

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

December 1, 1931

Money Market in November

A marked change in the banking situation has occurred during the past month. The extraordinary outflow of gold has been followed by a renewed gain of gold. The demand for currency has been greatly reduced until, in recent weeks it has been of less than the usual seasonal proportions. Bank failures have diminished considerably in number. Liquidation of bank credit has continued, but has been less rapid than in October. The easier condition of the money market, resulting from these various changes in the situation, has been reflected in a fairly general, though moderate, decline in open market money rates.

The gradual decline in the leading European exchanges that began in the latter part of October continued in November, so that near the end of the month most of these exchanges that are still convertible into gold were closer to the gold import points at New York than to the gold export points. There were rather substantial receipts of gold from the Far East and small amounts from Latin American countries and Canada, and a part of the gold which had been earmarked for foreign account in preceding months was released during November. The result was an increase of approximately \$129,000,000 in the monetary gold stock of this country during November. As a net result of gold imports in the first eight months of the year, heavy losses in September and October, and the gains in recent weeks, the country's gold stock shows a decline for the year to date of about \$174,000,000.

During November currency withdrawals from the banks appear to have been limited to those required for the ordinary week-end and month-end payrolls, and other normal needs. In fact, as the accompanying diagram indicates, the amount of currency outstanding, after adjustment for the usual seasonal fluctuations, has declined gradually for five consecutive weeks. During the remainder of the year a demand for at least \$200,000,000 of additional currency for the holiday trade is normally to be expected. For the country as a whole bank suspensions in November were reduced to about one-third the number closed in October.

The cessation of the withdrawal of domestic deposits and foreign funds from the banks was followed by an active demand for high grade short-term investments

such as acceptances and Treasury bills and certificates. This demand was increased at the middle of November, when the New York Clearing House banks discontinued the practice of arranging brokers loans for customers other than correspondent banks and thus released approximately \$160,000,000 of funds for other employment. The effects of these various developments on money rates are reflected in the following table.

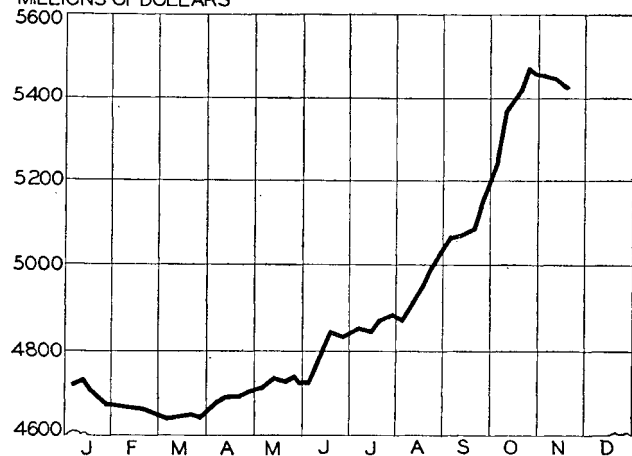
Money Rates at New York

	Nov. 28, 1930	Oct. 30, 1931	Nov. 30, 1931
Stock Exchange call loans	2	2½	2½
Stock Exchange 90 day loans	*2-2½	*3½-4	*3-3½
Prime commercial paper	2½-3	3½-4¼	3½-4
Bills—90 day undorsored	1½	3¼	3
Customers' rates on commercial loans	†3.73	†3.67	†4.50
Treasury securities			
Maturing March 15 (yield)	1.19	2.32	1.99
Maturing September 15 (yield)	1.53	2.27	2.40
Federal Reserve Bank of New York			
discount rate	2½	3½	3½
Federal Reserve Bank of New York			
buying rate for 90 day indorsed bills	‡2	3½	‡3½

* Nominal † Average rate of leading banks at middle of month
‡ 1-75 days—1½ per cent †† 1-45 days—3 per cent

The discontinuance of the placing of brokers loans for non-banking lenders largely eliminated a type of loan which made difficult the exercise of banking control over the flow of funds into the security markets in 1929, and involved a severe strain on the banks when a large

MILLIONS OF DOLLARS



Amount of Money Outstanding in the United States, Adjusted for Usual Seasonal Changes

volume of these loans had to be replaced by bank loans near the end of that year. The replacement of the comparatively small volume of such loans that remained on November 16 involved a moderate expansion of the security loans of the New York banks for their own account, which was largely obscured by the continued decline in the total volume of brokers loans, and in other forms of bank credit.

The general tendency in recent weeks has been toward a continued, though less rapid, liquidation of bank credit. In the three weeks ended November 18, the total loans and investments of reporting member banks declined \$219,000,000, as compared with a decline of \$886,000,000 during October. Approximately two-thirds of the November reduction was in the investments of these banks, and the remainder in loans other than security loans. As in the previous month the decline in the deposits of these banks, amounting to \$359,000,000, was larger than the decline in loans and investments. The November decline in deposits, like that in loans and investments, was at a considerably less rapid rate than in October, when the deposits of reporting banks declined more than \$1,400,000,000.

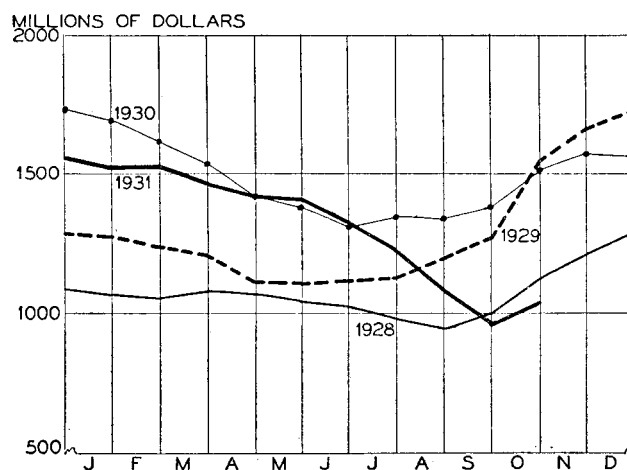
Altogether, the available reports indicate a total shrinkage in bank credit of around \$5,500,000,000 since 1929, and an accompanying shrinkage in bank deposits of nearly \$7,000,000,000. In actual amount these figures represent by far the largest liquidation of bank credit and bank deposits which has ever occurred in this country and, in proportion to the amount outstanding, the largest shrinkage since 1893.

