

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

March 1, 1932

Money Market in February

In several important respects banking conditions showed substantial improvement during February. Bank closings were reduced to about one-third of the number in each of the two previous months, and the unseasonal currency withdrawals from banks in those months were followed by a moderate return flow of currency to the banks after the first week of February, indicating a cessation of the hoarding of currency. Government bond prices rose substantially and the corporation bond market was moderately firm. The position of the dollar in relation to other currencies in the foreign exchange market was improved to a point where there was no longer a profit in exporting gold from the United States, and exports due to that cause ceased.

The relationship between bank failures and the demand for currency is illustrated in the accompanying chart, which shows that unusual increases in currency have in recent months accompanied and followed unusually large numbers of bank failures, and that when failures have diminished, the withdrawals of currency have decreased and after a time money has begun to return to the banks. In the chart the curve for currency has been adjusted to make allowance for the usual seasonal changes so that the movements of the line reflect the unusual rather than the usual currency demands.

Much of the decline in the number of bank failures may be ascribed to the organization and commencement of the operations of the Reconstruction Finance Corporation. By the middle of February this organization was making loans to nonmember banks or to member banks which no longer had a sufficient supply of eligible paper to secure adequate accommodation at the Reserve Banks, and also to the railroads which were shut off from their usual supply of funds because of the stagnation of the market for new issues.

Further assurance that banks would be able to obtain funds promptly against sound assets previously ineligible at the Reserve Banks was provided in the passage at the end of February of the Glass-Steagall bill, the major provisions of which are outlined on subsequent pages of this Review. While these measures are of most direct importance to banks whose supply of eligible paper is least adequate, they should be effective generally in removing the necessity for banks to increase their liquidity by a liquidation of assets, since, under the provisions of the new bill, any member bank in case

of need would be able to secure cash upon assets not heretofore eligible.

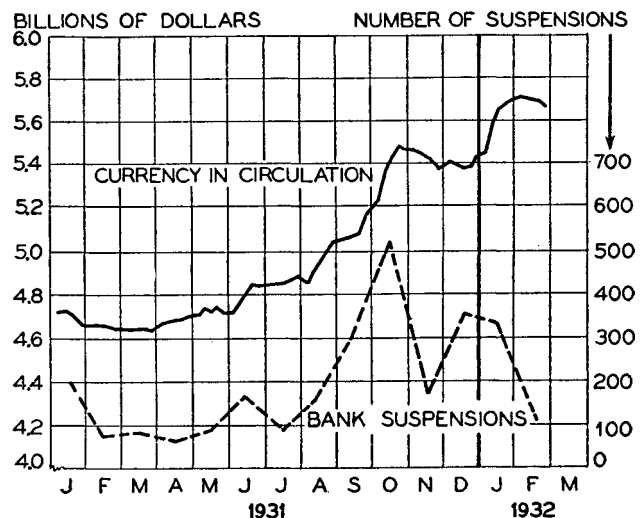
The introduction of the Glass-Steagall bill was followed by a considerable recovery in prices of Government securities. The extent of this recovery is shown by the following figures.

Treasury Bonds	Maturity	Jan. 30, 1932	Feb. 29, 1932	Change
4 1/4s	1947-52	100.9	103.2	+2.25
4s	1944-54	96.9	100.0	+3.23
3 3/4s	1946-56	92.2	97.4	+5.2
3 3/8s	1940-43	91.20	95.0	+3.12
3 3/8s	1943-47	90.10	94.8	+3.30
3 1/8s	1946-49	87.3	90.31	+3.28
3s	1951-55	86.2	89.17	+3.15

Figures to right of decimal represent 32nds of a point

These price changes appear to reflect in the market for Government securities the lessening of uncertainty and apprehension and the restoration of something approaching a normal market. While the general bond market did not show any such recovery as the Government market, prices were relatively firm and the market was less disorganized.

A month ago a number of the European currencies were at prices in the foreign exchange market which made it profitable to ship gold from New York to Europe, and substantial movements of gold were taking place for this cause in addition to gold exports undertaken as a matter of policy by European central banks



Currency in Circulation, with Seasonal Variations Eliminated, Compared with Number of Bank Suspensions

representing withdrawals from this market of their balances. This condition of the exchanges apparently reflected some concern in European countries as to the possibility of inflation in the United States. The early discussions of the Glass-Steagall measure appeared to accentuate this concern somewhat, but as the provisions of this bill and the general situation here became better understood this concern passed, and, as a consequence of this and other influences tending to weaken the exchanges of a number of countries, the premiums on European currencies were steadily reduced until by the end of the month the prices of all were below the point at which gold shipments from the United States were profitable, and gold movements from that cause ceased, though European central banks continued to withdraw some of their balances here in the form of gold.

There has as yet been no definite evidence of a check in the decline of bank credit which has gone forward at about the same rate as in preceding weeks. In the four weeks ended February 24 the total loans and investments of reporting New York City member banks declined \$270,000,000 further, bringing the total decline since the end of December to \$600,000,000. Deposits in New York banks have shown a corresponding decline, but it seems clear that the reduction in deposits has been a result and not a cause of the reduction in loans and investments. There has been a moderate return flow of currency to the New York banks since the beginning of the year and an almost uninterrupted inflow of funds from other districts.

Loans and investments of reporting member banks in other principal centers throughout the country have also continued to decline, but at a less rapid rate than in New York City. Generally speaking the deposit decline of these banks has been more rapid than the decline in their loans and investments due to a flow of funds from those centers to New York, and, as a consequence, the indebtedness of these banks at the Reserve Banks has increased during recent months to the largest volume since 1929.

Open market money rates showed little change during February until the last few days of the month, except for a gradual decline in yields on short term Government securities. On February 25 the Federal Reserve Bank of New York reduced its discount rate from $3\frac{1}{2}$ per cent to 3 per cent, effective the following day. Acceptance rates declined by $\frac{1}{8}$ to $\frac{1}{4}$ per cent, accompanying this discount rate change, and yields on short term Government securities showed a corresponding adjustment, as did also commercial paper.

