

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

June 1, 1932

Money Market in May

Member bank reserves increased further during the first half of May to a level about \$300,000,000 above minimum requirements, and thereafter remained at or near that level. The increase in reserves since March has restored more than half of the shrinkage of nearly \$500,000,000 which occurred during the latter part of 1931 and the first two months of 1932, accompanying rapid liquidation of member bank credit. The stoppage of the decline in reserves, and the subsequent rapid increase, may be attributed chiefly to Reserve Bank purchases of Government securities, together with a return flow of more than \$200,000,000 of currency to the banks since early February. These two accessions of funds have enabled member banks to meet all demands on them including gold shipments, and to reduce their indebtedness at the Reserve Banks by \$385,000,000 or almost 45 per cent, and also to increase their reserves by about \$300,000,000. After this substantial increase in member bank reserves had been accomplished, Reserve Bank purchases of Government securities were reduced somewhat in volume during the latter half of May, but were sufficiently large to offset gold losses and other demands, so that the excess of reserves was maintained.

The recent increase has restored member bank reserves to the highest level since last October, when the volume of member bank credit was more than \$3,000,000,000 larger than at present. In the process of credit contraction or expansion, the release or absorption of member bank reserves is only about one-tenth of the change in the amount of credit outstanding. Thus far no material expansion of credit has been built upon the excess reserves acquired by member banks during the past two months, but the liquidation of credit appears to have been checked. The reporting member banks have increased their holdings of Government securities by about \$225,000,000 since early April, and have also increased their holdings of other securities somewhat, but these increases in investments have been slightly more than offset by further reductions in their loans.

In New York City the loans and investments of reporting member banks showed a net increase of \$163,000,000 between April 13 and May 25, due to a considerable increase in their investments. Their holdings of Government securities were increased \$192,000,000, and their investments in other securities \$92,000,000 during this period, but their security loans declined \$123,000,000,

and their other loans showed little change. Outside of New York the decline in the loans and investments of reporting member banks continued, but has recently been at a less rapid rate than in previous months.

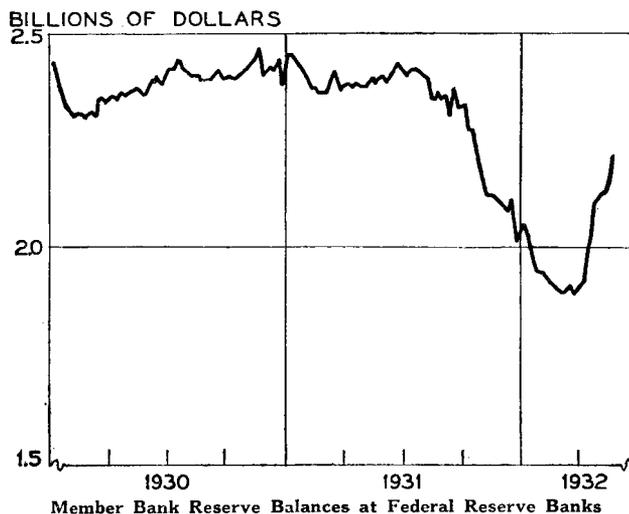
In order to expedite the process of bringing together potential demands for credit and the available supply of funds, a joint committee of bankers and industrialists was appointed in New York on May 19, and similar committees have since been created in other districts. The statement issued concerning the formation of the New York committee was as follows:

“Governor Harrison of the Federal Reserve Bank of New York has called together a committee composed of bankers and industrialists for the purpose of considering methods of making the large funds now being released by the Federal Reserve Banks useful affirmatively in developing business. Its purpose also will be generally to cooperate with the Reconstruction Finance Corporation and other agencies to secure more coordinated and so more effective action on the part of the banking and industrial interests.”

A considerable number and variety of projects designed to promote business recovery are under consideration by the committee.

CURRENCY AND GOLD MOVEMENTS

Following a rapid return flow of currency to the banks during February and March, and a somewhat slower return flow in April, the volume of currency outstanding



remained at a fairly stable level in May. The weekly figures showed alternate increases and decreases, partly seasonal in character, but the last report of the month, for May 25, showed little change from the figure for the last week in April.

A considerable reduction in the monetary gold stock of the United States occurred during May, totaling \$216,000,000, the largest gold loss since last October. A major part of the movement reflected a transfer abroad of central bank funds which had been employed in the New York money market, carrying further the tendency for central banks to concentrate their reserves in their own vaults instead of keeping a substantial part invested in foreign money markets. On May 25 the monetary gold stock of the United States was \$4,207,000,000, which is about the same as the average level in 1928 and 1929, although since the autumn of 1929 the volume of foreign short term funds in the New York money market has been reduced by about two-thirds, and foreign investments in American securities have been substantially reduced.