BILL MARKET

During the first part of November, the investment demand for bills increased steadily, both from domestic and foreign sources, and as offerings of bills to the discount market were in limited volume, the dealers were unable to fill all of their orders. Reflecting this condition, open market offering rates were reduced on November 6 and 9, and again on November 13, so that dealers' offering rates became established at levels $\frac{3}{8}$ per cent below those prevailing at the end of October in the case of unendorsed bills up to 90 day maturity, $\frac{1}{2}$ per cent lower for 4 month bills, and $\frac{5}{8}$ per cent lower for the 5 and 6 month bills. Bid rates for bills up to 90 days were reduced $\frac{1}{2}$ per cent, with the result that the spread between bid and asked rates returned from $\frac{1}{4}$ per cent to $\frac{1}{8}$ per cent, while bid rates for the longer bills were reduced by the same amount as offering rates, leaving a $\frac{1}{4}$ per cent spread.

Despite the lowering of the rate structure of the bill market, the investment demand continued unsatisfied, however, as dealers were unable to purchase a sufficient volume of bills. Shortly after the middle of the month the investment demand for bills was increased still further for a time in connection with the reinvestment of funds which had previously been employed by non-banking institutions in the call loan market.

In the last week of the month, however, the situation in the bill market changed somewhat. Demand for bills



Volume of Bankers Acceptances Outstanding; 1931 Compared with Previous Three Years

declined substantially, and a few banks began to offer bills to the discount market. The dealers responded promptly by raising bid and offering rates for bills up to 90 day maturity by $\frac{1}{8}$ per cent on November 25. Their portfolios which were quite small during the early part of November remained at a low level for the balance of the month.

Due to the active investment demand, virtually no bills were offered to the Reserve Banks for System account. Reserve Bank bill holdings, which reached a peak of \$769,000,000 for the weekly reporting date of October 21, were reduced \$289,000,000 to \$480,000,000, chiefly by maturities, during the period ended November 25. On November 20, the buying rate of the New York Reserve Bank for bills maturing in 1 to 45 days was lowered to 3 per cent, with the rate for longer bills up to 90 days unchanged at $3\frac{1}{8}$ per cent, and on November 27 the rate at which bills are purchased from dealers under resale agreement was reduced to 3 per cent.

The total volume of bills outstanding was increased \$43,000,000 in October to \$1,040,000,000, following a steady decline since November 1930. As the accompanying diagram indicates, however, the September to October advance this year was considerably less than has occurred during the same month of other recent years. An increase in acceptances arising from domestic warehouse credits more than accounted for the increase in total outstandings of bills. Export bills showed little seasonal expansion and the volume of acceptances based on goods shipped between or stored in foreign countries continued to decline.

COMMERCIAL PAPER MARKET

Bank investment demand for open market paper was rather inactive with a somewhat marked concentration of inquiry coming from banks in the Boston and St. Louis districts. Due to the limited demand and also to the continued small volume of new paper coming into the dealers' lists, the volume of business transacted in the open market was of small proportions. Early in Novem-

ber, the prevailing range for prime commercial paper in the open market became established at 4-4¼ per cent. Around the middle of the month, however, following a slightly easier tendency in some other branches of the money market, the prevailing selling quotations were reduced to a range of 3¾-4 per cent.

The smallness of the current supply of paper is indicated by the dealers' reports to this bank of their paper outstanding which on October 31 showed a total of \$210,000,000. This total is 15 per cent less than the amount outstanding a month earlier, and 57 per cent below the October 1930 figure.

Foreign Exchange

Though irregular and featured by gains in some currencies, the foreign exchange list on the whole weakened during November. Sterling, in particular, after strengthening from its late October recession to \$3.81¾ on November 9, began a new decline which was accelerated in the last week of the month, carrying the pound to \$3.5250 on the 28th. French francs, belgas, and guilders approached their gold import points to New York in the second half of November, and Swiss francs, though remaining above par, were down several points from the month's opening. The marked recession in the four principal European exchanges which followed the October rise is shown in the accompanying diagram. Reichsmarks moved contrary to the general tendency among Europeans and rose from \$0.2358 on November 2 to \$0.2378 on the 28th.

An upward tendency also appeared in the South American currencies; Argentine pesos rose from \$0.5333 on the 2nd of November to \$0.6211 on the 11th, receding to \$0.5882 on the 28th; Uruguayan pesos commenced the month at \$0.4300 and closed it at about \$0.4525, while Brazilian milreis held fairly steady in the neighborhood of \$0.0625.

Japanese yen also improved their position in November, rising from \$0.4915 to \$0.4963, the latter rate being above the gold export point from Japan. The silver currencies strengthened in the middle of the month as the price of silver rose but fell back again

with the decline in the silver market. Canadian dollars weakened somewhat during November.

Closing Cable Rates at New York
(In dollars)