Money Rates at New York

	Feb. 28, 1931	Jan. 29, 1932	Feb. 29, 1932
Stock Exchange call loans.....	$1\frac{1}{2}$	$2\frac{1}{2}$	$2\frac{1}{2}$
Stock Exchange 90 day loans.....	**2- $2\frac{1}{4}$	** $3\frac{1}{2}$ - $3\frac{3}{4}$	** $3\frac{1}{4}$ - $3\frac{1}{2}$
Prime commercial paper.....	$2\frac{1}{2}$	$3\frac{3}{4}$ -4	$3\frac{1}{2}$ - $3\frac{3}{4}$
Bills—90 day undorsed.....	$1\frac{1}{2}$	$2\frac{3}{4}$	$2\frac{3}{4}$
Customers' rates on commercial loans..	†3.81	†4.44	†4.46
Treasury securities			
Maturing June 15 (yield).....	1.21	2.65	1.97
Maturing September 15 (yield).....	1.32	3.14	2.91
Federal Reserve Bank of New York discount rate.....	2	$3\frac{1}{2}$	3
Federal Reserve Bank of New York buying rate for 90 day indorsed bills.	$1\frac{1}{2}$	3	$2\frac{3}{4}$

** Nominal † Average rate of leading banks at middle of month

BILL MARKET

Dealers' portfolios of bills tended to increase during the first part of February, as a decline in the amount of new buying orders received from foreign central banks was not fully compensated by some increase in local investment demand. In view of this situation, one bill dealer advanced the rate for 90 day bills by $\frac{1}{8}$ per cent on February 9, with an idea of stimulating the demand for this maturity. Other dealers, however, maintained the rates which had become effective at the middle of January, apparently not being of the opinion that money conditions warranted an advance, since they were able to borrow funds with which to carry their portfolios at rates that were below the interest cost of the bills. Consequently an offering range of $2\frac{3}{4}$ - $2\frac{7}{8}$ per cent for 90 day bills was quoted in the bill market until February 24 when all dealers again quoted the $2\frac{3}{4}$ per cent rate.

On February 26, accompanying a reduction in the discount rate of the Federal Reserve Bank of New York and in its buying rates for bills, dealers' rates for 30 and 60 day bills were reduced $\frac{1}{8}$ per cent and 4 to 6 month bills were adjusted downward by $\frac{1}{4}$ per cent. The cut in the Reserve Bank's buying rates reduced the rate for 1-45 day bills from $2\frac{3}{4}$ to $2\frac{5}{8}$ per cent, and the 90 day rate declined $\frac{1}{4}$ per cent to $2\frac{3}{4}$ per cent. After the reduction in the rate structure of the bill market, an increase in domestic bank buying of bills and heavy purchases by foreign banks to replace maturities resulted in a considerable decline in the dealers' portfolios of bills.

Federal Reserve holdings of bills for own account were increased moderately during the week ended February 10, reflecting sales of bills by New York City banks to the Reserve Bank to correct a temporary shortage in their reserves. This was the first weekly increase in Federal Reserve bill holdings since the final reporting period of December. For the balance of the month, however, the Reserve Banks' bill portfolio was reduced by maturities, and at the end of February was about \$45,000,000 lower than at the close of January.

The volume of dollar acceptances outstanding declined \$13,000,000 further during January to \$961,000,000. Continued decreases in the outstanding volume of export and import bills were only partly offset by small increases in bills covering other types of transactions.

COMMERCIAL PAPER MARKET

The commercial paper market continued inactive during February. Investment demand on the part of the banks was again concentrated on choice paper maturing in 3 to 4 months, with the major part of the limited turnover occurring in the New England territory. Although increasing somewhat, new drawings of open market paper by commercial and industrial concerns generally remained of small proportions, so that dealers' offering lists were limited. Quotations for prime names were unchanged at $3\frac{3}{4}$ -4 per cent until after the reduction in the New York Reserve Bank's discount rate, when the range of dealers' offering rates became $3\frac{1}{2}$ - $3\frac{3}{4}$ per cent, accompanying some increase in the investment demand for paper.

The current low level of demand for funds on the part of the comparatively few borrowers whose paper can be sold through the open market reduced the amount of paper outstanding through the reporting dealers to \$98,000,000 at the end of January. This represents a decrease of 16 per cent from December and of 70 per cent from January 1931. The first month of this year and of 1931 were the only occasions since 1921 on which January outstandings failed to show some increase from the seasonal low point of December.

Amendment to the Federal Reserve Act

On February 27, an act of Congress was signed by the President amending the Federal Reserve Act in three important particulars. Concerning the purposes of this act the President made the following statement:

“ . . . By freeing the vast amounts of gold in our Federal Reserve System (in excess of the gold reserve required by law), it so increases the already large available resources of the Federal Reserve Banks to enable them beyond question to meet any conceivable demands that might be made on them at home or from abroad.

It liberalizes existing provisions with regard to eligibility of collateral and thereby enables the Federal Reserve Banks to furnish accommodations to many banks on sound assets heretofore unavailable for rediscount purposes. . . .”

The first provision of this recently enacted legislation authorizes the Federal Reserve Banks, with the consent of not less than 5 of the members of the Federal Reserve Board, to make advances to groups of 5 or more member banks, a majority of them independently owned and controlled, upon their promissory notes, provided the bank or banks which receive the proceeds of such advances have no adequate amounts of assets of the types eligible and acceptable for rediscount or as security for advances at the Federal Reserve Banks prior to the enactment of this bill. Such advances may be made to groups containing less than 5 banks if the aggregate amount of their deposit liability constitutes at least 10 per cent of the entire deposit liability of the member banks within the Federal Reserve District. The law provides that “the liability of the individual banks in each group must be limited to such proportion of the total amount advanced to such group as the deposit liability of the respective banks bears to the aggregate deposit liability of all banks in such group”.