MONEY RATES

The large supply of funds seeking employment in high grade paper of short maturity was reflected in a further decline in open market money rates during May. Yields on short term United States Government securities declined to very low figures, and rates on stock exchange time money and commercial paper were reduced further, as indicated in the following table.

Money Rates at New York

	May 29, 1931	Apr. 29, 1932	May 31, 1932
Stock Exchange call loans.....	1½	2½	2½
Stock Exchange 90 day loans.....	*1½-1¾	*2	*1½
Prime commercial paper.....	2-2¼	3¼-3½	2¾-3
Bills—90 day undorsed.....	¾	¾	¾
Customers' rates on commercial loans..	†3.46	†4.38	†4.10
Treasury securities			
Maturing September 15 (yield).....	.57	.53	.10
Maturing December 15 (yield).....	.76	.96	.28
Federal Reserve Bank of New York re- discount rate.....	1½	3	3
Federal Reserve Bank of New York buying rate for 90 day indorsed bills	1	2½	2½

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

BILL MARKET

The discount market for bankers acceptances was quiet throughout May. Early in the month a falling off in foreign demand for bills caused a slight increase in dealers' portfolios, and the dealers raised their rates by ¼ per cent from the low level of 7/8 per cent for 90 day undorsed bills established in the latter part of April. The higher rates were maintained by the dealers only from May 5 to May 10, however, as their portfolios declined again within this period and the deposit rates of the New York Clearing House banks were reduced by ½ per cent effective May 13. Notwithstanding the lack of reinvestment demand for foreign account because of the low yields obtainable, few bills found their way into the discount market, due to the surplus funds which the

New York City accepting and discounting banks had available for employment.

At the end of April, the group of accepting banks and bankers that report their outstandings to the American Acceptance Council held \$455,000,000 of bills, an increase of \$78,000,000 during the month. As the volume of bills outstanding declined \$32,000,000 during April to \$879,000,000, the proportion of bills held by the accepting banks rose from 41 to 52 per cent, or nearly as high a ratio as was reached last summer. Practically no bills have been offered to the Reserve Banks recently, and in view of the low level of Federal Reserve holdings of bills for their own account and the decline in foreign correspondents' holdings, it appears likely that the proportion of outstanding bills held by the accepting banks increased substantially further during May.

COMMERCIAL PAPER MARKET

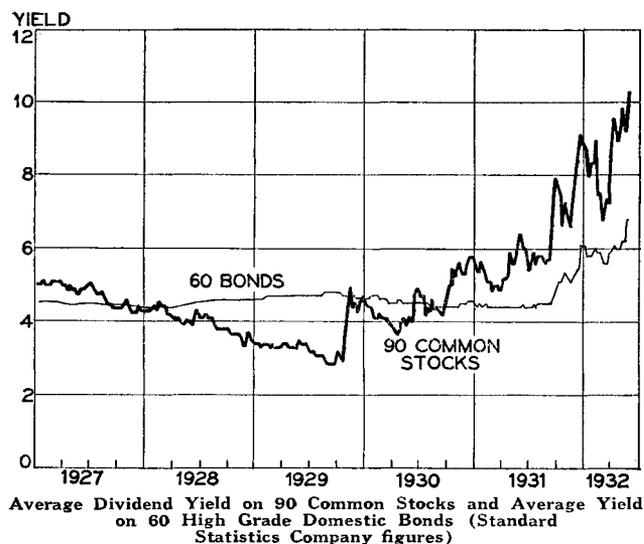
Open market rates for commercial paper declined further during May. The trading range for prime names of 4 to 6 month maturity became 3 to 3¼ per cent early in the month and shortly after mid-May this range was reduced to 2¾-3 per cent. In fact, toward the end of the month some 4 to 6 month paper was being sold at 2½ per cent, which was the generally quoted rate for 90 day drawings. In general, the investment demand for paper exceeded the supply of high grade material that the dealers were able to obtain from potential open market borrowers. Throughout the country an active interest in acquiring the highest grade paper was manifest by the banks.

During April the volume of commercial paper outstanding through dealers reporting to this bank increased 2 per cent further to \$108,000,000 on April 30. This increase followed a small rise in the previous month. Outstandings, however, remained 65 per cent below the figure a year ago.