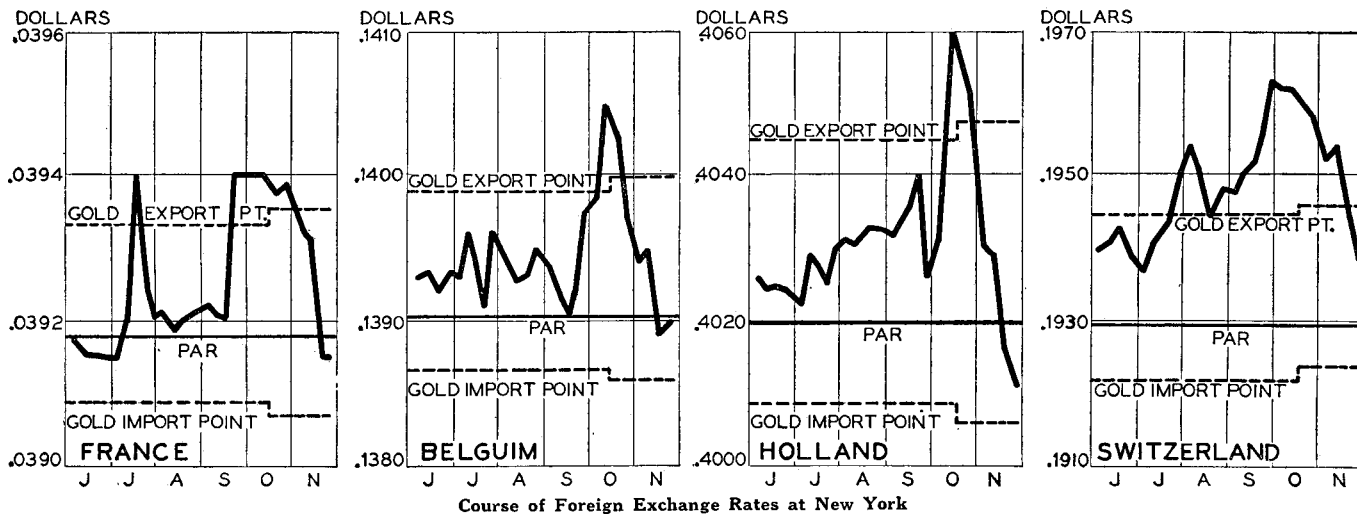
Exchange on	Par	Nov. 29, 1930	Oct. 31, 1931	Nov. 28, 1931
Austria	\$.1407	\$.1409	\$.1395	\$.1415
Belgium . . . . .	.1390	.1395	.1393	.1388
Denmark . . . . .	.2680	.2675	.2150	.1932
England	4.8665	4.8553	3.8300	3.5250
France . . . . .	.0392	.0393	.0393	.0391
Germany . . . . .	.2382	.2384	.2365	.2378
Holland . . . . .	.4020	.4024	.4029	.4015
Italy . . . . .	.0526	.0524	.0516	.0516
Norway . . . . .	.2680	.2674	.2140	.1910
Spain . . . . .	.1930	.1122	.0888	.0843
Sweden . . . . .	.2680	.2684	.2240	.1941
Switzerland . . . . .	.1930	.1936	.1949	.1939
Canada	1.0000	1.0016	.8988	.8675
Argentina . . . . .	.9648	.7813	.5319	.5882
Brazil . . . . .	.1196	*	.0625	.0625
Uruguay	1.0342	.7875	.4050	.4525
Japan . . . . .	.4985	.4963	.4895	.4963
India . . . . .	.3650	.3597	.2925	.2680
Shanghai . . . . .		.3819	.3250	.3313

* Not quoted

Gold Movement

The gold movement was reversed abruptly at the end of October and during the month of November the monetary gold stock of the United States was increased about \$129,000,000, due principally to imports of \$76,000,000 from Japan at San Francisco and a net decrease of \$28,300,000 in gold held under earmark for foreign account. In addition, \$6,100,000 of gold was received from Canada, \$4,800,000 from India, and \$300,000 from England at the Port of New York; also \$1,500,000 from China and \$1,100,000 from Australia at San Francisco. Exports totaled about \$4,400,000 of which \$3,000,000 went to Turkey, \$700,000 to Peru, and \$250,000 to Switzerland. The November gain of gold reduced the net decline in this country's gold stock for the year to date to about \$174,000,000.

A total of £785,000 South African gold arrived in the London market during November, of which £365,000 was taken for the continent, £180,000 for the United States, and the balance for the trade at varying prices.



Central Bank Rate Changes

On November 5 the Bank of Japan, which has been undergoing a drain of gold almost uninterruptedly for nearly two years, raised its rate from 16 rin to 18 rin per day per 100 yen, the percentual equivalent being an increase from 5.84 to 6.57 per cent per annum. On the 13th, the South African Reserve Bank rate was raised from 5 to 6 per cent, the lower rate having been in force since March 13, 1931.

The Austrian National Bank lowered its discount rate from 10 to 8 per cent on the 13th; the 10 per cent rate had been effective since July 23, 1931. On the 24th, the Bank of Danzig rate was reduced to 5 per cent from the 6 per cent level obtaining since September 1 of this year.

New Financing

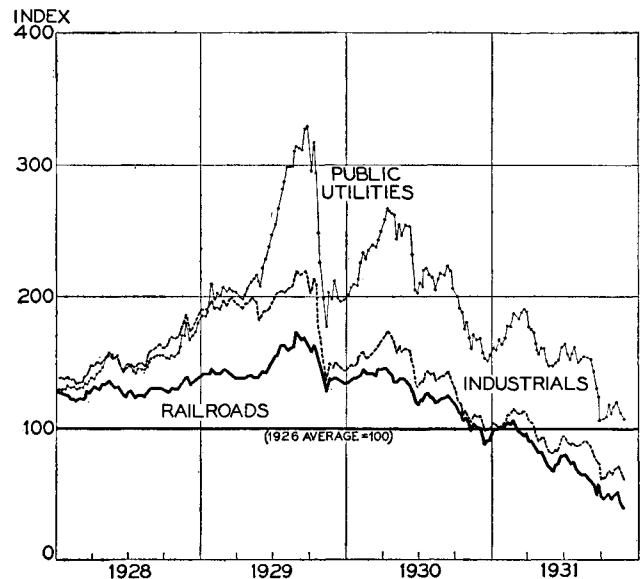
Offerings of new securities other than United States Government issues continued in small volume during November, though the total for the month was somewhat larger than for October. Bond flotations included a railroad issue for the first time since the middle of September, and there were a few moderate sized public utility issues, which had been virtually suspended in October. State and municipal financing also aggregated somewhat more than in the preceding month. There continued to be an absence of foreign bond offerings in this market. Five issues of United States Treasury bills were put out during November, in the aggregate amount of \$372,000,000; these issues were largely to replace five issues totaling \$320,000,000 that matured during the month.

Final figures for October give a total of \$45,000,000 of new securities floated during that month. This amount, which is the smallest for any month since the war, was only about one-tenth of the October 1930 total.

