

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

January 1, 1932

Money Market in December

During December there were the usual demands upon the banks incident to the holiday trade and the year-end, including a demand for approximately \$225,000,000 of currency, fourth quarter income tax collections, and preparations for year-end corporation and bank statements. These requirements assumed somewhat more than their usual significance because a large number of member banks throughout the country entered December with a substantial amount of indebtedness at the Reserve Banks, due to the gold and currency withdrawals of the early autumn. Holiday and year-end demands upon the banks were met, however, without evidence of strain in the New York money market. Certain money rates firmed moderately and there was a temporary increase in borrowing at the Reserve Banks.

The early December demands on the banks were met partly out of the proceeds of gold imports, but the subsequent requirements were met largely by increased use of Reserve Bank credit. The monetary gold stock of the United States increased about \$40,000,000 during December, and on December 30 was only \$135,000,000 less than at the end of 1930, notwithstanding the extraordinary outflow of gold during the early autumn. There were some further gold shipments to Europe in December, largely in the form of gold coin which is not available to Europeans in their own currencies, and a moderate increase in the amount of gold earmarked for foreign account, but these transactions were more than offset by continued gold imports chiefly from the Far East.

The amount of Federal Reserve credit outstanding increased over \$300,000,000 between December 9 and 30. In the first week of this period the increase was in the form of special day-to-day certificates of indebtedness issued by the Treasury to the Reserve Banks to cover the excess of Government payments over receipts during the tax period. Following the repayment of these certificates in the week ended December 23, Reserve Bank discounts for member banks increased more than \$200,000,000, about half of which was in New York and the remainder in other parts of the country, and at the year-end there were substantial offerings of bills and Government securities to the Reserve Banks, and also a further temporary increase in member bank borrowings in anticipation of year-end statements.

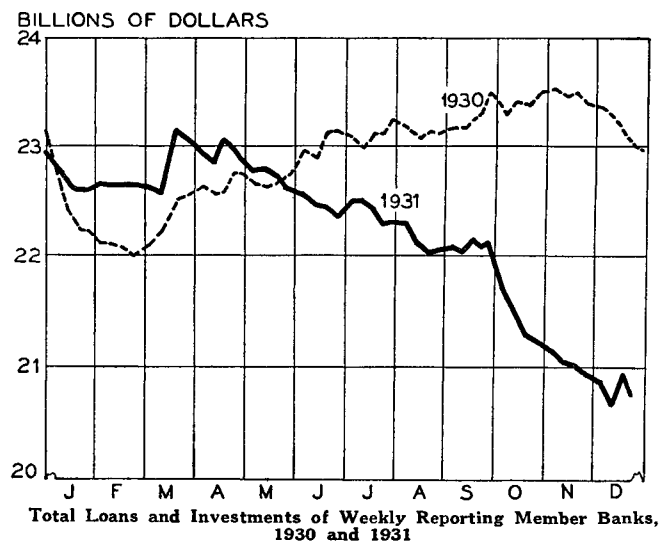
MONEY RATES

Although seasonal demands on the New York money market caused somewhat firmer conditions in the latter part of December, the rise in money rates was not large. Call money was advanced from 2½ to 3 per cent on December 18 and remained at that level until December 30, when it rose to 3½ per cent; nominal rates for time loans on Stock Exchange collateral were slightly higher; and "Federal funds" quotations rose close to the Reserve Bank discount rate in the last ten days of the month. In addition, yields on short-term Government securities, especially those maturing beyond March 15, rose further. Rates for commercial paper and

Money Rates at New York

	Dec. 31, 1930	Nov. 30, 1931	Dec. 31, 1931
Stock Exchange call loans.....	*2-4	*2½	*3-3½
Stock Exchange 90 day loans.....	**2¼-2½	**3-3½	**3-4
Prime commercial paper.....	2¼-3	3¼-4	3¼-4
Bills—90 day undorsed.....	1½	3	3
Customers' rates on commercial loans..	†3.75	†4.50	†4.40
Treasury securities			
Maturing March 15 (yield).....	1.28	1.99	2.30
Maturing September 15 (yield).....	1.56	2.40	3.67
Federal Reserve Bank of New York re-discount rate.....	2	3½	3½
Federal Reserve Bank of New York buying rate for 90 day indorsed bills.	1¾	†3½	†3½

** Nominal † Average rate of leading banks at middle of month
 ‡ 1-45 days—3 per cent * Rates for preceding week



acceptances were virtually unchanged, as the supply of commercial paper was very small, and the demand for acceptances, especially on the part of foreign investors, was fairly active during most of the month.

MEMBER BANK CREDIT

During the past month there has been a continued decrease in the volume of bank credit in use. In the second week of December the total loans and investments of weekly reporting member banks of the Federal Reserve System declined to a volume \$2,500,000,000 smaller than a year previous, and the deposits of these banks showed an accompanying decline of about \$3,000,000,000. These weekly reporting banks, which are located in the larger cities and have approximately half of the total deposits of all commercial banks in the United States, showed little decline in their credit advances until the movement had been in progress in country banks for some time. Their loans and investments have now shown, however, an almost continuous decline since last March, as the accompanying diagram indicates. In fact, their loans have been declining since the autumn of 1930, but the decline in loans was offset for several months by an increase in investments.

Since September the tendency toward credit reduction has been accelerated, as a decrease of investments has been added to the reduction in loans. This accelerated decline started with heavy withdrawals of deposits from the banks, a considerable part of which represented the funds of foreign depositors, following the suspension of gold payments by Great Britain in September. The ensuing rise in money rates was accompanied by a decline in the prices of high grade securities, and this decline in security values, together with the loss of deposits, appears to have set in motion a cycle of credit reduction which continued after the immediate cause ceased to operate. Individual banks sold bonds or reduced their loans in order to strengthen their position. The result, however, was a further decline in the market value of investment securities and a loss of deposits by other banks, so that those banks also considered it necessary to strengthen their position by selling securities or reducing their loans. This action, in turn, while strengthening for the time being the position of individual banks, merely passed the burden along to other banks and tended to perpetuate and make progressively larger the losses of deposits and the decline in market value of bank assets for the banking system as a whole.