Security Markets

Stock trading continued in small volume during May, and the trend of prices continued to be downward, so that average prices toward the close of the month were about 24 per cent below the April closing quotations and about 50 per cent below the early March level, which was the highest of the year. No material interruption of the decline in prices occurred during the course of the month except for one day, May 6, on which a sizable advance followed a number of favorably construed developments.

As a result of the May decline, the general average of stock prices has been reduced to a lower level than at any time since before the War, and meanwhile the average dividend yield on a list of representative industrial, railroad, and public utility stocks has risen to above 10 per cent, notwithstanding numerous dividend omissions and reductions. The accompanying diagram shows the course of stock and bond yields since 1927, and indicates that the present average yield on common stocks is



more than three times the average yield of less than 3 per cent obtainable at the peak of stock prices in 1929. It also shows that the average yield on high grade bonds has advanced to more than 6¾ per cent, as against an average of about 4½ per cent obtainable in other recent years.

The prices of bank stocks also underwent large declines during May, and the Standard Statistics index of the share prices of 20 New York City banking institutions dropped more than 25 per cent to the lowest level since 1918.

Further net declines occurred in bond prices during May. Except for a few days in the first week of the month, the movement of domestic corporation bonds was continuously downward, so that representative averages showed a further drop of about 7 points for the period. Railroad bonds were conspicuously weak, dropping about three times as much as industrial and public utility bonds. Foreign bonds appear to have been somewhat steadier than domestic corporate issues, but prices showed average losses of about 3 points.

United States Government bonds exhibited considerable irregularity; there were several periods of decline during the month but these were followed by partial recoveries. For the month as a whole, however, Government bonds lost a large part of the advance made in April. The Liberty Loan issues, which have nearby optional call dates, registered net declines of ½ point, while the average prices of long term Treasury bonds receded 3½ points for the month.

New Financing

An extremely limited volume of new security flotations was announced during May, and the total for the month appears to have been the smallest since last October. Virtually all of the May issues represented financing by States, counties, and municipalities, with individual issues ranging in size from \$100,000 to \$12,000,000. The only corporate flotation was a small public utility issue.

In addition to the Treasury certificates and notes announced late in April and issued May 2, United States Treasury financing during May was limited to three issues of 91 day Treasury bills totaling \$212,000,000 which were put out in replacement of a like amount of Treasury bill maturities. A further decline occurred in the rates at which these Treasury bills were sold, and the average cost to the Treasury on the issue dated May 25 was only .29 of one per cent.

Foreign Exchange

The strength of most European exchanges, which was manifest at the middle of April, was maintained throughout May. French francs were quoted at \$0.0394¾ from May 6 to 24, and firmed to \$0.0395¼ the next day, subsequently declining slightly; guilders reached a high of \$0.4063 on May 4, followed by irregular movements to \$0.4049 on the 24th and a subsequent firming to \$0.4059 on the 28th; Swiss francs gained sharply from \$0.1943 on May 2 to \$0.1958 on the 4th and maintained about this level for the rest of the month; belgas sold at a peak of \$0.1407 at the end of the first week, receded gradually, and then steadied after mid-month at about \$0.1403. Sterling remained steady around its April closing of \$3.661⅞ until after the middle of May, when a rise carried it to \$3.73 on the 28th, following which the rate declined to \$3.69. Reichsmarks gained to \$0.2390 on May 14, as against \$0.2378 on May 2; the higher level was largely maintained until the third week, after which a decline to \$0.2365 occurred. The Scandinavians tended to move with sterling, although Norwegian crowns turned downward late in the month. Lire lost slightly while pesetas continued the upward movement begun in April.

In the South American list, Argentine pesos maintained a fixed rate, Uruguayans fluctuated between \$0.48 and \$0.4750, and Brazilian milreis gained steadily from \$0.0685 on May 2 to \$0.0758 on May 25.

Japanese yen weakened after the middle of the month to below \$0.32 for the first time, and sold as low as \$0.3138. The silver currencies registered a small net gain for the month. The discount on Canadian dollars widened.

