banks through the sale of acceptances to the Reserve Banks and by rediscounts. Volume of Reserve Bank credit outstanding consequently increased between the week ended September 19 and the week ended October 17 by \$904,000,000, and on October 17 stood at \$2,169,000,000, the highest level for ten years.

Gold and currency withdrawals resulted in a decrease of deposits at member banks in leading cities. Loans and investments of these banks also declined, reflecting reductions in loans to security brokers, as well as sales of acceptances to the Reserve Banks, and sales of United States securities.

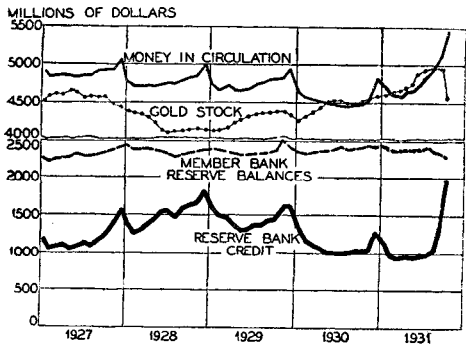
During this period there was a rise in short-term money rates in the open market and in yields on high grade bonds. On October 9 the Federal Reserve Bank of New York advanced its discount rate from 1½ to 2½ per cent and on October 16 to 3½ per cent. Discount rates were also advanced at the Boston, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Dallas, and San Francisco Reserve Banks.



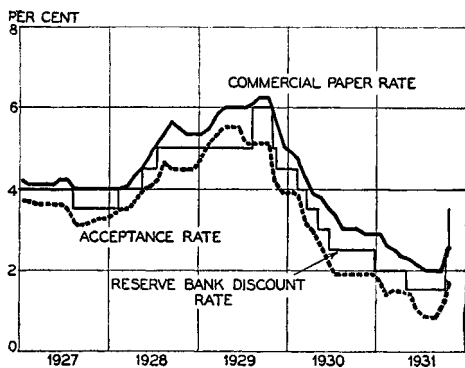
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variations (1923-25 average = 100 per cent)



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



Federal Reserve Bank Credit and Principal Factors in Changes (Monthly averages of daily figures—latest figures are averages of first 17 days of October)



Money Rates in the New York Market (October rates are averages for the first 17 days)