At the middle of December this movement was interrupted by subscriptions to new issues of Government securities, which resulted in a net increase during the week ended December 16 of \$340,000,000 in the Government security holdings of the reporting member banks, but part of this increase was lost in the following week. Prices of long term United States Government bonds declined in December to levels about 10 per cent below those prevailing a few months ago; and corporation bonds showed still larger declines. With year-end and holiday demands for funds impending and a general feel-

ing of caution prevailing, the demand for investment securities was limited so that the security markets did not show their usual ability to absorb offerings, and prices reacted to any liquidation of investment holdings. Trading in many issues was in such small volume, however, that quoted prices were purely nominal.

Near the end of December, there was some recovery in the market for railroad and other bonds, following an announcement by the Interstate Commerce Commission indicating that it would interpose no objection to the distribution, on a loan basis, of the proceeds of an advance in freight rates on certain classes of freight among railroads needing assistance in meeting their fixed charges, and the decision by the railroad unions and by the railroad executives to appoint committees empowered to carry forward negotiations concerning a reduction in wage rates.

COMMERCIAL PAPER MARKET

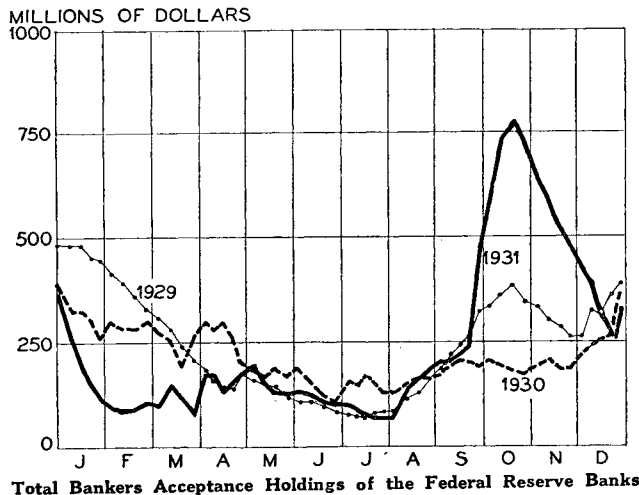
During December, the bank investment inquiry for open market commercial paper continued in small volume and was concentrated on choice material of short maturity. This class of paper remained scarce, as in fact were all drawings of paper, reflecting in part at least the usual seasonal tendency toward a reduction in the outstanding amount of paper on the approach of the year-end statement date. Dealers throughout the month continued to quote a prevailing range of 3 $\frac{3}{4}$ -4 per cent for prime commercial paper.

November 30 outstandings of commercial paper amounted to \$174,000,000, according to reports received by this bank from dealers. This total was 17 per cent smaller than the amount outstanding at the end of October and 61 per cent less than the November 1930 figure.

BILL MARKET

The supply of bankers bills offered to the discount market increased somewhat in the first part of December, and dealers' portfolios of bills tended to expand though they remained of comparatively small volume up to the middle of the month. During this period, foreign buying of bills was accelerated, the Federal Reserve Banks' holdings of bills for foreign correspondents increasing \$80,000,000 between December 2 and 16, but investment demand from domestic sources declined considerably. In the third week of the month, slightly firmer conditions in the money market were reflected in a further increase in offerings of bills to dealers and a smaller aggregate investment demand, and dealers' holdings of bills consequently showed a considerable rise. The dealers felt it unnecessary, however, to raise their rates for bills which were offered throughout December at 3 per cent for maturities up to 120 days and 3 $\frac{5}{8}$ per cent for 5 and 6 month maturities.

Holiday and year-end demands for credit and currency reached their peak in the last week of the month, and, for the first time since October, bills were offered in volume to the Reserve Banks, as the accompanying diagram shows. Bills were sold by the banks directly to the



Reserve Banks and also to the dealers, who by tendering the bills to the New York Reserve Bank under repurchase agreement supplied Federal Reserve credit to the money market indirectly; consequently, the System's total portfolio of acceptances increased \$70,000,000 in the week ended December 30, after having shown a continuous decrease totaling \$512,000,000 in the previous 9 weeks.

Contrary to the usual seasonal tendency, the volume of dollar acceptances outstanding was reduced \$37,500,000 during November to \$1,002,000,000 at the end of that month. The decrease reflected principally a continued decline in acceptances based on goods stored in or shipped between foreign countries and smaller reductions in import and export bills, which were only partly offset by a further rise in bills arising from domestic warehouse credits.

Security Markets

Following the substantial decline in November, stock prices fluctuated irregularly during the first few days of December, after which the downward movement was resumed, and as a result of an almost continuous decline between December 5 and December 17 the early October lows were broken. The December bottom of stock prices averaged 12 per cent below the October low, and marked the lowest point that the general level of share prices in this country has reached since 1921. Railroad shares dropped to the lowest level of this century, and public utility average stock prices reached new lows since 1925. Prices of industrial stocks on the whole declined no lower than in 1921, but there were several outstanding stocks which did go lower, including shares of the United States Steel Corporation which, even after allowing for the intervening stock dividend, receded to the lowest price since 1915. From the low levels reached on December 17, there was a sharp advance on the following day, but for the balance of the month share prices fluctuated irregularly and closed the month only moderately above the December lows. The advance on the 18th occurred in a volume of trading that reached 3,600,000 shares on the New York Stock Exchange, the largest turnover for any day since October 6, which also

witnessed a sharp recovery from the previous low level of prices. Trading on the Exchange in general was somewhat more active than in November.

In addition to the weakness in the general stock market, severe declines occurred in the prices of bank stocks. During the first half of December an average of the share prices of 20 leading New York financial institutions declined about 25 per cent to a new low since 1922, but subsequently stabilized at a somewhat higher level.