Closing Cable Rates at New York (In dollars)

Exchange on	Par of Exchange	May 29, 1931	Apr. 30, 1932	May 31, 1932
Austria	\$.1407	\$.1405	\$.1396	\$.1394
Belgium	.1390	.1393	.1401	.1400
Denmark	.2680	.2679	.2010	.2025
England	4.8666	4.8650	3.6613	3.6888
France	.0392	.03918	.03941	.03949
Germany	.2382	.2375	.2382	.2365
Holland	.4020	.4022	.4054	.4057
Italy	.0526	.0524	.0517	.0514
Norway	.2680	.2679	.1862	.1852
Spain	.1930	.0886	.0787	.0825
Sweden	.2680	.2681	.1840	.1905
Switzerland	.1930	.1935	.1940	.1959
Canada	1.0000	.9998	.8938	.8788
Argentina	.9648	.6932	.5865	.5865
Brazil	.1196	.0675	.0685	.0760
Uruguay	1.0342	.5575	.4800	.4775
Japan	.4985	.4940	.3238	.3240
India	.3650	.3616	.2745	.2765
Shanghai	.....	.2888	.3075	.3100

Gold Movement

The monetary gold stock of the United States was reduced during May by about \$216,000,000, as a result of exports of gold to several European countries and of some additional net earmarking of gold for foreign central banks. Exports which totaled \$213,500,000 consisted chiefly of shipments of \$59,600,000 to France, \$70,500,000 to Holland, \$55,100,000 to Switzerland, \$19,000,000 to Belgium, \$5,900,000 to England, and \$3,400,000 to Germany. A sizable part of the gold exported during the month represented the shipment of gold released from earmark, but as there were additional amounts set aside the total volume of gold held under earmark for foreign account on May 31 showed a net increase of \$22,100,000 for the month.

As a partial offset to the losses of gold through exports and earmarkings, there was a total of \$14,600,000 of gold imported, of which \$4,500,000 came from Canada, \$1,000,000 from Peru, \$500,000 from Newfoundland, and \$800,000 from Mexico through New York; and \$3,700,000 from China, \$2,400,000 from Japan, and \$800,000 from Australia through San Francisco.

Central Bank Rate Changes

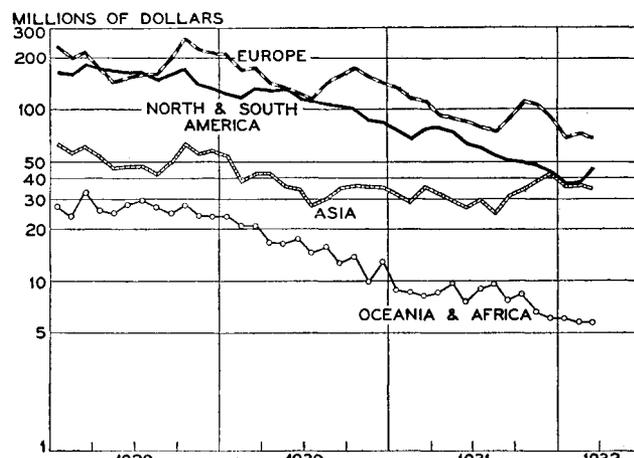
On May 12 the Bank of England lowered its official discount rate from 3 to 2½ per cent, this being the fifth reduction effected since mid-February of this year. The Bank of Italy lowered its rate from 6 to 5 per cent as of May 2; the rate of the Bank of Sweden was reduced from 5 to 4½ per cent on the 17th, the Bank of Norway rate also going from 5 to 4½ per cent on the 20th. Two rate reductions were effected at the National Bank of Bulgaria during May: on the 17th from 9½ to 8½ per cent, and on the 25th from 8½ to 8 per cent. Effective May 30, the National Bank in Copenhagen lowered its rate from 5 to 4 per cent. In addition a rate reduction from 7 to 6 per cent became effective at the Central Reserve Bank of Peru on May 20.

A press report states that the Bank of Lithuania, Kaunas, lowered its rate from 7½ to 7 per cent on May 6.

Foreign Trade

During April, this country's foreign merchandise trade continued the downward course of the past two and a half years. Exports were reduced to \$136,000,000 and were smaller than in any month since August 1914, while imports, valued at \$127,000,000, totaled less than in any month since February 1915. Decreases in value from a year ago amounted to 37 per cent in the case of exports and to 32 per cent in imports. The year-to-year decline in exports was larger than in March, but the reduction in imports was somewhat smaller.

The volume of raw cotton and grain exports continued in April to be substantially above a year ago. Japan reduced its demand for American cotton from the abnormally large volume of recent months, but exports of cotton to all other countries were nearly 70 per cent larger in quantity than in April 1931. Quantity receipts of crude rubber and coffee declined about 20 per cent



Merchandise Exports from the United States to Various Parts of the World (Ratio scale used to show proportionate changes)

from a year ago, but imports of raw silk were in somewhat larger volume.