The second provision authorizes the Federal Reserve Banks until March 3, 1933, in “exceptional and exigent circumstances”, to make advances to individual member banks having a capital not exceeding \$5,000,000 upon their promissory notes. Such advances are “subject in each case to affirmative action by not less than 5 members of the Federal Reserve Board” and the Board “may by regulation limit and define the classes of assets which may be accepted as security.” This provision also applies only to member banks that have exhausted their holdings of assets of the types which they could rediscount or borrow upon at the Reserve Banks prior to this amendment.

Advances which may be made to groups of banks or to individual banks under this amendment to the Federal Reserve Act must bear interest at a rate at least

1 per cent above the discount rate of the respective Federal Reserve Banks, and will not be eligible as collateral security for Federal Reserve note issues.

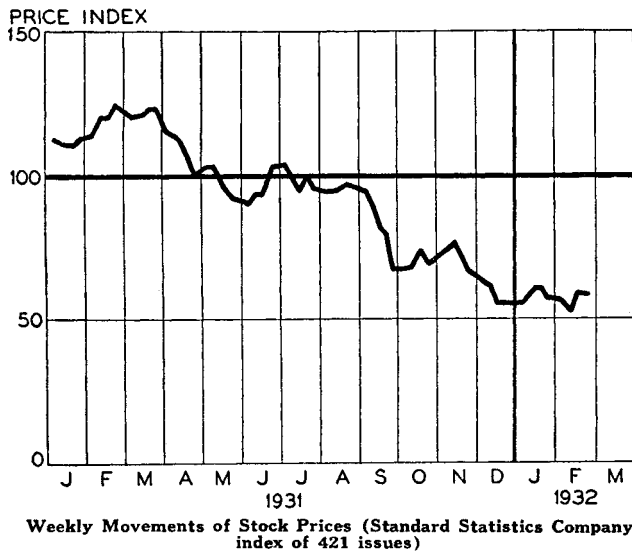
The third section of the amendment provides that until March 3, 1933, should the Federal Reserve Board deem it to be in the public interest, the Federal Reserve Banks may be authorized by an affirmative vote of not less than 5 members of the Board to pledge United States Government obligations as collateral security for Federal Reserve notes obtained from the Federal Reserve Agents, in addition to gold and notes, drafts, bills of exchange, and acceptances, discounted or purchased which heretofore have been eligible as such collateral. This amendment in no way changes the required gold reserve of 40 per cent against Federal Reserve notes, but simply provides a means by which the types of assets eligible to be pledged with the Federal Reserve Agents as collateral for the notes may be enlarged for a limited time to include United States Government securities. The inclusion of Government securities is in conformity with the practice which has been followed for some time by a number of foreign banks of issue.

Federal Reserve notes are obligations of the United States, and the primary function of the collateral is to provide the Treasury with security against its liability for outstanding Federal Reserve notes. The goodness of Federal Reserve notes rests upon their being a first and paramount lien on all the assets of the Federal Reserve Banks, as well as an obligation of the United States.

Recently the amount of gold actually held as collateral and reserve for Federal Reserve notes has been around 80 per cent of the total note circulation. The permission to replace a part of this gold (above the 40 per cent reserve) with Government securities makes it possible to increase the so-called “free gold” of the System, that is, the gold not tied up as reserve for notes or deposits or as collateral for notes. This free gold now totals about \$420,000,000 but under the terms of the amendment it could, if necessary, be increased to about \$1,200,000,000. In practice this would enable the System to meet any large gold export or heavy currency demand more easily, for in the face of such a demand Government securities could be purchased and thus the necessity for a large increase in member bank discounts could be avoided. This is a matter of importance since the necessity for borrowing largely at the Reserve Banks always exerts upon the member banks pressure for liquidation and always results in tight money conditions.

Security Markets

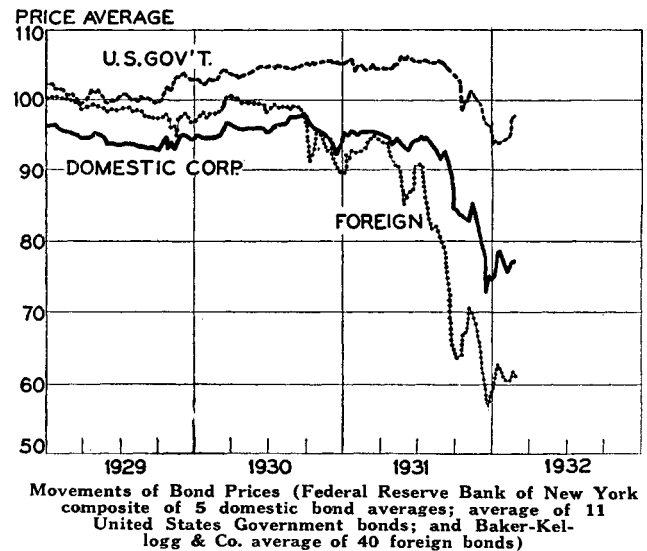
Stock prices drifted downward during the first ten days of February, dropping slightly beneath the lows of December and January and reaching a new low level since 1921. On the announcement of the proposed amendments to the Federal Reserve Act contained in the Glass-Steagall bill, however, the stock market staged a vigorous two day advance on which prices showed an average rise of nearly 18 per cent. Thereafter, no further net gain was registered, but, on the other hand, prices had no sustained decline, showing alternate advances and declines of about two points which left the



general level of share quotations at the close of February some 11 per cent above the recent low.

As is indicated in the accompanying diagram, which is based on the broad weekly price index of the Standard Statistics Company including quotations for 421 industrial, railroad, and public utility issues, the stock market has moved within a range of about ten points during the past three months; the lowest levels reached in December, January, and February have not been materially different, and the market has not broken through the mid-January high. Consequently, with fluctuations limited to this range, the general level of stock prices appears to have shown greater stability during the three months just closed than in some time past. In bank stocks, a further advance in quotations during February increased the net rise from the December low to about 29 per cent.