The general tendency in the bond market continued predominantly downward during the first 17 days of December, during which period all groups of bonds reached new low levels for a number of years past. Representative price averages of domestic corporation bonds dropped 6 to 10 points further during this period, but subsequently substantial recoveries occurred in most groups of bonds, so that by the end of the month about one-third of the losses of early December had been regained. Foreign dollar bonds likewise were very weak in the first half of the month, dropping 6 points below the previous low reached in October, but afterwards turned somewhat firmer. The improvement in the market for domestic bonds in the latter part of the month was reported to have reflected the better prospects for railroad bonds, due to the formulation of a plan for distributing the proceeds of the prospective advance in rates on certain classes of freight, and also to hopes that an early agreement concerning a reduction in railway wages would be reached.

The movement of United States Government bond prices again was downward. The average price of the eleven Liberty Loan and Treasury bonds now outstanding declined $4\frac{1}{2}$ points from the end of November, reaching a level about $2\frac{3}{4}$ points below the early October low.

New Financing

The flotation of new securities during December continued in restricted volume, except for United States Treasury financing operations. Most of the month's offerings were State and municipal issues, the most important of which was a \$60,000,000 loan of the City of New York, maturing in a little less than 3 months to slightly less than 6 months. This loan took the form of revenue bills, special revenue bonds, and corporate stock, and was placed at an interest cost to the City of $5\frac{1}{2}$ per cent, the highest rate paid in a number of years. Part of the proceeds of the loan was used to retire a portion of a short term loan contracted by the City last September at $1\frac{3}{8}$ per cent. Other flotations of the month included several small municipal issues, a \$12,000,000 Federal Intermediate Credit Bank short term $4\frac{1}{2}$ per cent issue, and a few small public utility issues.

On December 15, the United States Treasury issued a total of \$1,324,000,000 of certificates of indebtedness and Treasury notes, to provide for maturities and called obligations falling due on that day amounting to \$995,000,000 and to supply necessary funds for Government expenditures. The certificates of indebtedness were of two series, one for six months at $2\frac{3}{4}$ per cent in the

amount of \$324,600,000 and the other for nine months at 3 per cent in the amount of \$398,300,000. The Treasury note issue, amounting to \$600,600,000, was of one year maturity and bore $3\frac{1}{4}$ per cent interest. Of the \$995,000,000 of issues payable on December 15, \$581,000,000 were tendered and accepted in exchange for the new issues put out at that time. On December 30, the Treasury floated a \$100,000,000 issue of 91 day bills to replace an equivalent amount of Treasury bills maturing on that day.

New security flotations during the month of November totaled about \$130,000,000, according to final figures which do not include any part of the Dominion of Canada National Service Loan which may have been placed in this country. Of the issues for new capital purposes aggregating \$109,000,000, about half represented State and municipal financing, and the balance domestic corporation security offerings.

Gold Movement

The monetary gold of the United States continued to increase during the first three weeks of December, and showed only a moderate net reduction in the final week, with the result that a total increase of about \$40,000,000 was reported for the month. As the accompanying diagram indicates, the increase in the gold holdings of this country that occurred in the first nine months of the year has been resumed following the large outflow of late September and October, so that the net loss of gold for the year 1931 has been reduced to about \$135,000,000.

The month's gain in the gold stock reflected principally further imports from Japan at San Francisco, which amounted to \$68,000,000, thereby increasing to \$168,000,000 the total received from that country since mid-October. In addition, \$1,000,000 was received from Australia and \$500,000 from China at San Francisco. At New York, imports amounted to \$17,700,000, of which \$4,600,000 came from England, \$4,000,000 from Canada, \$2,000,000 from Colombia, \$3,000,000 from British India, \$1,800,000 from Cuba, and \$900,000 from Mexico. Exports totaled \$32,200,000, of which \$15,000,000 went to France, \$10,200,000 to Holland, \$5,700,000 to Bel-

gium, and \$800,000 to Switzerland, and there was a net increase of \$22,800,000 in the amount of gold held under earmark for foreign account.

During December a total of over £1,000,000 of gold arrived in the London market principally from South Africa, of which £440,000 was taken for the United States, £485,000 for the Continent, and the balance for an undisclosed destination at varying prices.

Foreign Exchange

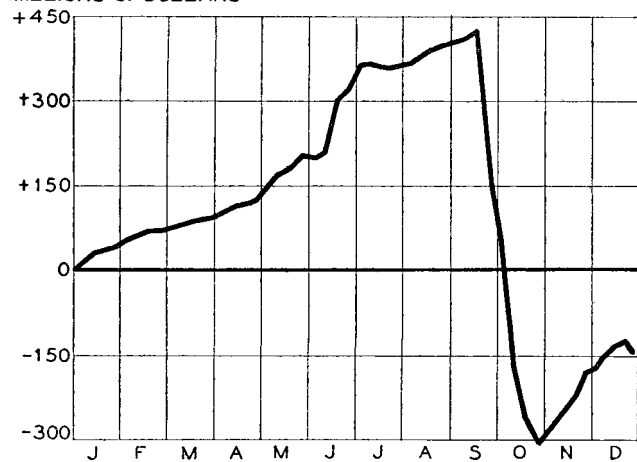
The foreign exchanges during December showed considerable irregularity of movement. Sterling declined sharply in the first week of the month to \$3.25 $\frac{3}{4}$, after which the quotation rose irregularly to close higher than at the end of November. French francs moved in a relatively wide range from \$0.0391 on the 1st to \$0.0393 $\frac{1}{2}$ on the 19th, but had declined to \$0.0392 at last report. Guilders showed sudden weakness towards the middle of the month and despite some recovery ended the month below their parity of \$0.4020. Strength in Swiss francs persisted with the quotation above the estimated gold export point during most of December. Reichsmarks, although subject to control at Berlin, fell abruptly to \$0.2310 on the 7th and recovered in a narrow and nominal market to \$0.2381 on the 29th. Lire were weak at around \$0.0510 or below in the second half of the month, while the movement of the Scandinavian currencies followed rather closely that of sterling.

The re-imposition of the Japanese embargo on gold exports on the 13th was anticipated in the market by a drop in the yen from \$0.4965 on the 10th to \$0.42 on the 12th; the quotation has since moved lower to about \$0.36. The South American currencies, practically all under official control, showed a little weakness in the middle of the month, but their general steadiness was in sharp contrast to the irregularity of the European exchanges. The Canadian dollar declined almost daily from a discount of 13 $\frac{3}{4}$ per cent on the 1st to 19 $\frac{7}{8}$ per cent on the 15th, after which the rate firmed slightly. Hong Kong and Shanghai rates closed firm.