Security Markets

The general movement of stock prices continued upward during the first few days of November, but subsequently the trend was almost continuously downward. In the 16 trading sessions between November 10 and November 28 there were only two days on which the general level of share prices closed higher than on the previous day. As a result the prices of late November were on the average only slightly above the early October lows, whereas in the early part of November the net recovery from the October lows had amounted to 31 per cent. As the accompanying diagram indicates, the railroad stocks were the weakest class during the latter part of November, declining several points beneath the October low and reaching new low levels for many years. Industrial and public utility stocks also declined considerably, but in general remained somewhat above their October low points, although there were numerous exceptions in individual stocks.

As in the greater part of October, trading on the New York Stock Exchange remained comparatively light. The average daily stock turnover for the whole month was somewhat less than 2 million shares, and on most days did not exceed 1½ million shares.



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

Bond prices continued to show rather wide movements in November. Substantial recoveries in domestic corporation bonds occurred during the first ten days of the month, but subsequently declines of 3 to 6 points in the various price averages and indexes reduced these indicators to new lows for a number of years. Foreign dollar bonds likewise advanced somewhat in the first part of November, and, despite a subsequent decline, remained above the lowest point reached in early October, according to a price average of 40 representative foreign issues.

The partial recovery that took place in United States Government obligations during the second half of October was extended somewhat further in the first few days of November. For the remainder of the month, United States Government obligations showed a declining tendency, losing in all about 1½ points, but the average price of the eleven Liberty Loan and Treasury bond issues now outstanding was about 1¾ points higher near the end of November than at the lowest point reached in October.

Business Profits

Third quarter earnings statements of 278 industrial and mercantile concerns show that these companies had net profits 62 per cent smaller than in the corresponding quarter of last year, and 82 per cent less than in 1929. The comparisons for the third quarter are somewhat less favorable than those for the preceding quarters of this year. Only one of the twenty groups of companies shown in the following table—the clothing and textiles group—reported larger net profits than in 1930, and in this case the increase was slight and was from a low level. Among the groups of companies showing the more favorable comparisons of net earnings with those of previous years were the food and food products, chemical, paper, and tobacco companies. Net profits of 15 automobile companies, including the General Motors Corporation but not the Ford Company, were 38 per cent

smaller than a year ago, and 85 per cent less than in 1929. Among the other groups of industrial and mercantile concerns, declines ranged upward from these figures; in fact, the steel, copper, machinery, and coal and coke groups showed deficits.

The oil companies, while showing a large decline from last year, were able in the third quarter to report some net profits, whereas in the first half of the year large deficits occurred. The third quarter of the year normally represents the period of most active operations for the oil companies, but the low level of oil and gasoline prices this year undoubtedly increased the difficulty of showing profits.

Aggregate net profits of the same 278 companies for the first nine months of 1931 were 55 per cent smaller than in 1930 and 72 per cent below 1929. Of the principal groups of industries, the copper and oil companies had deficits for the nine months as a whole.

Net operating income of Class I railroads, both for the third quarter and for the first nine months, was more than one-third smaller than in 1930 and more than one-half smaller than in 1929. Third quarter income of these roads was the smallest for any year since 1920 when a deficit was reported, and the total for the first nine months was the smallest since 1921. Telephone company net operating income for the first nine months was a little more than 3 per cent larger than in 1930, and about 1½ per cent larger than in 1929. Net earnings of other public utilities during the first nine months declined 12 per cent below 1930 and were 17 per cent less than in 1929, but these represent quite moderate decreases in comparison with the drop in industrial and mercantile profits.

(Net profits in millions of dollars)

Corporation Group	Number of companies	Third quarter			Nine months		
		1929	1930	1931	1929	1930	1931
Clothing and textiles.....	8	2	0	1	2	2	0
Food and food products.....	30	49	40	32	130	122	106
Chemical.....	14	22	17	12	60	52	37
Paper.....	6	5	4	3	12	13	10
Tobacco.....	7	4	2	2	10	6	5
Automobile.....	15	94	23	14	332	147	108
Printing and publishing.....	6	7	5	3	23	22	13
Mining and smelting (excl. copper, coal and coke).....	12	13	5	3	39	21	11
Electrical equipment.....	9	27	17	10	77	56	30
Office equipment.....	7	7	4	1	22	15	4
Railroad equipment.....	6	10	9	2	25	26	5
Oil.....	24	75	40	6	169	112	-20
Building supplies.....	9	9	2	0	18	7	0
Automobile parts and accessories (excl. tires).....	29	17	5	0	58	27	10
Motion picture.....	7	12	4	0	35	29	13
Machinery.....	17	12	5	— 1	35	23	3
Steel.....	15	84	32	—17	241	140	11
Copper.....	6	10	1	— 2	28	7	— 3
Coal and coke.....	7	1	0	— 1	4	2	0
Miscellaneous.....	44	47	27	23	140	85	68
Total.....	278	507	242	91	1,460	914	411
Telephone (net operating income).....	103	67	64	67	206	202	209
Other public utilities (net earnings).....	63	83	71	59	261	249	218
Total public utilities.....	166	150	135	126	467	451	427
Class I railroads (net operating income)....	171	400	283	167	963	659	408

— Deficit

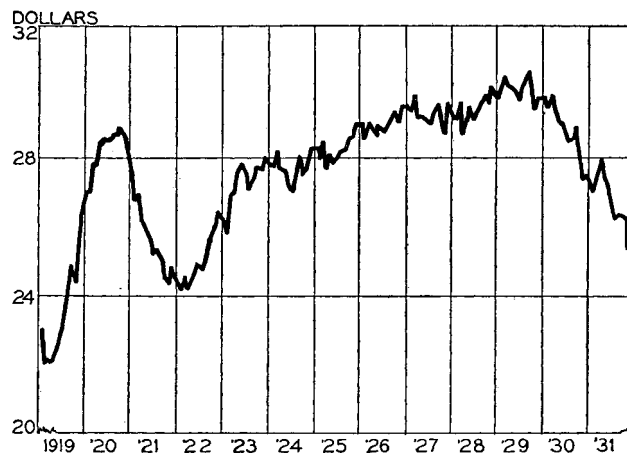
Employment and Wages

A further downward movement was apparent in factory employment and payrolls between the middle of September and the middle of October. Factory employment in New York State, contrary to the usual seasonal tendency, declined 3 per cent, the largest month to month drop so far this year. For the country as a whole, factory employment declined 4 per cent, and the seasonally adjusted index of the Federal Reserve Board reached a new low level since at least 1919, the first year for which the index is available. Factory payrolls in New York State showed a drop of 6 per cent, and a decline of 4 per cent was shown for the United States as a whole.