The accompanying diagram illustrates the course of this country's export trade during the past three years, according to the destination of the shipments. The generally declining tendency since the latter part of 1929 has been the result both of the continuous decline in world commodity prices and of reductions in the quantity of goods shipped abroad. Exports to Asia, where Japan as our leading customer has recently made unusually heavy purchases, have shown little reduction since the middle of 1930, so that the percentage loss in value from 1929 to the present time has been considerably less than for exports to any other continent. The next smallest decrease has been in our exports to European countries. At the beginning of 1929, Europe took only slightly more in value of the products of the United States than did North and South America combined, but in the first quarter of 1932 European purchases from us were about two-thirds greater than those of the countries of North and South America, which, as raw material producing countries, have been particularly affected by the severe declines in the prices of basic commodities. Exports to Oceania and Africa, never of as great volume, have undergone a large decline, and recently have been only about one-fourth of their 1929 value.

Our exports to Africa, Australia, and North and South America are predominantly of finished goods, which in periods of reduced purchasing power can more readily be reduced, while the industrially developed countries of Europe and also Japan require in their imports from us a larger proportion of raw materials, which are more basic and essential.

Business Profits

With the total volume of production and trade estimated at 40 to 50 per cent below the level of three years ago, corporation earnings reports for the first quarter of 1932 showed little net profit after all expenses and fixed charges had been met. The total net profits of 293 industrial and mercantile companies for the first quarter were less than one-fifth as large as in the corresponding

months of 1931, and less than one-tenth as large as in 1930.

The only group of companies to report more favorable earnings than last year was the oil group, which showed a small amount of net profits in 1932 against a deficit in the first quarter of 1931. The earnings of food companies were fairly well maintained, but all other groups showed substantial declines in profits, and a number of groups showed deficits.

Telephone and other public utility companies showed smaller earnings than in the three previous years, but the reductions were quite moderate. Railroad companies, like industrial concerns, were considerably affected by the further decline in the volume of production and trade, and the Class I railroads showed net operating income—that is, net income after all current expenses but before interest payments—about 40 per cent less than in the first quarter of 1931, and 63 per cent smaller than in the first quarter of 1930.

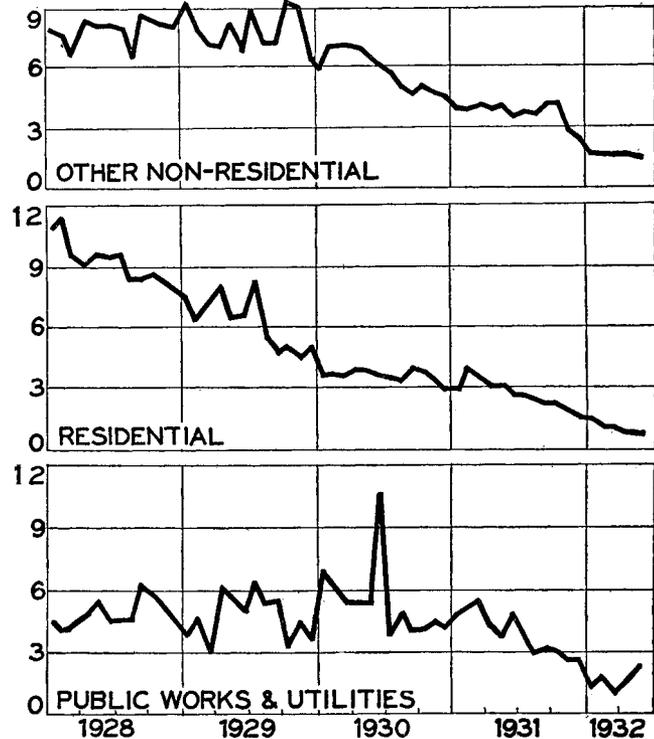
(Net profits in millions of dollars)

Corporation group	No. of Cos.	First Quarter		
		1930	1931	1932
Oil	26	21.9	Def. 7.6	2.6
Food and food products	34	39.6	36.3	26.8
Office equipment	6	4.8	2.5	1.7
Chemical	17	18.8	13.5	8.1
Printing and publishing	6	9.2	6.1	3.5
Tobacco	6	1.6	1.3	0.6
Mining and smelting (excl. coal, coke, and copper)	9	8.3	4.1	1.6
Electrical equipment	5	19.2	8.1	2.8
Paper	9	3.3	1.8	0.5
Motion picture	4	6.8	6.5	1.4
Realty	5	3.1	1.4	0.2
Automobile	17	54.3	28.2	0.6
Coal and coke	8	1.6	0.7	Def. 0.5
Copper	6	3.3	0	Def. 0.8
Railroad equipment	9	11.3	1.8	Def. 1.5
Building supplies	11	3.6	0	Def. 2.4
Automobile parts and accessories (excl. tires)	26	13.0	4.6	Def. 2.5
Machinery	17	8.7	1.8	Def. 3.6
Steel	17	59.6	6.1	Def. 28.6
Miscellaneous	55	31.9	20.3	14.5
Total 20 groups	293	323.9	137.5	25.0
Telephone (net operating income)	101	67.6	69.3	58.7
Other public utilities (net earnings)	50	90.7	78.1	68.7
Total public utilities	151	158.3	147.4	127.4
Class I Railroads (net operating income)	167	176.5	107.1	66.0