Closing Cable Rates at New York
(In dollars)

Exchange on	Par of exchange	Dec. 31, 1930	Nov. 30, 1931	Dec. 29, 1931
Austria	\$.1407	\$.1409	\$.1412	\$.1415
Belgium . . . . .	.1390	.1397	.1387	.1393
Denmark . . . . .	.2680	.2673	.1900	.1900
England	4.8665	4.8559	3.3950	3.4200
France . . . . .	.0392	.0393	.0391	.0392
Germany . . . . .	.2382	.2382	.2375	.2381
Holland . . . . .	.4020	.4027	.4015	.4012
Italy . . . . .	.0526	.0524	.0516	.0510
Norway . . . . .	.2680	.2674	.1900	.1880
Spain . . . . .	.1930	.1051	.0841	.0846
Sweden . . . . .	.2680	.2680	.1887	.1910
Switzerland . . . . .	.1930	.1939	.1942	.1950
Canada	1.0000	.9984	.8650	.8125
Argentina . . . . .	.9648	.7246	.5882	.5865
Brazil . . . . .	.1196	.0970	.0625	.0620
Uruguay	1.0342	.7300	.4500	.4500
Japan . . . . .	.4985	.4960	.4963	.3613
India . . . . .	.3650	.3600	.2588	.2600
Shanghai . . . . .	.....	.3425	.3200	.3350

MILLIONS OF DOLLARS



Net Increase or Decrease in Monetary Gold Stock of the United States, Cumulative by Weeks from December 31, 1930

Central Bank Rate Changes

On December 10 the Reichsbank lowered its discount rate to 7 per cent from 8 per cent, where it had stood

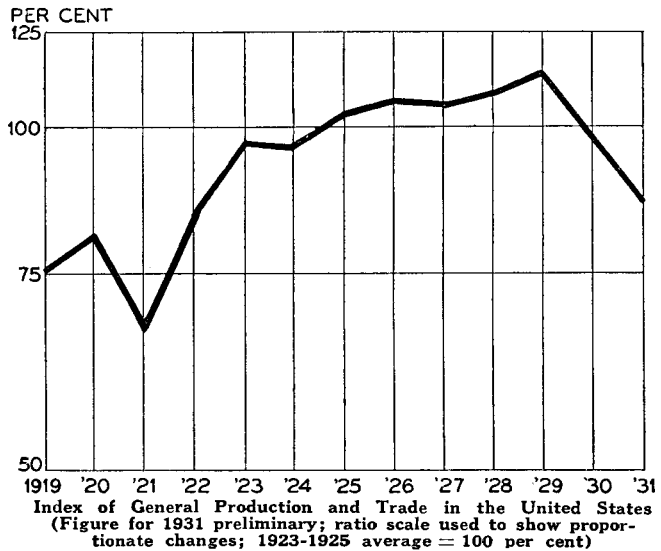
since September 2. The rate on advances was simultaneously reduced from 10 to 8 per cent. On the 22nd the discount rate of the National Bank of Czechoslovakia was lowered from 6½ to 6 per cent, the higher rate having been in force since September 23.

Production and Trade in 1931

As a result of the continued decline in business through the second year, this bank's estimate of the total volume of production and trade for 1931 indicates a reduction of about 13 per cent from 1930 and about 25 per cent from the peak year of 1929. This estimate is based on a compilation of all the principal data available at this time relating to production and trade—in all about 180 series. The 1931 annual figure for each series was obtained by taking actual figures so far as possible, usually for the first eleven months of the year, and adding to them estimated figures for the remainder of the year. The various series have been weighted so that they would be represented according to their relative importance in the group averages and in the composite.

As is indicated in the accompanying diagram, which is drawn on a ratio scale to show the comparative rate of increase or decrease from year to year, the estimated percentage decline in the volume of production and trade during 1931 is virtually the same as the recession that occurred in 1930 from the 1929 volume. The diagram also indicates that the estimated volume of production and trade during 1931 was the smallest for any year since 1922, notwithstanding the growth in the population and in the productive capacity of the country during the intervening nine years.

All groups of production and trade series were below the 1930 level, with the exception of crops. In this category, the production of principal agricultural commodi-



ties, exclusive of live stock and dairy products, was about 10 per cent larger than in the previous year. The output of foods showed a much smaller decline from 1930 than did aggregate production and trade, and series reflecting general trade showed less than the average decrease. The outstanding large reductions in volume between 1930 and 1931 came in the more basic groups, such as those representing the production of minerals and metals, and construction activity and the output of building materials. The group of manufactures also showed a somewhat larger drop than the composite of all series of production and trade.

Value of Crops

The total value of crops produced during 1931 was \$4,100,000,000, according to an estimate of the Department of Agriculture, based mostly on farm prices prevailing on December 1, but on seasonal averages for crops already marketed. This figure, which refers only to crops and excludes live stock and dairy products, represents a decline of \$1,700,000,000, or 29 per cent, from the 1930 value and is nearly 4 billion dollars, or 49 per cent, below the 1929 value. The total quantity of crops produced during 1931 was above both 1929 and 1930, and the large reduction in total value reflects solely the marked decline in agricultural prices during the past two years. Farm prices on December 1 of this year averaged 36 per cent below the level of December 1930 and 51 per cent below December 1929.