The most consistent movement in the bond market during February was in United States Government securities, which advanced to the highest levels since the first part of December. After demonstrating quiet strength in the first ten days of the month, a price average composed of the 11 Liberty Loan and Treasury bond issues now outstanding rose 3 points during the course of the next week, and thereafter advanced about $\frac{1}{4}$ point further. In other divisions of the bond market also, higher quotations were reported after the 10th of the month, as the accompanying diagram shows. Domestic corporation bond averages advanced $1\frac{1}{2}$ to 2 points, or by a somewhat larger amount than they had receded in the first part of the month, but because of the declines that occurred in the closing days of January, domestic corporate issues remained about $1\frac{1}{2}$ to 2 points lower at the end of February than at the middle of January when the sharp upturn from the mid-December lows culminated. Foreign dollar bonds likewise advanced in the third week of the month, after declining from the middle of January, and toward the end of February an average of 40 representative issues was only 2 points below the quotation prevailing around the middle of January.



New Financing

Public offerings of new securities continued to be in very limited number and volume during the month of February. The total for the period appears to have been somewhat less than in any of the previous three months, but not as small as last October. The most important offering was \$25,000,000 of 5 per cent bonds of the Brooklyn Edison Company yielding $5\frac{1}{4}$ per cent; this issue followed one of the New York Edison Company in January in the same amount and at similar terms, and it was reported that both issues were readily sold. The February total also included an issue of \$15,000,000 of short-term Federal Intermediate Credit Bank debentures. In connection with this issue, the Reconstruction Finance Corporation had offered to take up any part of the debentures not otherwise sold, but shortly after the date of issue it was stated that investment demand had absorbed all the debentures, which made it unnecessary for the Reconstruction Finance Corporation to purchase any of the issue.

In addition, the United States Treasury sold three issues of Treasury bills aggregating \$215,000,000 during February. These issues, together with a part of the February 1 issues of certificates of indebtedness, announced on January 25, refunded \$272,000,000 of Treasury bills that matured during February.

Issue of Special Treasury Certificates in Small Denominations

The Treasury Department announced late in February that on or about March 7 it would offer for subscription an issue of special United States Treasury certificates, in connection with the campaign initiated by the President to put idle money to work, and in order to meet a demand for a Government obligation with short maturity in small denominations. This issue is wholly distinct from the regular March financing program of the Treasury. The new certificates will be of one year maturity, redeemable upon 60 days notice by the holder, and will be issued only in coupon form in denominations

of \$50, \$100, and \$500. The interest rate on the certificates will be 2 per cent per annum, which is approximately the same as the present yield on outstanding Treasury securities of about two months maturity. It is understood that local committees of the Citizens' Reconstruction Organization in conducting an educational campaign against hoarding of currency will urge that idle funds held outside the banks be either deposited in the banks or invested in these special Treasury certificates. To this end, it is anticipated that the subscription books for this issue will remain open somewhat longer than usual. The amount of the issue will be determined by the demand.

Subscribing banks, after qualifying as Government depositaries, may pay for the certificates by establishing a credit on their books in favor of the Treasury, so that if funds for the purchase of the certificates should be withdrawn from deposits in the subscribing banks, the funds will automatically be replaced by a Government deposit. If the certificates are purchased with currency held outside of banks, the banks receiving subscriptions will gain the cash deposited by the subscriber. It is not intended that there will be an intensive drive to sell the new Treasury certificates, but rather that, in connection with the campaign against the hoarding of currency, a Government obligation of short maturity in small denominations will be made available for the employment of funds.

Foreign Exchange

Throughout the first half of February sterling held steady at around \$3.45, and thereafter was consistently strong, advancing $3\frac{5}{8}$ cents after the reduction in the Bank of England rate. French francs advanced rather consistently in the first part of the month, and on February 13 rose sharply to above the gold export point from this country, which had been raised by an increase in freight rates and by an increase in the Bank of France minting charges. Subsequently, however, the franc moved continuously lower, closing the month at about the same level as at the beginning, and well below the theoretical gold export point from this country. Movements similar to those of the French franc occurred in Swiss francs, guilders, and belgas, all of which were strong as against the dollar throughout the middle of the month, but which declined considerably later in the period, closing well below their respective gold export points. Reichmarks moved irregularly upward, ranging from \$0.2365 to \$0.2383, and lire rose sharply during the first week from their low end-of-January quotations, and thereafter held most of their gain. Among the Scandinavians, Swedish crowns began to move slowly downward, but Danish and Norwegian exchanges continued to move with the pound.

Except for slight strength in Uruguayan pesos towards the end of February, there were no material changes in the South American list. In the Far East, Japanese yen turned weak after the middle of the month, while the Chinese currencies advanced on higher silver prices. Canadian dollars recovered somewhat further.

Closing Cable Rates at New York
(In dollars)

Exchange on	Par of Exchange	Feb. 28, 1931	Jan. 30, 1932	Feb. 27, 1932
Austria	\$.1407	\$.1406	\$.1396	\$.1396
Belgium . . . . .	.1390	.1395	.1396	.1392
Denmark . . . . .	.2680	.2675	.1905	.1923
England	4.8666	4.8575	3.4525	3.4850
France . . . . .	.0392	.03919	.03937	.03935
Germany . . . . .	.2382	.2377	.2369	.2380
Holland . . . . .	.4020	.4011	.4025	.4026
Italy . . . . .	.0526	.0524	.0501	.0520
Norway . . . . .	.2680	.2676	.1880	.1892
Spain . . . . .	.1930	.1055	.0821	.0768
Sweden . . . . .	.2680	.2678	.1935	.1928
Switzerland . . . . .	.1930	.1925	.1952	.1935
Canada	1.0000	1.0000	.8638	.8850
Argentina . . . . .	.9648	.7547	.5865	.5865
Brazil . . . . .	.1196	.0820	.0625	.0625
Uruguay	1.0342	.7150	.4650	.4725
Japan . . . . .	.4985	.4942	.3500	.3150
India . . . . .	.3650	.3600	.2620	.2640
Shanghai . . . . .	....	.2925	.3275	.3463

Gold Movement

The outflow of gold from this country continued through the 24th of February, exports being composed principally of gold which had previously been earmarked, although these releases from earmark for export were in part replaced by additional earmarkings of gold for the account of foreign central banks. Exports for the month of February totaled \$128,500,000, of which \$98,400,000 was shipped to France, \$18,000,000 to Belgium, \$8,700,000 to Holland, and \$2,400,000 to Portugal. Partially offsetting these exports were \$8,000,000 of gold received at New York from Canada, \$1,600,000 from India, \$1,000,000 from Argentina, \$1,000,000 from Uruguay, and \$850,000 from Denmark, and additional receipts at San Francisco of \$19,000,000 from Japan and \$800,000 from China. In addition to these imports there was a net decrease of \$26,300,000 in the amount of gold held under earmark for foreign account. As a result of all these transactions there was a net decline in this country's gold stock during February of approximately \$65,000,000.