Building

Although continuing much below the level of a year ago, the total value of building and engineering contracts awarded in the 37 States covered by the F. W. Dodge Corporation report increased from March to April by slightly more than the usual seasonal amount. The somewhat greater activity in April reflected entirely an increase in contracts for public works and utilities—chiefly highway work. Residential contracts declined unseasonally, while other non-residential work showed about the usual decrease for April. Changes in the value of the three principal groups of building and engineering work undertaken during the past five years are indicated in the accompanying diagram, which is based on the daily average amount of contracts awarded, with an adjustment in each month's figures for the ordinary seasonal influences. The daily average awards of con-

MILLIONS OF DOLLARS



Average Daily Value of Building Contracts Awarded in 37 States, Adjusted for Seasonal Variation (Based on F. W. Dodge Corporation data)

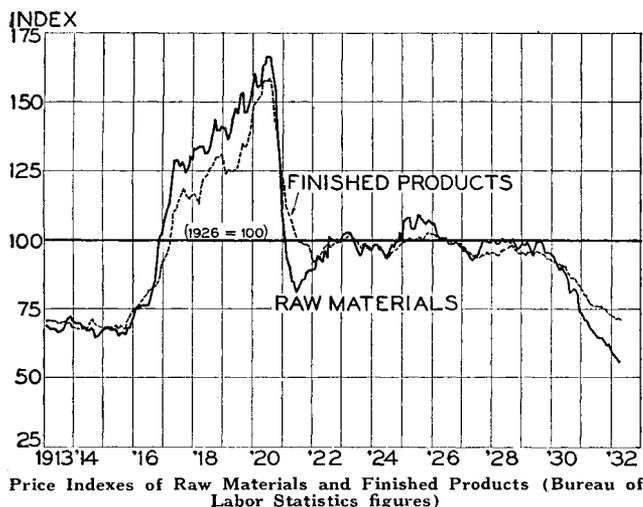
tracts for the first three weeks of May have also been added to the diagram, and indicate that public works and utilities projects showed some further expansion in May, while residential and other non-residential work continued at about the lowest levels in recent years.

In the first four months of 1932 the total of construction projects of all kinds was only about one-third of the value for the corresponding period of last year. Public works and utilities contracts showed a combined decrease of 72 per cent, residential work was reduced by 65 per cent, and other non-residential contracts, including factory and commercial buildings, were down 57 per cent.

Contrary to the general tendency, April contracts in the Metropolitan area of New York were 9 per cent smaller than in March; this unseasonal movement was attributed largely to unsettlement in the building wage situation. The April total of this year was only 20 per cent as large as a year ago, and for the first four months of the year construction contracts have shown a decline of 76 per cent from 1931 in this territory.

Commodity Prices

The general level of wholesale commodity prices continued to move in a fairly narrow range during May, but the predominant tendency again appears to have been downward. Accordingly, the weekly index of the Bureau of Labor Statistics, which includes the prices of almost 800 commodities, declined 1 point further. A number of the most important commodities, including wheat,



corn, raw sugar, hides, lead, silver, and the fuels, showed no significant price changes for the month as a whole. The discussion of a tariff on rubber imports resulted in a sharp but temporary rise in rubber prices early in the month, but prices subsequently declined to a new low level in the history of the commodity. Silk, copper, and scrap steel likewise were at the lowest prices of record, and hogs, cotton, and wool reached new low levels for the current depression. The price of tin, however, showed a moderate increase; zinc, after declining to the lowest level of record, recovered more than $\frac{1}{2}$ cent; and the price of steers, following a decline early in the month to a new low level for the current depression, also recovered nearly to the level of the close of April.

The accompanying chart compares movements in the prices of raw materials and of finished products, as indicated by the Bureau of Labor Statistics group indexes. Beginning in 1913 and 1914 at approximately the same relative level, raw material prices advanced more rapidly and further during the war period than did prices of finished goods, and during the depression of 1921 raw materials similarly declined faster and further. In the post-war period, equilibrium was established principally by a recovery in raw material prices. The two groups then fluctuated at about the same relative levels until late in 1929. In the current depression, the drop in raw materials has again been much sharper than the decline in finished goods. Raw material prices have now reached a level materially below the pre-war average, whereas wholesale prices of finished products are still slightly above the pre-war level. At present, the spread between the two series is about as wide as at any time in the past twenty years.