The result of the tendencies operating during the past two years has been to reduce the total value of many of the crops to less than one-half of their 1929 value. Despite the fact that the estimated 1931 cotton crop is the second largest in history, its value is only 40 per cent of the 1929 crop. Declines of more than one-half from the 1929 values are shown also in corn, wheat, potatoes, cottonseed, and barley. In the case of corn, however, the actual decline in the money return is dependent largely upon live stock prices, since by far the major portion of this crop is not marketed but is retained on farms and fed to live stock. The reductions

	Per cent change 1931 from 1930		Per cent change 1931 from 1930
Manufactures			
Wool mill activity	+10	Crops	
Boots and shoes	+3	Peaches	+44
Silk consumption	+2	Apples	+36
Cotton consumption	+1	Corn	+24
Gasoline	-1	Cottonseed	+22
Electric power production	-4	Cotton	+21
Pneumatic tires	-4	Strawberries	+17
Tobacco products	-5	Potatoes	+13
Paper, total	-11	Wheat	+4
Automobiles, trucks	-23	Hay	+1
Automobiles, pass. cars	-31	Tobacco	-2
Locomotives, shipments	-80	Oranges	-7
Freight cars, shipments	-88	Oats	-13
Group average	-16	Tomatoes	-33
Minerals and Metals			
Crude petroleum	-5	Barley	-35
Anthracite coal	-15	Grapes	-35
Bituminous coal	-18	Group average	+10
Copper	-26	Foods	
Lead	-30	Sheep slaughtered	+8
Steel ingots	-37	Butter	+4
Silver	-38	Calves slaughtered	+3
Zinc	-40	Lard	+2
Pig iron	-41	Poultry receipts	+2
Group average	-25	Swine slaughtered	0
Trade			
Coffee imports	+10	Meat	0
Raw silk imports	+9	Egg receipts	0
Crude rubber imports	+4	Cattle slaughtered	-1
Raw cotton exports	-4	Wheat flour	-7
Department store sales	-10	Cheese receipts	-8
Newspaper advertising	-10	Sugar meltings	-10
Car loadings, mdse. and misc.	-17	Fish	-23
Wholesale trade	-19	Group average	-4
Grain exports	-20	Building Materials and Construction	
Car loadings, other	-23	Concrete pavements	-10
Magazine advertising	-23	Cement	-22
Auto exports	-44	Building contracts	-26
Group average	-11	Lumber	-35
		Face brick	-35
		Group average	-27
		Average of 182 series	-13

in the total values of fruit crops have generally been much less marked than in the values of other crops.

Building

Activity in the building industry continued downward during November, and even after allowing for the usual seasonal movement, the F. W. Dodge Corporation figures on the value of building and engineering contracts awarded declined to a new low level for the current recession. The November total was 38 per cent smaller than that of the previous month and was 40 per cent less than the November 1930 value. All of the major types of construction contracts were more than seasonally below the October figures, and were in the neighborhood of 40 per cent below a year ago.

Preliminary figures indicate that the decline continued in December, for the daily average value of contracts placed during the first three weeks of the month was 20 per cent less than in November. The volume of public works and utility projects showed little change, but both residential and other non-residential work were more than seasonally below the November level.

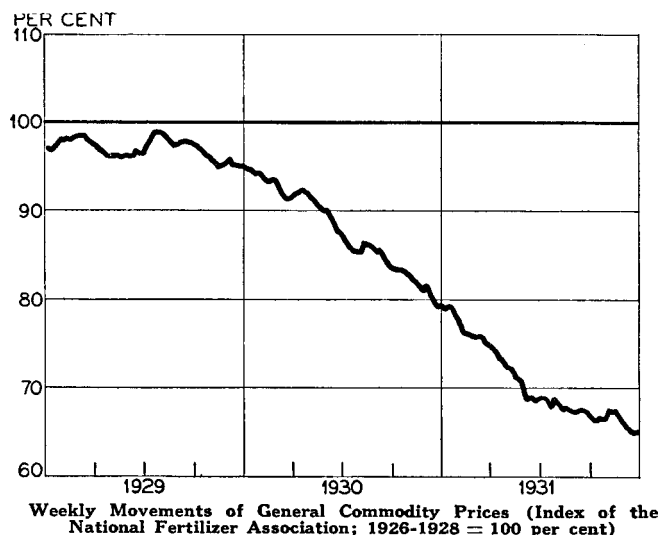
As a result of the November decline, the reduction from the previous year in the value of building contracts for the first 11 months of 1931 was increased to 31 per cent. The cumulative total for residential building was down 25 per cent, public works and utilities were reduced by 30 per cent, and other non-residential contracts were reduced by 36 per cent, the latter reflecting principally reductions of 53 per cent in factory construction and 49 per cent in commercial building.

November contracts for building in Metropolitan New York and vicinity were 42 per cent smaller than a year ago, a heavy drop being reported in residential building following a small aggregate increase in the earlier part of the year. For the eleven months of 1931, total contracts awarded were 21 per cent smaller than in the corresponding period of 1930; residential building was only 5 per cent smaller, but public works and utilities showed a decrease of 20 per cent, and other non-residential work was reduced by one-third.

Commodity Prices

Wholesale commodity prices continued to show a moderate downward tendency during December, which was most general in agricultural commodities. The cash price of Number 1 Northern wheat at Minneapolis dropped $4\frac{5}{8}$ cents a bushel, corn reacted to a level only fractionally above the early October low, and hogs declined to the lowest figure in thirty-four years; although some recovery occurred by the end of the month, these commodities showed net losses as compared with the latter part of November. Steers, hides, and sugar also moved lower in price during December, and silk reached a new record low, following the suspension of gold payments by Japan. The price of rubber early in the month established a new record low at $4\frac{1}{4}$ cents a pound, but later recovered and closed with a slight net gain for the month.

Price movements of fuels and metals were somewhat irregular. Crude petroleum reacted slightly, but held most of the advances of previous months, and bituminous coal prices were somewhat higher. Copper advanced to



$7\frac{1}{4}$ cents a pound from the record low of $6\frac{1}{2}$ prevailing early in the month, silver rose as high as $31\frac{5}{8}$ cents, and tin after dropping to a new low level since 1899 subsequently recovered and showed a small net gain for the month. On the other hand, declines occurred in the prices of lead, pig iron, and finished steel.

Employment and Wages

A further decline occurred in employment and in wage payments during November. The number of factory workers employed in New York State and in the country as a whole declined about $3\frac{1}{2}$ per cent to new low levels for the current depression, with the result that the Federal Reserve Board's adjusted index of employment for November was 33 per cent below the 1929 peak and was at a new low since at least 1919, the first year for which the index is available. Aggregate payrolls declined 5 per cent further, and the figure for the country as a whole reached a level 50 per cent below the 1929 peak.