Central Bank Rate Changes

On February 18 the Bank of England lowered its discount rate to 5 per cent from the 6 per cent rate put into effect on September 21, 1931 at the time of England's suspension of the gold standard. On the 19th the State Bank of Sweden and the Bank of Norway, each of which had maintained a 6 per cent bank rate since October 19, 1931, lowered their rates to $5\frac{1}{2}$ per cent. Other changes effected by European banks this month were a lowering of the Bank of Estonia's discount rate from $6\frac{1}{2}$ per cent to $5\frac{1}{2}$ per cent on February 1, a reduction in the rate of the Bank of Greece from 12 per cent to 11 per cent on February 20, and a lowering by the Bank of Finland of its rate from 8 to 7 per cent on February 13. On the 25th the official rate of the Imperial Bank of India was reduced from 7 to 6 per cent.

Employment and Wages

Factory employment for the country as a whole was reduced 2 per cent further from the middle of December to the middle of January, and the seasonally adjusted

index of the Federal Reserve Board declined to a level 33 per cent below the 1929 average. The number of workers employed in reporting New York State factories in January showed a decline of 4 per cent from December, the largest January decline for any year since 1921.

Factory payrolls declined even more than employment, both in New York State and for the country, and, as a result, average weekly earnings of factory workers in New York State were reduced to a new low level since 1922.

Foreign Trade

This country's foreign trade in January showed a considerable decline from the previous month, after allowing for the usual seasonal movements. Exports, valued at \$150,000,000, were 40 per cent less than a year ago, and were the smallest since August 1914. Imports, amounting to \$136,000,000, were down 26 per cent from a year ago, and were less than in any month since February 1915. The year-to-year decrease shown by exports was somewhat larger than for most months of last year, while the reduction in imports was substantially smaller.

January exports of raw cotton and the principal grains showed seasonal declines from the preceding month, but were larger both in quantity and in value than a year ago. Shipments of raw cotton from the United States to all destinations other than France and a few of the smaller European countries were more than double the small quantities of a year ago. The volume of raw silk and coffee imports was also substantially above January 1931, but receipts of crude rubber were 16 per cent less.

In view of the large decline in the value of this country's foreign trade from 1930 to 1931, the accompanying diagram is presented to show the changes which occurred in the quantity of the leading commodity imports and exports. In 1931 the commodities shown represented 44 per cent of the value of all imports and 46 per cent of all exports. Among the imports, silk and coffee, the two most important, and also rubber, were actually larger in 1931 than in the previous year by percentages ranging from 3 to 14 per cent. The quantities of other leading imports, however, were all smaller—to the extent indi-

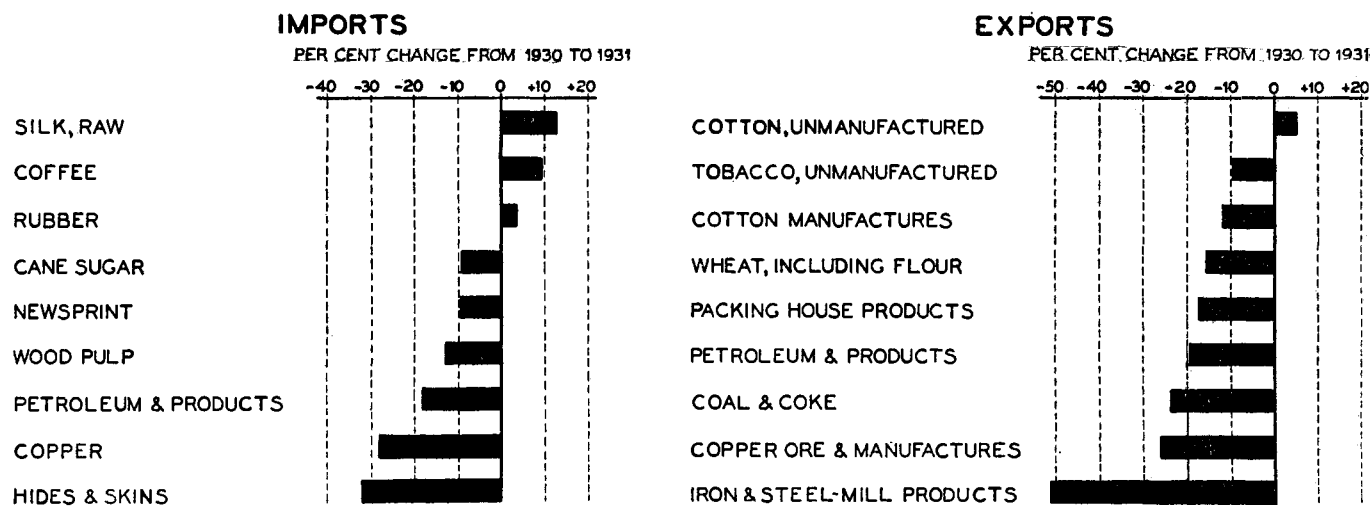
cated in the diagram. Among the nine principal exports, the only increase was in the case of the quantity of unmanufactured cotton, which was 5 per cent larger than in 1930. The decreases ranged from comparatively moderate ones in unmanufactured tobacco and cotton manufactures to a reduction of more than 50 per cent in iron and steel-mill products.