Average weekly earnings in New York State factories declined further in October to the lowest figure since 1922. As is shown in the accompanying diagram, the decline in average earnings since the peak of September 1929 has now reached a magnitude equal that of the decline from 1920 to 1922. These reductions in average earnings reflect the combined effects of wage rate reductions and part time employment.

The annual computation of average weekly earnings of factory office employees made by the New York State Department of Labor showed the first decline that has been reported since 1922. The average for October 1931 was \$35.49, the lowest level since 1926 and about 5 per cent lower than last year's figure of \$37.48. Average weekly earnings of factory operatives and office employees together declined 10 per cent during the year. As compared with the pre-war average, the net percentage rise in office workers' earnings still falls short of the net advance in operatives' earnings, but the discrepancy has been narrowed during the past two years.

The New York State Department of Labor has recently made public a census of unemployment covering more than 15,000 usually employed persons of both sexes in Buffalo. According to this census, 23 per cent of those able and willing to work were without employment during the first week of November, and 21 per cent were employed on a part time basis. For men only the proportion of total unemployment in November 1931 was



Average Weekly Earnings of Employees in New York State Factories (New York State Department of Labor figures)

24 per cent, as compared with 17 per cent in November 1930 and 6 per cent in November 1929. Of the men who were able and willing to work but unable to find jobs, 43 per cent had been without employment for at least a year.

Foreign Trade

During October merchandise exports from this country were valued at \$205,000,000, an amount which showed a percentage gain from the previous month about equal to the usual seasonal increase. Imports, however, valued at \$169,000,000, were substantially the same as in September, whereas there is usually an increase between these two months. In comparison with October 1930, the value of exports was reduced by 37 per cent and imports by 32 per cent. The year-to-year decline in exports was somewhat smaller than in other recent months, while the reduction in imports was larger.

Exports of partly and wholly finished manufactures and all types of imports registered heavier losses from a year ago than in September. Exports of crude materials and of crude and manufactured foodstuffs, however, showed smaller percentage reductions than in the previous month. October raw cotton exports were equal in volume to those of a year ago, but, owing to the decline in cotton prices through this period, the value of the shipments was 38 per cent smaller. Cotton shipments to Great Britain compared more favorably with a year previous than in several months, and shipments to the Far East were in substantially larger volume than in either of the two previous years. The volume of imports of raw silk was somewhat larger than in October 1930 while receipts of crude rubber were slightly smaller.

Commodity Prices

Large fluctuations occurred in the prices of certain individual commodities during November, and on the whole prices were somewhat firmer in the early part of the month, but renewed declines in the latter part canceled most of the earlier gains, and a few commodities reached new low levels. The widest fluctuations were in silver and wheat prices, which are shown in the accompanying diagram. Silver, after ranging between 29 and 30 cents during most of October, rose sharply to the

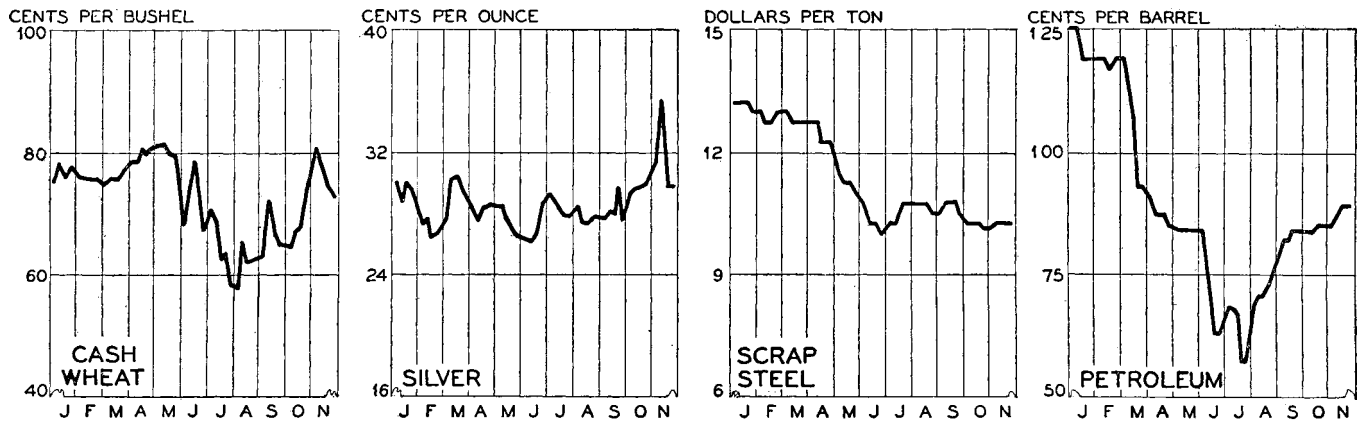
highest level of the year at 37¼ cents an ounce in the first half of November, but thereafter reverted to its October level. The cash price of wheat also advanced further to a new high for the year in the early part of the month, the Number 1 Northern grade at Minneapolis touching 83¾ cents a bushel, but by the end of the month had returned to 70¾ cents, the lowest price since the third week of October. This quotation remained 13½ cents above the summer low, but the futures quotations declined by a larger amount than the cash quotations to a level within about 7½ cents of the October lows.

An average of crude petroleum quotations continued to advance in the first half of November, reaching the highest level since March, and remained steady during the remainder of the month. The price of scrap steel has held fairly steady since June, and similar stability has prevailed in finished steel and, more recently, in pig iron and some of the non-ferrous metals. Copper, however, declined to the lowest figure on record and lead prices showed a small net loss for the month. Hog prices fell to the lowest level in many years, rubber reached a new all-time low, cotton reacted following last month's sharp advance, and corn prices lost most of the gain made in October and the first half of November. Prices of hides rose moderately from the low levels of October.