Indexes of Business Activity

The limited data now available for May show no signs of an improvement in general business. Car loadings of merchandise and miscellaneous freight declined materially in the first three weeks of May, canceling all of the April advance, and car loadings of bulk freight were reduced further, instead of showing the seasonal upswing which usually begins in May. It is estimated that bank debits in 140 centers outside of New York City declined

more than seasonally from the April level, but the seasonally adjusted figures appear to have remained above the low level of March. Department store sales in New York City and vicinity in the first half of May showed a decline of 22 per cent in dollar value from the corresponding period of a year ago, or about the same reduction as occurred in April.

No consistent change in general business activity during April was shown by this bank's seasonally adjusted indexes. Increases occurred in sales of department stores, in chain store sales, and in bank debits outside of New York City, and the number of railroad cars loaded with merchandise and miscellaneous freight increased by the customary amount. On the other hand, car loadings of bulk freight were reduced somewhat, due to a marked contraction in shipments of coal, exports of merchandise to foreign countries decreased moderately, and imports failed to show the expected seasonal increase.

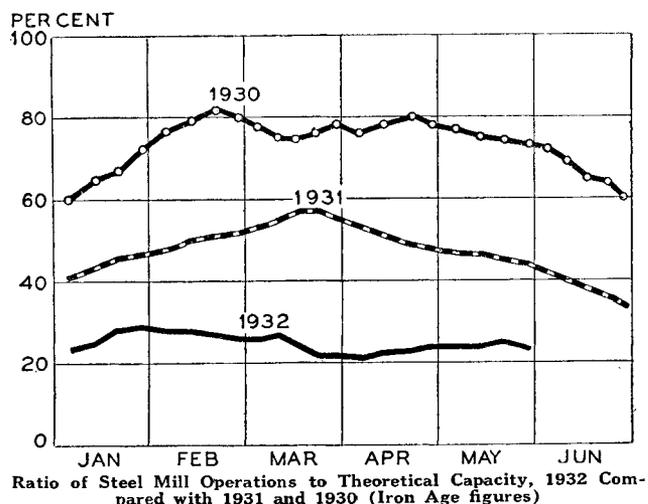
(Adjusted for seasonal variations, for usual year-to-year growth, and where necessary for price changes)

	1931	1932		
	Apr.	Feb.	Mar.	Apr.
<i>Primary Distribution</i>				
Car loadings, merchandise and misc.	80	62	58	58
Car loadings, other.	74	58	60	56
Exports.	69	55	51	49 ^p
Imports.	72	65	65	62 ^p
Waterways traffic.	66	43	40	42
Wholesale trade.	93	80	81	75
<i>Distribution to Consumer</i>				
Department store sales, 2nd Dist.	102	80	77	82
Chain grocery sales.	96	73	72	73
Other chain store sales.	95	84	75	83
Mail order house sales.	102	76	59	
Advertising.	78	66	62	62
Gasoline consumption.	84	72	73	
Passenger automobile registrations.	63	37	27 ^p	
<i>General Business Activity</i>				
Bank debits, outside of New York City..	85	66	62	70
Bank debits, New York City.	87	62	60	65
Velocity of bank deposits, outside of New York City.	90	81	77	86
Velocity of bank deposits, New York City	99	70	68	67
Shares sold on N. Y. Stock Exchange. ...	130	82	72	71
Life insurance paid for.	93	92	80	75
Postal receipts.	87	73	72	71
Electric power.	86	74	73 ^p	
Employment in the United States.	80	69	68	66
Business failures.	108	114	121	124
Building contracts.	61	26	21	24
New corporations formed in N. Y. State.	89	82	78	83
Real estate transfers.	55	50		
General price level*.	155	136	137	134
Composite index of wages*.	217	201	201	197
Cost of living*.	149	137	136	135

^p Preliminary *1913 average=100

Production

The gradual increase in activity of the steel industry which was initiated in April continued through the middle of May, contrary to the usual seasonal movement. Activity this year, after declining to 21 per cent of estimated capacity at the middle of April, subsequently increased to an average level of about 24 per cent in May, whereas in the previous two years, the operating rate declined seasonally in the period, as the accompanying diagram indicates. The belated seasonal increase in steel mill operations accompanied some further expansion of automobile production in May. Output of crude petroleum during May was seasonally higher than in



April, but bituminous coal production decreased contrary to the usual movement, and cotton goods production was curtailed in accordance with the seasonal tendency.