Average weekly earnings of workers who were employed in New York State factories during November declined further to \$24.99, the lowest figure since 1922. Voluntary labor turnover in the United States declined further in November and the ratio of orders for workers to applications for jobs at New York State employment bureaus showed a downward tendency in November and the first half of December.

Production

Activity in the steel industry declined further in December to 21 per cent of capacity operations, reflecting year-end suspension of work. Production of bituminous coal declined seasonally from the November level, but little change was reported in crude petroleum output, and production of automobiles showed an increase during December.

In November, industrial production continued to show a downward tendency, according to final figures for that month. Pig iron production was reduced to a new low level since 1921, and the output of lead, zinc, and coal

FEDERAL RESERVE AGENT AT NEW YORK

also was somewhat lower than in October. Mill consumption of raw cotton failed to show the usual increase, and silk consumption rose only seasonally, while the activity of wool mills was reported to have decreased. Other declines occurred in the indexes of slaughtering of live stock and of production of lumber, and production of automobiles was reduced seasonally to a very low figure. The most important advance was in the production of steel ingots, which increased from October to November for the first time since 1925; this gain, however, accompanied a reduction in unfilled orders, which for the United States Steel Corporation declined 186,000 tons to the lowest level since 1910. The only other indexes to show increases were those for the output of crude petroleum, boots and shoes, sole leather, wheat flour, newsprint paper, and tobacco products.

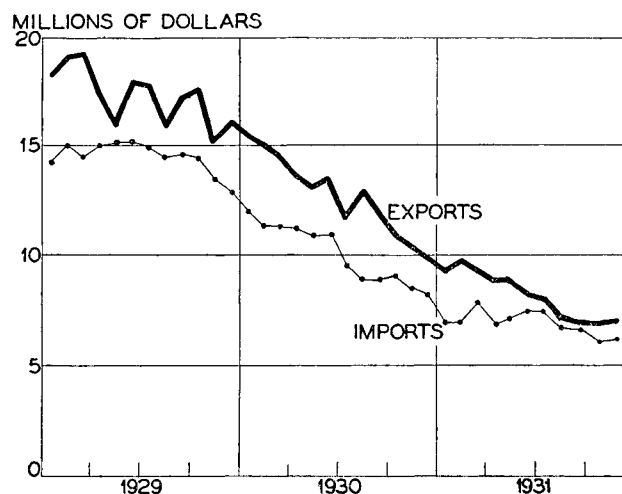
(Adjusted for seasonal variations and usual year-to-year growth)

	1930		1931	
	Nov.	Sept.	Oct.	Nov.
Metals				
Pig iron.....	62	41	38	37
Steel ingots.....	62	43	40	44
Copper.....	74	54 ^p		
Lead.....	73	57	58	52 ^p
Zinc.....	55	38	37	34
Tin deliveries.....	89	70	78	49
Automobiles				
Passenger cars.....	36	29	15	16 ^p
Motor trucks.....	83	54	37	46 ^p
Fuels				
Bituminous coal.....	88	73	71	68
Anthracite coal.....	85	71	94	70
Coke.....	75	55	55	54
Petroleum, crude.....	83	72	80	83 ^p
Petroleum products.....	79	78	78	
Textiles and Leather Products				
Cotton consumption.....	71	79	74	72
Wool mill activity.....	62	84	62	57
Silk consumption.....	115	94	96	96
Leather, sole.....	95	86	84	87 ^p
Leather, upper.....	88	96		
Boots and shoes.....	75	86	71 ^p	77 ^p
Foods and Tobacco Products				
Live stock slaughtered.....	89	99	99	93
Wheat flour.....	97	84	84	97
Sugar meltings, U. S. ports.....	114	80	74	73
Tobacco products.....	90	87	83	84
Miscellaneous				
Cement.....	83	77	68	59
Tires.....	54	51	49	
Lumber.....	53	43	40	34
Printing activity.....	84	79	72	
Paper, newsprint.....	83	86	84	87 ^p
Paper, other than newsprint.....	81	76	59 ^p	
Wood pulp.....	81	77	68 ^p	

^p Preliminary

Foreign Trade

The total dollar value of this country's foreign merchandise trade for November showed a decline from the previous month that was about in accordance with the usual seasonal change. Imports were reduced to \$150,000,000, the smallest monthly total since October 1915, and exports declined to \$193,000,000. Both imports and exports, however, showed smaller percentage losses from a year previous than in October or in most of the previous months of 1931. Imports were down 26 per cent and exports 33 per cent. This slowing up of the decline in our foreign trade is indicated in the accompanying diagram which shows each month's imports and exports



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

reduced to a daily average basis, and adjusted for the usual seasonal movements. It appears from the chart that exports during the four months ended with November were at a fairly stationary level, following an almost continuous decline from the peak of 1929, and that imports did not recede materially further.

November exports of wholly and partly finished manufactures, with decreases of 42 and 37 per cent, respectively, again registered the largest reductions from a year ago of any of the leading export groups. On the other hand, exports of crude foodstuffs were only 12 per cent less in value than a year ago, and the quantity of raw cotton shipped abroad during November was 15 per cent larger than in November 1930.

Among the imports, crude materials showed the smallest decline in value from a year ago, a decrease of 20 per cent. Quantity receipts of both raw silk and crude rubber were considerably larger than in November 1930.

Indexes of Business Activity

Christmas trade in New York and vicinity, as reflected by the sales of the principal department stores from December 1 to 24, inclusive, was about 7½ per cent smaller than a year previous, a figure which compares favorably with the records for the preceding autumn months. A further decline in the primary distribution of goods, however, was indicated by a more than seasonal decline in the movement of merchandise and miscellaneous freight over the railroads during the first three weeks of the month.