Production

Operations in the steel industry averaged slightly higher in November than in October, contrary to the usual seasonal movement, but the tendency was downward in the latter part of the month. Production of crude petroleum, reflecting a resumption in the East Texas fields, was larger than at any time since August. Output of bituminous coal and production of cotton goods were not greatly changed from the October levels.

In October, the general tendency of industrial production continued to be slightly downward, after seasonal allowance, and the seasonally adjusted index of the Federal Reserve Board reached a new low point since 1922. Output of pig iron and steel ingots was further reduced to the lowest level since 1921. Production of passenger automobiles dropped about 50 per cent, and output of motor trucks was also sharply reduced.



Movements of Wheat, Silver, Scrap Steel, and Petroleum Prices

Declines contrary to the usual seasonal tendency occurred in wool mill activity and in mill consumption of raw cotton, and a more than seasonal decline took place in production of boots and shoes. In the output of fuels, large increases occurred in crude petroleum and in anthracite coal, while bituminous coal increased by a little less than the usual seasonal amount.

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

	1930	1931		
	Oct.	Aug.	Sept.	Oct.
Metals				
Pig iron.....	71	43	41	38
Steel ingots.....	69	48	43	40
Copper.....	77	54	54 ^p	
Lead.....	82	58	57	58
Zinc.....	71	38	38	37
Tin deliveries.....	113	76	70	78
Automobiles				
Passenger cars.....	31	40	29	15 ^p
Motor trucks.....	66	59	54	37 ^p
Fuels				
Bituminous coal.....	88	76	73	71 ^p
Anthracite coal.....	106	66	71	93 ^p
Coke.....	80	57	55	55
Petroleum, crude.....	86	75	72	82 ^p
Petroleum products.....	85	80	78	
Textiles and Leather Products				
Cotton consumption.....	70	78	79	74
Wool mill activity.....	66	99	84	62
Silk consumption.....	113	77	94	96
Leather, sole.....	98	92	86	84
Leather, upper.....	88	105		
Boots and shoes.....	78	97	86 ^p	72 ^p
Foods and Tobacco Products				
Live stock slaughtered.....	96	91	99	99
Wheat flour.....	91	92	84	84
Sugar meltings, U. S. ports.....	92	74	80	74
Tobacco products.....	98	88	87	83
Miscellaneous				
Cement.....	94	83	77	68
Tires.....	61	58	51	
Lumber.....	61	45	43	40
Printing activity.....	84	78	79	
Paper, newsprint.....	89	80	86	84
Paper, other than newsprint.....	84	78	77 ^p	
Wood pulp.....	80	75	77 ^p	

^p Preliminary

Building

The value of building and engineering contracts awarded in 37 States during October was 28 per cent smaller than a year ago, reflecting, according to the F. W. Dodge Corporation report, a decrease of 42 per cent in residential building and also a decrease of 27 per cent in public works and utility projects and one of 17 per cent in other non-residential contracts. As compared with September, residential contracts were increased less than seasonally, and non-residential contracts for the month as a whole showed about the usual seasonal reduction, despite the influence of the large "Radio City" contracts, while public works and utility projects were reduced somewhat less than in the same period of other recent years.

Preliminary figures indicate that the course of building operations continued downward during November. For the first three weeks of the month, the daily average of contracts awarded was down more than seasonally from the October level, with reductions reported in all of the major groups of construction.

For the first ten months of 1931, the total value of

building contracts was 30 per cent less than in 1930. The value of residential building was reduced 23 per cent, but the amount of new residential floor space covered by contracts was only 13 per cent smaller, indicating that some part of the decline in the figures for the value of building has been due to a decrease in building construction costs.

In Metropolitan New York and vicinity, the total value of contracts awarded since the first of the year stood 20 per cent below last year at the end of October. Public works and utilities were 17 per cent smaller, and other non-residential work was 35 per cent less, while the value of residential contracts was slightly larger. Residential building in terms of new floor space contracted for was 22½ per cent larger than last year. This increase in residential building has reflected principally the erection of 1 and 2 family houses.

Indexes of Business Activity

Car loadings of merchandise and miscellaneous freight, which are considered to be a good indicator of changes in general business conditions, declined somewhat less than seasonally during the first half of November, and department store trade in the New York Metropolitan area during the same period showed the smallest decline from sales in the corresponding period of 1930 in a number of months. Conditions in the latter part of the month, however, were less favorable for the distribution of goods.

During October, the distribution of goods and general business activity showed a further decline, after seasonal adjustment. Car loadings, both of merchandise and

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

	1930	1931		
	Oct.	Aug.	Sept.	Oct.
Primary Distribution				
Car loadings, merchandise and misc.	84	72	67	67
Car loadings, other.....	80	64	62	63
Exports.....	75	58	56	56 ^p
Imports.....	95	74	76	70 ^p
Waterways traffic.....	86	58	56	55
Wholesale trade.....	90	89	85	80
Distribution to Consumer				
Department store sales, 2nd Dist.	100	89	85	92
Chain grocery sales.....	89	91	88	82
Other chain store sales.....	89	90	86	84
Mail order house sales.....	94	82	77	72
Advertising.....	85	74	74	72
Gasoline consumption.....	86	85	84	
Automobile registrations.....	56	48	45	35 ^p
General Business Activity				
Bank debits, outside of New York City.....	91	81	79	76
Bank debits, New York City.....	90	67	77	71
Velocity of bank deposits, outside of New York City.....	100	86	85	88
Velocity of bank deposits, New York City.....	115	77	84	80
Shares sold on N. Y. Stock Exchange.....	161	76	141	115
Life insurance paid for.....	91	90	88	90
Postal receipts.....	91	81	82	79
Electric power.....	91	82	83 ^p	
Employment in the United States.....	84	76	74	72
Business failures.....	105	104	108	113
Building contracts.....	68	49	56	50 ^p
New corporations formed in N. Y. State.....	90	95	86	88
Real estate transfers.....	61	52		
General price level*.....	163	149	147	145
Composite index of wages*.....	221	214	213	208
Cost of living*.....	163	148	148	146

^p Preliminary * 1913 average=100

miscellaneous freight and of bulk commodities, were little changed from the previous month, after seasonal adjustment, and merchandise exports showed about the usual seasonal expansion. Declines occurred in merchandise imports and in the indexes of bank debits, wholesale trade, chain store sales, mail order house sales, advertising, and automobile registrations; and the number of business failures increased to the highest level ever recorded for October. Department store sales, however, increased more than usually in October, and new corporations formed in New York State also increased somewhat more than seasonally.