Building

During January, building and engineering contracts awarded in 37 States declined more than seasonally, reaching a new low level since 1919, even after allowance is made for the decrease which has occurred in construction costs. The total value of January contracts, as reported by the F. W. Dodge Corporation, was 63 per cent smaller than in January 1931, and as this decline followed substantial decreases in November and December, the total for the three months ended with January was only slightly over one-half of the contracts awarded a year earlier. Residential contracts awarded in January were only half as large as a year ago, non-residential building of the factory and commercial type was reduced by more than one-half, and public works and utility projects were reduced to a small fraction of the January 1931 volume, apparently reflecting the economy measures adopted by public governing bodies.

The building situation presented a somewhat more favorable aspect in the first three weeks of February, however. The daily average volume of contract awards announced during that period showed more than a seasonal increase over January, due to a large increase in public works and utility projects, and to a smaller advance in other non-residential work. Residential construction continued to lag, showing none of the usual substantial seasonal expansion.

January contract awards in Metropolitan New York and vicinity showed the same percentage decrease from the previous year as did the whole reporting territory. The falling off in the New York district was especially marked in the case of residential and public utility contracts, and was attributed in part to the retarding influence of the recent announcement concerning prospec-



Quantities of Leading Commodities in Import and Export Trade of the United States, 1931 compared with 1930

tive wage reductions in the building trades of this area. Of interest with respect to the situation in residential building is a survey by the Tenement House Commissioner of New York City, which indicated that vacancies in Manhattan apartments have increased from 7.4 per cent in 1927 to 14.9 per cent in 1932. This increase in the vacancy rate, however, has been partly the result of a tendency for families to "double up" in apartments because of reduced incomes, which would be reversed by any marked increase in employment and in incomes generally.

Commodity Prices

Although wholesale commodity prices averaged lower in February than in January, weekly indexes showed greater stability after the middle of the month. As is shown in the diagram below, the price of spot cotton advanced further and in the latter part of the month touched 7.15 cents a pound; this is the highest level since last August and compares with the low of 5.50 cents reached in October. The price of cash wheat showed a high degree of stability, fluctuating between 70 and 75 cents a bushel for the Number 1 Northern grade at Minneapolis, a level well above the low price of 56 $\frac{7}{8}$ cents reached last July. Advances for the month occurred also in hogs and in silver.

On the other hand, corn declined to a new low for many years at 32 $\frac{1}{8}$ cents a bushel, and raw silk quotations continued to move downward with the decline in Japanese exchange, reaching a new record low level at \$1.71 a pound. Other commodities showing net declines during the month were steers, hides, crude rubber, raw sugar, copper, lead, and zinc.

Production

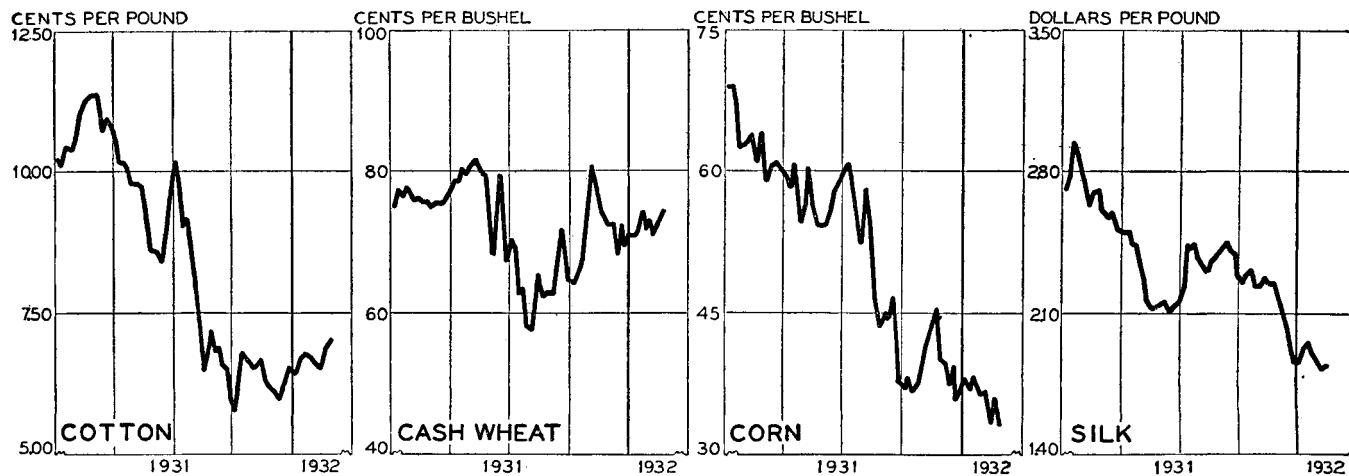
Steel mill activity during February showed a moderate downward tendency from the level reached toward the end of January, and output of crude petroleum continued to decline. On the other hand, production of cotton goods averaged higher than in January, in accordance with the usual seasonal tendency, and bituminous coal production showed an unseasonal increase over the previous month's level.

In January, the aggregate output of industry, including both manufacturing and mineral production, increased somewhat less than seasonally, and the index of the Federal Reserve Board, which is adjusted for seasonal variation but not for long-time growth, reached a level only 9 per cent above the 1921 low point. The increase in automobile production proved to be somewhat smaller than usual, and declines occurred in production of lead, bituminous coal, and crude petroleum, and in slaughtering of live stock. Increases of about the usual seasonal proportions were shown in output of steel ingots, mill consumption of raw cotton, and production of shoes. Consumption of raw silk rose more than seasonally, the activity of wool mills showed a substantial gain, and increases occurred also in the adjusted indexes of tobacco products and of wheat flour.