In November, this bank's adjusted indexes of business activity and of the distribution of goods generally showed further reductions. Car loadings both of merchandise and miscellaneous freight and of the bulk commodities declined more than seasonally, as did bank debits in 140 centers outside of New York City. Department store sales in this district and in the country as a whole showed somewhat less than the usual increase in November, and chain store sales were also moderately reduced, after seasonal adjustment. Declines occurred

also in the adjusted indexes of postal receipts and of advertising. The amount of life insurance sold increased, however, and business failures rose less than seasonally from October to November, although the actual number was the largest for any November on record.

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

	1930		1931	
	Nov.	Sept.	Oct.	Nov.
Primary Distribution				
Car loadings, merchandise and misc.	80	67	67	66
Car loadings, other.	78	62	63	60
Exports.	75	56	56	57 _p
Imports.	90	76	74	75 _p
Waterways traffic.	81	56	55	
Wholesale trade.	91	85	80	84
Distribution to Consumer				
Department store sales, 2nd Dist.	95	85	91 _r	89
Chain grocery sales.	89	88	82	80
Other chain store sales.	92	86	84	82
Mail order house sales.	84	77	72	69 _p
Advertising.	80	74	72	70
Gasoline consumption.	90	84	82	
Automobile registrations.	52	45	35 _p	
General Business Activity				
Bank debits, outside of New York City..	87	79	77 _r	70
Bank debits, New York City.	75	77	74 _r	56
Velocity of bank deposits, outside of New York City.	94	85	88	81
Velocity of bank deposits, New York City.	87	84	80	62
Shares sold on N. Y. Stock Exchange.	140	141	115	94
Life insurance paid for.	93	88	90	100
Postal receipts.	87	82	79	77
Electric power.	89	83	79 _p	
Employment in the United States.	83	74	72	71
Business failures.	102	108	113	107
Building contracts.	63	56	50	38
New corporations formed in N. Y. State.	83	86	88	85
Real estate transfers.	59	51	51	
General price level*.	161	147	144 _r	144
Composite index of wages*.	219	213	208	206
Cost of living*.	161	148	146	144

_p Preliminary _r Revised *1913 average=100

Department Store Trade

The dollar volume of holiday trade in leading department stores in New York and vicinity was about 7½ per cent below the previous year, according to preliminary reports on sales during the first 24 days of December. Assuming a similar decrease for the entire month of December, the total dollar sales of the reporting stores for the year 1931 will show a decline of slightly more than 8 per cent from 1930, but, in view of the lower prices prevailing in 1931, the quantity of goods sold by these stores during the year probably was close to that of the previous year.

For November, department stores in this district reported sales 10½ per cent smaller than in 1930. The New York City, Rochester, and Bridgeport stores reported about the same percentage declines from a year ago as in October, but in other parts of the district sales declined more than in the previous month. The leading apparel stores, however, reported a considerably smaller decrease in sales than in October.

Stocks of merchandise on hand at the end of November, at retail valuations, showed an even larger decline from a year previous than in other recent months. The rate of collections on charge accounts continued to be somewhat slower than in 1930.

Locality	Percentage change from a year ago			Per cent of accounts outstanding October 31 collected in November	
	Net sales		Stock on hand end of month	1930	1931
	Nov.	Jan. to Nov.			
New York.	-9.7	-8.2	-14.4	49.3	48.0
Buffalo.	-17.1	-11.3	-8.7	46.7	42.5
Rochester.	-13.1	-8.8	-23.7	44.1	45.0
Syracuse.	-18.1	-11.0	-15.9	31.8	28.8
Newark.	-9.0	-6.5	-13.4	42.1	41.0
Bridgeport.	-15.9	-11.5	-21.2	39.1	36.5
Elsewhere.	-15.4	-9.8	-11.3	33.4	30.7
Northern New York State.	-26.3	.....	.....	.....	.....
Southern New York State.	-9.8	.....	.....	.....	.....
Hudson River Valley District.	-15.3	.....	.....	.....	.....
Capital District.	-16.0	.....	.....	.....	.....
Westchester District.	-17.3	.....	.....	.....	.....
All department stores.	-10.5	-8.3	-14.2	45.4	43.7
Apparel stores.	-12.8	-10.9	-17.1	46.0	44.4

Wholesale Trade

The dollar volume of November sales of reporting wholesale dealers averaged 18½ per cent less than in 1930, a somewhat smaller decline than in the three previous months. Although continuing substantially below the previous year, sales of stationery, shoes, and cotton goods did not show as large decreases as in October, and machine tool orders, reported by the National Machine Tool Builders Association, showed the smallest decrease from a year ago since October 1929. Sales of silk goods, reported in yardage by the Silk Association of America, also compared much more favorably with the previous year than in October, and the decline in drug sales diminished. Wholesale hardware, grocery, and paper dealers reported slightly smaller decreases than in October, but sales of men's clothing were further below 1930 than in the preceding month. Sales of jewelry and diamonds again showed large declines from a year previous.

The value of merchandise stocks held at the end of November continued substantially below 1930 in all reporting lines, except drugs. The ratio of collections to accounts outstanding was slightly higher than a year previous.

Commodity	Percentage change November 1931 compared with October 1931		Percentage change November 1931 compared with November 1930		Per cent of accounts outstanding October 31 collected in November	
	Net sales	Stock end of month	Net sales	Stock end of month	1930	1931
Groceries.	-15.7	+ 1.4	-17.4	-22.3	69.0	71.2
Men's clothing.	-47.1	.....	-21.8	.....	29.1	29.8
Cotton goods.	-14.8	-9.7	-15.5	-22.8	31.2	31.8
Silk goods.	-0.7*	+ 2.2*	-4.0*	-11.0*	46.7	61.3
Shoes.	-16.0	-13.1	-21.5	-22.1	41.5	36.6
Drugs.	-22.4	-4.2	-9.2	+26.0	38.3	42.6
Hardware.	-15.9	-5.7	-19.5	-14.1	44.6	43.2
Machine tools**.	+14.2	.....	-15.9	.....	.....	.....
Stationery.	+ 0.3	.....	-18.4	.....	64.4	63.8
Paper.	-14.6	.....	-20.3	.....	58.4	47.9
Diamonds.	-34.9	-7.5	-57.8	-45.5	18.7	18.1
Jewelry.	-23.8	-7.2	-36.9	-40.8		
Weighted average.	-19.6	.....	-18.5	.....	46.4	47.9

* 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, JANUARY 1, 1932

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL activity and factory employment declined further from October to November, reflecting in part the usual seasonal tendencies. Continued gold imports and further reduction in member bank reserve requirements during November and the first half of December were reflected in a considerable decline in the outstanding volume of Reserve Bank credit.