Department Store Trade

Sales of the reporting department stores in this district during October averaged 9.4 per cent smaller than in October 1930, the smallest decline to be shown since July. The declines reported by stores in Newark, Southern New York State, the Capital District, and Westchester County were smaller than the average, and the October sales in Buffalo, Rochester, and the Hudson Valley District, though substantially smaller than a year ago, were not as far below as in September. In Syracuse, Bridgeport, and Northern New York State, however, department store sales during October showed larger decreases from last year than in September, as did also the sales of the leading apparel stores in the district.

For the first half of November, sales of the reporting department stores in the Metropolitan area were 4.8 per cent smaller than in the comparable period of last year, the smallest decrease to be reported in the mid-month report since June, but weather conditions were less favorable to the distribution of seasonable merchandise after the middle of the month.

Stocks of merchandise on hand at the end of October, valued at retail prices, continued to be considerably below the previous year. The percentage of outstanding charge accounts collected during October, however, was only slightly smaller than in the same period in 1930.

Locality	Percentage change from a year ago			Per cent of accounts outstanding September 30 collected in October	
	Net sales		Stock on hand end of month	1930	1931
	Oct.	Jan. to Oct.			
New York	-9.4	-8.0	-13.9	47.6	47.8
Buffalo	-13.4	-10.6	-8.9	40.9	44.1
Rochester	-13.7	-8.4	-11.1	44.6	48.6
Syracuse	-14.1	-10.2	-14.8	31.4	28.3
Newark	-6.2	-6.2	-9.4	43.3	41.2
Bridgeport District	-15.3	-11.1	-21.0	41.8	38.7
Elsewhere	-10.1	-9.2	-11.1	40.8	37.8
Northern New York State	-25.3	.....	.....	.....	.....
Southern New York State	-8.0	.....	.....	.....	.....
Hudson River Valley District	-13.9	.....	.....	.....	.....
Capital District	-7.9	.....	.....	.....	.....
Westchester District	-8.9	.....	.....	.....	.....
All department stores	-9.4	-8.0	-13.0	44.8	44.2
Apparel stores	-19.4	-10.7	-19.4	46.1	41.8

October sales and stocks in the principal departments are compared with those of a year previous in the following table:

	Net sales percentage change October 1931 compared with October 1930	Stock on hand percentage change October 31, 1931 compared with October 31, 1930
Toilet articles and drugs	+ 3.7	- 2.9
Toys and sporting goods	+ 2.1	-13.8
Books and stationery	+ 2.4	-16.8
Home furnishings	- 2.9	-10.5
Cotton goods	- 5.1	-10.7
Woolen goods	- 5.5	+ 8.6
Shoes	- 5.6	-10.8
Furniture	- 5.8	-27.6
Luggage and other leather goods	-10.1	-21.0
Women's ready-to-wear accessories	-11.0	-16.0
Men's furnishings	-12.6	-10.5
Hosiery	-13.5	-15.5
Men's and Boys' wear	-14.1	-10.6
Women's and Misses' ready-to-wear	-14.6	+ 4.5
Linen and handkerchiefs	-18.0	-25.2
Silverware and jewelry	-18.2	-20.5
Musical instruments and radio	-18.2	-29.3
Silks and velvets	-20.9	-27.9
Miscellaneous	-14.4	-14.4

Wholesale Trade

The total October sales of the reporting wholesale firms in this district averaged 22 per cent smaller than a year ago, or about the same decline as in the two previous months. Sales of drugs, groceries, and men's clothing showed the smallest decreases, with the exception of silk goods, sales of which are reported in yardage rather than value by the Silk Association of America. In the case of silk goods the October decline was the first since May. Decreases in sales of more than 20 per cent continued to be reported by wholesale hardware, cotton goods, and paper dealers. Stationery wholesalers reported the largest decline from the previous year since October 1930, and shoe sales showed the largest decrease in more than a year. Sales of jewelry and diamonds continued to be far below the previous year, and machine tool orders, reported by the National Machine Tool Builders Association, remained less than half the volume of a year ago.

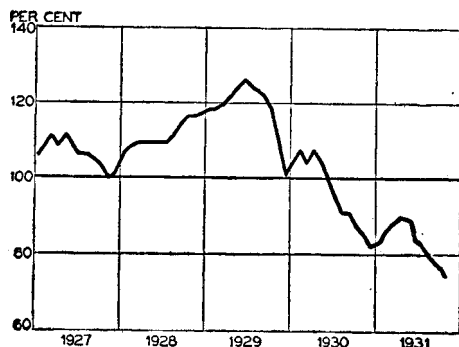
Stocks of merchandise on hand at the end of the month showed sizable decreases from a year ago in all reporting lines, with the exception of drugs. Collections in October of this year were somewhat slower than in 1930.