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

	1931			1932
	Jan.	Nov.	Dec.	Jan.
Metals				
Pig iron r.....	57r	38r	34r	32r
Steel ingots r.....	59r	48r	36r	35r
Lead.....	69	52	56	50
Zinc.....	51	34	35	34
Tin deliveries.....	102	49	52	49
Automobiles				
Passenger cars.....	49	16	36	35
Motor trucks.....	84	46	56	51
Fuels				
Bituminous coal.....	77	68	65	58
Anthracite coal.....	96	70	75	65
Coke.....	70	54	50	46
Petroleum, crude.....	81	82	82	76p
Petroleum products.....	73	75	71	
Textiles and Leather Products				
Cotton consumption.....	71	72	70	70
Wool mill activity.....	62	57	55	64
Silk consumption.....	104	96	87	102
Leather, sole.....	87	87	81p	
Boots and shoes.....	77	73	87p	87p
Foods and Tobacco Products				
Live stock slaughtered.....	92	93	98	93
Wheat flour.....	92	95	81	84
Tobacco products.....	89	84	80	85
Miscellaneous				
Cement.....	81	59	55	59
Tires.....	61	46	45	
Lumber.....	52r	30r	29r	30
Printing activity.....	86	76	75	
Paper, newsprint.....	85	87	84	84
Paper, other than newsprint.....	80	70	68p	
Wood pulp.....	73	74	69p	

p Preliminary r Revised



Weekly Movements of Prices of Cotton, Wheat, Corn, and Silk

Indexes of Business Activity

A majority of the seasonally adjusted indexes of business activity showed declines for the month of January. Two of the important series—merchandise and miscellaneous car loadings and bank debits outside New York City—however, registered little change other than seasonal. Declines occurred in the adjusted indexes of department store sales, wholesale trade, car loadings of bulk freight, foreign trade, electric power production, and building contracts.

The available data for February give no indication of a material change in the business situation. Department store sales in New York and vicinity during the first half of the month showed about the same decline from a year previous as in January, and the freight movement showed less than the usual expansion.

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

	1931			1932
	Jan.	Nov.	Dec.	Jan.
Primary Distribution				
Car loadings, merchandise and misc.	78	66	65	65
Car loadings, other	76	60	61	55
Exports	70	57	56	50 ^p
Imports	74	75	76	68 ^p
Waterways traffic	73	48	47	45
Wholesale trade	89	84	91	87
Distribution to Consumer				
Department store sales, 2nd Dist.	93	89	85	82
Chain grocery sales	94	80	77	77
Other chain store sales	92	82	80	88
Mail order house sales	90	69	68	74
Advertising	77	70	67	66
Gasoline consumption	93	79	80	
Passenger automobile registrations	64	41	53 ^p	
General Business Activity				
Bank debits, outside of New York City ..	88	70	73	73
Bank debits, New York City	73	56	68	67
Velocity of bank deposits, outside of New York City	97	81	83	90
Velocity of bank deposits, New York City	83	62	71	73
Shares sold on N. Y. Stock Exchange ..	119	94	126	96
Life insurance paid for	91	100	103	108
Postal receipts	88	77	80	78
Electric power	86	79	78	74 ^p
Employment in the United States	80	71	71	70
Business failures	116	107	114	123
Building contracts <i>r</i>	63 ^r	41 ^r	36 ^r	25 ^r
New corporations formed in N. Y. State ..	78	85	80	83
Real estate transfers	59	51	54	
General price level*	157	144	140	138
Composite index of wages*	216	206	205	203
Cost of living*	158	144	142	140

^p Preliminary *r* Revised * 1913 average=100

Department Store Trade

The dollar volume of January sales of the reporting department stores in this district averaged 19 per cent smaller than in January 1931, a somewhat larger decline than had been reported in any previous month. January this year, however, had one less selling day than in 1931, and the unseasonably warm weather during most of the month was not conducive to the movement of winter merchandise. The decline in January sales was the same for New York City department stores as for all reporting stores in this district. Larger proportionate declines in sales were reported by Rochester, Syracuse, Bridgeport, Southern New York State, and Capital District stores, while declines somewhat less than the average were shown by reporting stores in Buffalo, Newark, Northern New York State, the Hudson River Valley District, and the Westchester District. The leading apparel stores

reported a decrease of about one-third in sales, as compared with the previous year.

Locality	Percentage change January 1932 compared with January 1931		Per cent of accounts outstanding December 31 collected in January	
	Net sales	Stock on hand end of month	1931	1932
New York	-19.0	-13.4	52.5	49.9
Buffalo	-16.6	-15.0	...	...
Rochester	-25.5	-21.7	47.8	49.1
Syracuse	-24.5	-9.0	33.0	29.2
Newark	-15.4	-9.1	46.0	44.0
Bridgeport	-27.3	-17.4	41.2	36.4
Elsewhere	-21.2	-10.6	39.3	37.8
Northern New York State	-16.9	...	...	...
Southern New York State	-22.5	...	...	...
Hudson River Valley District	-14.9	...	...	...
Capital District	-23.1	...	...	...
Westchester District	-14.6	...	...	...
All department stores	-19.0	-12.9	48.9	46.3
Apparel stores	-32.4	-19.9	47.7	45.4

Wholesale Trade

The total January sales of the reporting wholesale firms were 21 per cent below a year ago, a somewhat larger decline than in November and December, but about the same decrease as in the preceding three months. Sales of cotton goods, men's clothing, diamonds, and jewelry all showed reductions of more than 30 per cent from January 1931, and sales of drug firms showed the largest decrease ever reported to this bank, following an increase in December business. Yardage sales of silk goods reported by the Silk Association of America also declined considerably, following an increase in December, and sales of stationery, hardware, and paper compared less favorably with a year previous than in December. On the other hand, shoe and grocery sales in January were not as far below a year ago as in the previous month. Machine tool orders, reported by the Machine Tool Builders Association, have in each of the three months ended with January shown materially smaller decreases from the level of the previous year than were shown by the monthly reports during the greater part of the previous two years.