PRODUCTION AND EMPLOYMENT

In November industrial production showed a somewhat larger decrease than is usual at this season, and the Board's seasonally adjusted index declined from 73 to 72 per cent of the 1923-1925 average. Activity declined at woolen mills, lumber mills, and coal mines, while daily average output at steel mills increased and volume of automobile production showed less than the usual seasonal decline from the low level of October. The November increase in steel production was followed by a considerable decline in the first three weeks of December. Output of petroleum increased further in November to a level slightly lower than that prevailing last summer before output was sharply curtailed.

Volume of employment in most manufacturing industries declined by more than the seasonal amount between the middle of October and the middle of November. Reductions were particularly large in the wearing apparel, leather, and building materials industries, while in the automobile and tire industries declines were smaller than usual at this season.

The value of building contracts awarded, as reported by the F. W. Dodge Corporation, has declined further in recent months and a preliminary estimate of the Board's seasonally adjusted index for the last quarter of 1931 is 49 per cent of the 1923-1925 average, compared with 59 for the third quarter, 65 for the second quarter, and 79 for the first quarter of the year; part of this decline in dollar volume reflects lower building costs.

Production of principal crops in 1931 was about 10 per cent larger than in 1930, according to the December crop report of the Department of Agriculture, while acreage harvested was slightly smaller than a year ago. There were large increases in the crops of cotton, corn, winter wheat, apples, and peaches, while the harvests of oats, barley, and rye were smaller than last year; as in 1930 the hay crop was unusually small.

DISTRIBUTION

Commodity distribution continued at about the same rate in November as in October, the volume of freight-car loadings showing a seasonal decline, while sales at department stores increased by about the usual amount for that month.

WHOLESALE PRICES

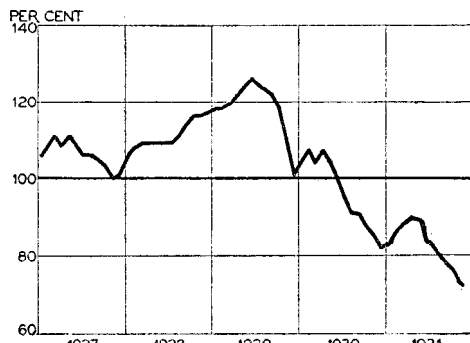
The general level of wholesale prices remained practically unchanged from October to November, according to the Bureau of Labor Statistics index; prices of grains, petroleum, and silver advanced, while those of livestock and dairy products showed declines, partly of a seasonal character. Between the middle of November and the middle of December there were decreases in the prices of many leading commodities including livestock, meats, grains, sugar, silk, and silver; during this period prices of copper and rubber showed a decline, followed by a recovery.

BANK CREDIT

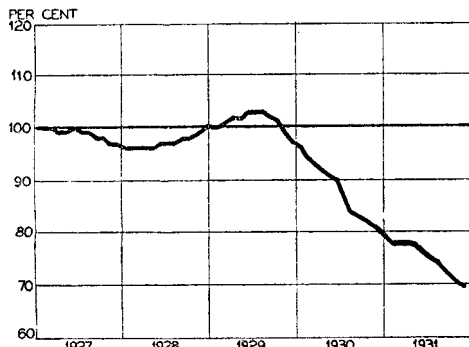
Volume of Reserve Bank credit outstanding declined during November and the first half of December, and averaged \$360,000,000 less in the week ended December 12 than at its October peak seven weeks earlier. The decrease was in large part in the banks' portfolio of acceptances, as discounts for member banks and holdings of United States Government securities showed little change for the period. The decline in total volume of Reserve Bank credit outstanding during the period reflected a growth of \$100,000,000 in the stock of monetary gold, largely through imports from Japan, and a continued reduction in the reserve balances of member banks, reflecting a further liquidation of member bank credit. Demand for currency declined during the last three weeks of November, and showed considerably less than the usual seasonal increase in the first half of December. After the middle of December, however, bank suspensions in New England were followed by some increased withdrawals of currency, part of which has begun to return.

Loans and investments of member banks in leading cities continued to decline and on December 9 were \$370,000,000 smaller than four weeks earlier. The decrease was equally divided between the banks' loans and their investments. Deposits of these banks, both demand and time, also showed a decrease, with a consequent reduction in required reserves.

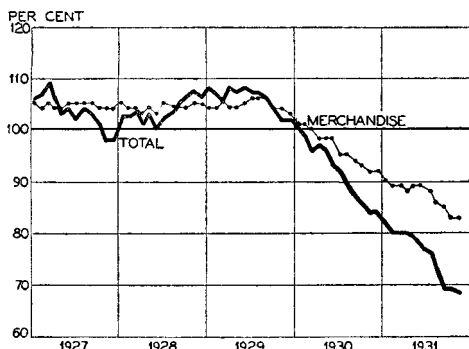
Money rates in the open market showed little change from the middle of November to the middle of December. Rates on prime commercial paper continued at 3¼ to 4 per cent, while rates on 90-day bankers acceptances advanced from 2⅞ to 3 per cent on November 25.



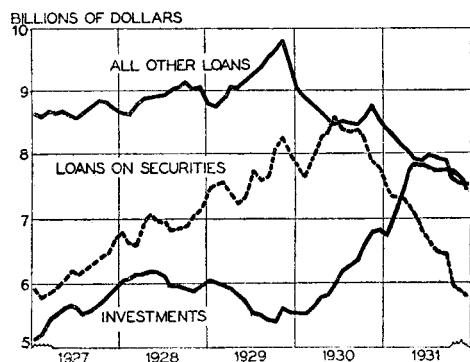
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average = 100 per cent)



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



Indexes of Freight Car Loadings, Daily Averages, Adjusted for Seasonal Variation (1923-25 average = 100 per cent)



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