Commodity	Percentage change October 1931 compared with September 1931		Percentage change October 1931 compared with October 1930		Per cent of accounts outstanding September 30 collected in October	
	Net sales	Stock end of month	Net sales	Stock end of month	1930	1931
Groceries	+12.5	- 2.1	-18.7	-20.7	81.1	81.2
Men's clothing	-31.7	.....	-16.6	.....	38.0	33.7
Cotton goods	+16.1	- 5.8	-27.7	-24.9	37.4	36.4
Silk goods	-19.2*	+ 7.6*	-11.5*	-12.2*	46.7	54.4
Shoes	-21.3	- 4.1	-32.1	-18.9	52.8	39.8
Drugs	+20.7	+ 9.6	-13.5	+17.0	40.6	31.2
Hardware	+19.5	- 7.2	-20.8	- 9.9	48.3	45.1
Machine tools**	-20.5	.....	-50.6	.....	.....	.....
Stationery	+ 3.4	.....	-26.0	.....	64.8	67.3
Paper	+13.7	.....	-21.4	.....	57.0	46.9
Diamonds	+20.6	- 4.7	-46.4	-40.6	21.9	19.0
Jewelry	+10.2	- 6.5	-37.3	-39.0		
Weighted average	- 2.8	.....	-22.3	.....	53.6	50.9

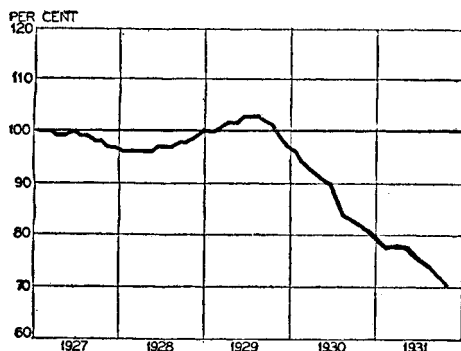
* Quantity not value. Reported by Silk Association of America
 ** Reported by the National Machine Tool Builders Association

FEDERAL RESERVE BANK OF NEW YORK

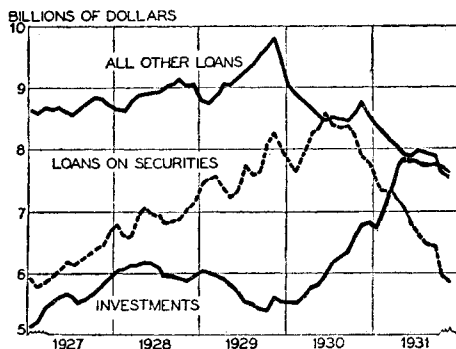
MONTHLY REVIEW, DECEMBER 1, 1931



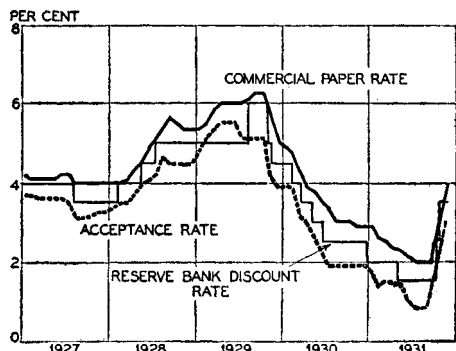
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variations (1923-25 average = 100 per cent)



Federal Reserve Board's Index of Factory Employment with Adjustment for Seasonal Variations (1923-25 average = 100 per cent)



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



Money Rates in the New York Market (November rates are averages for the first 21 days)

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

PRODUCTION and employment in manufacturing industries declined further in October, while output of minerals increased more than is usual at this season. There was a considerable decrease in the demand for Reserve Bank credit after the middle of October, reflecting a reduction in member bank reserve balances and, in November, an inflow of gold, largely from Japan. Conditions in the money market became somewhat easier.

PRODUCTION AND EMPLOYMENT

Total output of manufactures and minerals, as measured by the Board's seasonally adjusted index of industrial production, declined from 76 per cent of the 1923-1925 average in September to 74 per cent in October. Output of steel remained unchanged at 28 per cent of capacity in October, although it usually shows an increase for that month; in the first half of November activity at steel mills increased somewhat. Automobile production declined sharply in October; production of shoes and woollens decreased and cotton mill activity showed little change, although an increase is usual at this season. Output of bituminous coal increased seasonally, and there were large increases in the output of anthracite and petroleum.

Volume of factory employment declined substantially from the middle of September to the middle of October. At woolen mills where an increase in employment is usual at this season, there was a large decrease. In the automobile and shoe industries reductions in employment were considerably larger than usual, while in the canning industry the decline was wholly of a seasonal character. In the silk goods and hosiery industries employment increased by more than the usual seasonal amount.

The November cotton crop estimate of the Department of Agriculture was 16,903,000 bales, 600,000 bales larger than the October estimate and 3,000,000 bales larger than last year in spite of a reduction in acreage.

Data on the value of building contracts awarded in the period between September 1 and November 15, as reported by the F. W. Dodge Corporation, showed a continuation of the downward movement. In this period value of contracts was 29 per cent smaller than in the corresponding period of 1930, reflecting smaller volume of construction and somewhat lower building costs.

DISTRIBUTION

Total volume of freight-car loadings remained unchanged in October, while loadings of merchandise decreased. Department store sales increased by somewhat more than the usual seasonal amount.

WHOLESALE PRICES

The general level of wholesale prices declined from 69.1 per cent of the 1926 average in September to 68.4 per cent in October, according to the Bureau of Labor Statistics. Prices of grains, cotton, and silver, after showing a rapid rise beginning early in October, declined considerably, but in the third week of November were still above their October low points; prices of hides and petroleum were also higher in the middle of November than in early October. During this period the prices of livestock and meats declined rapidly, reflecting in part developments of a seasonal character.

BANK CREDIT

Reserve Bank credit, which had increased rapidly between the middle of September and the third week of October, declined by \$265,000,000 during the following four weeks. This decline reflected a large reduction in member bank and other balances at the Reserve Banks and also an inflow of gold, chiefly from Japan. Demand for currency, which had been on a large scale during September and the first three weeks of October, showed relatively small fluctuations after that time and in the second week of November declined by somewhat more than the seasonal amount.

Loans and investments of member banks in leading cities continued to decline during recent weeks, and on November 18 the total volume was \$500,000,000 smaller than five weeks earlier. This decrease reflected substantial reductions in loans on securities and in other loans, as well as in the banks' holdings of investments. At the same time deposits of these banks also declined with a consequent reduction in the reserve balances which they were required to hold with the Reserve Banks.

Money rates in the open market, which had advanced sharply during October, declined somewhat early in November. Rates on prime commercial paper declined from a range of 4-4¼ per cent to a range of 3¾-4 per cent, and rates on bankers acceptances from 3¼ to 2¾ per cent.