Commodity	Percentage change January 1932 compared with December 1931		Percentage change January 1932 compared with January 1931		Per cent of accounts outstanding December 31 collected in January	
	Net sales	Stock end of month	Net sales	Stock end of month	1931	1932
Groceries	-2.7	+0.3	-12.3	-21.4	75.3	75.3
Men's clothing	-12.3	...	-33.4	...	33.9	31.8
Cotton goods	-57.8	+12.5	-32.0	-15.8	32.8	28.1
Silk goods	+1.4*	+2.1*	-14.7*	-8.1*	46.4	55.7
Shoes	-23.0	+15.1	-13.8	-12.8	36.1	30.2
Drugs	-20.8	+5.9	-28.2	+16.0	36.4	20.0
Hardware	-37.3	+15.3	-16.0	-21.1	46.7	42.4
Machine tools**	-12.6	...	-11.7	...	...	...
Stationery	-3.1	...	-14.6	...	71.1	69.1
Paper	-2.4	...	-26.1	...	53.8	46.1
Diamonds	-32.2	+4.9	-46.6	-39.5	34.6	29.2
Jewelry	-62.8	+0.9	-34.7	-30.5		
Weighted average	-15.8	...	-21.1	...	49.6	47.2

* 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, MARCH 1, 1932

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

IN January production of manufactures increased by about the usual seasonal amount, while output of minerals and value of building contracts awarded continued to decline. Wholesale prices declined further during January and early February, but more recently prices of certain leading commodities showed an advance.

PRODUCTION AND EMPLOYMENT

Volume of industrial production, which includes both manufactures and minerals, increased from December to January by an amount somewhat smaller than is usual at this time of year, and the Board's seasonally adjusted index declined from 71 per cent of the 1923-1925 average to 70 per cent. In the steel industry there was a seasonal increase in activity during January, followed by a slight decline during the first three weeks of February. Production of automobiles, which usually increases considerably at this season, showed little change in January, following an increase in December. Activity at textile mills increased by more than the usual seasonal amount and at shoe factories there was a seasonal increase in production. Output of coal and petroleum was substantially reduced.

Volume of factory employment declined by more than the usual seasonal amount between the middle of December and the middle of January. Number employed at foundries, car-building shops, clothing factories, and establishments producing building materials declined substantially, while employment in the tobacco industry decreased less than is usual at this season, and employment in the woolen goods industry increased, contrary to seasonal tendency.

Total value of building contracts awarded in 37 Eastern States, as reported by the F. W. Dodge Corporation, declined sharply in January, and for the three-month period ended in that month was about one-half of the amount awarded in the corresponding period a year ago. Approximately one-fourth of the decrease was in residential building, and three-fourths in other types of construction.

DISTRIBUTION

Total freight-car loadings decreased in January, contrary to seasonal tendency, reflecting chiefly smaller shipments of merchandise, miscellaneous freight, and coal. Department store sales declined by about the usual seasonal amount.

WHOLESALE PRICES

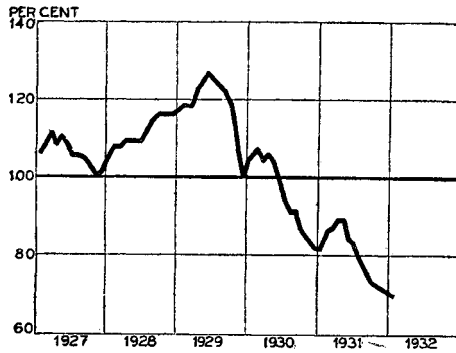
The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, declined 2 per cent further from December to January, although prices of some important commodities, such as wheat, showed little change and the price of cotton advanced. During early February prices of certain leading commodities including grains and cotton declined, but later in the month there was some advance in the prices of these commodities.

BANK CREDIT

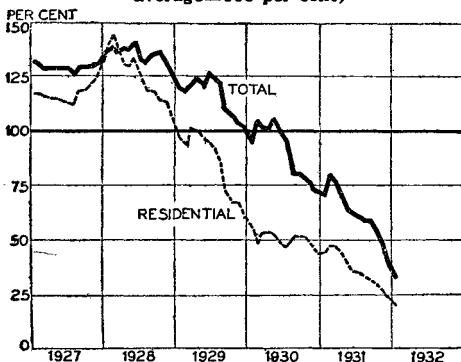
Volume of Reserve Bank credit outstanding declined in January and the first half of February. This decrease has reflected a return flow of currency from circulation, which has been smaller than usual this year, together with a continued reduction in member bank reserve balances, offset in part by a demand for Reserve Bank credit caused by an outward movement of gold amounting to \$100,000,000 since the turn of the year. A decline in money in circulation after the first few days in February reflected some return of hoarded currency, accompanying a decrease in bank failures.

At member banks in leading cities volume of credit continued to decline during January and the first half of February. Between January 13 and February 17, total loans and investments decreased by \$550,000,000, representing declines in loans on securities, in other loans, and in investments. Deposits of these banks also declined substantially during this period.

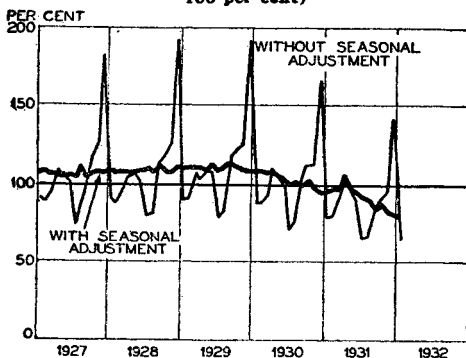
Money rates in the open market showed little change. On February 26 the discount rate of the Federal Reserve Bank of New York was reduced from $3\frac{1}{2}$ to 3 per cent, and buying rates on bankers acceptances of short maturities were reduced from $2\frac{3}{4}$ to $2\frac{1}{2}$ per cent.



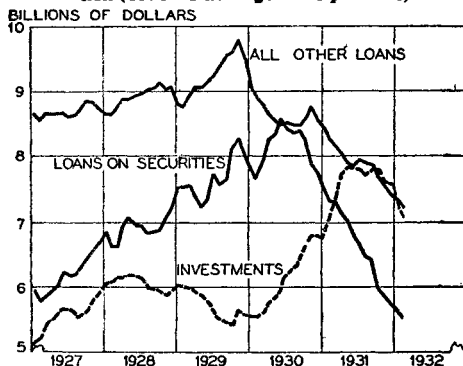
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



Index Numbers of Building Contracts Based on Three Month Moving Averages of F. W. Dodge Corporation Data for 37 Eastern States, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



Index Numbers of Daily Average Value of Department Store Sales, Unadjusted and with Adjustment 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 three weeks of February)