For the month of April as a whole, this bank's indexes of production again show about an even balance between the number of increases and the number of declines from the previous month, but decreases appear to have predominated in the more important industries. The combined production index of the Federal Reserve Board, which is corrected for seasonal variations but not for the

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

	1931		1932	
	Apr.	Feb.	Mar.	Apr.
Metals				
Pig iron.....	59	31	28	25
Steel ingots.....	59	35	29	26
Lead r.....	62r	48r	50r	40r
Zinc.....	50	35	35	34
Tin deliveries.....	84	38	41	42
Automobiles				
Passenger cars.....	65	26	23	27
Motor trucks.....	79	46	30	42
Fuels				
Bituminous coal.....	83	65	75	60p
Anthracite coal.....	90	66	77	91p
Coke.....	72	46	44r	43
Petroleum, crude.....	87	74	73	73p
Petroleum products.....	81	67	63	
Textiles and Leather Products				
Cotton consumption.....	82	74	74	60
Wool mill activity.....	74	70	55	37p
Silk consumption.....	84	84	65	67
Leather, sole.....	80	74	74	
Leather, upper.....	94	79		
Boots and shoes.....	110	91	95p	97p
Foods and Tobacco Products				
Live stock slaughtered.....	99	100	90	100
Wheat flour r.....	94r	82r	85r	88r
Sugar meltings, U. S. ports.....	71	54	55	52
Tobacco products.....	98	81	77	78
Miscellaneous				
Cement.....	87	48	45	41
Tires.....	70	56	47	
Lumber.....	54	26	31	32
Printing activity.....	85	76	72	
Paper, newsprint.....	89	83	89	81
Paper, other than newsprint.....	84	72p	72p	
Wood pulp.....	78	73	72	

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growth of industry, dropped 3 points further to a level which equals the 1921 low. Sharp curtailment was shown in production of bituminous coal and lead, in mill consumption of raw cotton, and in wool mill activity, and smaller declines occurred in output of pig iron and steel ingots. Little change occurred in the adjusted indexes of production of crude petroleum, tobacco products, and lumber, and of mill consumption of raw silk. On the other hand, automobile production expanded more than usually, wheat flour production did not show any of the seasonal decline, and the adjusted indexes of live stock slaughterings and of shoe production also increased.

Employment and Wages

A further decline in the number of people employed and in wage payments occurred in April. Reporting factories in New York State reduced the number of their workers considerably more than seasonally from March to April to the lowest level in the period for which the figures are available. In the country as a whole, factory employment declined sharply to a new low level for many years, and it is estimated that the number of persons engaged in manufacturing industries, alone, was the lowest since 1908. The American Federation of Labor report on unemployment among its members indicates that the proportion out of work increased from 22.8 per cent on April 1 to 22.9 per cent on May 1, which is contrary to the seasonal tendency. The supply of farm labor declined slightly more than usually in April, but demand failed to show seasonal expansion.

Factory payrolls in New York State for April dropped much more than would be expected on the basis of past experience and reached a new low level for the current depression. For the country as a whole payrolls declined 6 per cent to a level 56 per cent below the 1929 peak. The average weekly remuneration of New York State workers who are now employed decreased 3 per cent to the lowest level since 1919.

Crops

The Department of Agriculture estimate of crop conditions on May 1 places this year's winter wheat crop at 440,000,000 bushels, which is 44 per cent below the large 1931 crop and 20 per cent below the 1924-1928 average. The acreage sown to winter wheat last autumn was 10 per cent less than in the previous autumn, acreage abandonment has been large, and the lack of moisture has resulted in a poor condition of the crop. The estimate for all of the principal producing States is well below the harvest of a year ago, and for a majority of these States is under the five year average. In Kansas, which last year produced 240,000,000 bushels, or 30 per cent of the total harvest, this year's crop is estimated at only 87,000,000 bushels.

In other crops, the condition of hay is the lowest in many years, and the condition of early potatoes and of oats in ten reporting Southern States is considerably below the level of a year ago.

Department Store Trade

Reporting department stores in this district showed April sales 22 per cent below last year, a slightly larger decline than was reported in March. Reductions in sales of New York City and Rochester stores were about the same as the average for this district, while the sales in Buffalo, Bridgeport, Southern New York State, and the Capital District were about 27 per cent smaller than last year, and even larger declines were reported in Syracuse and Northern New York. On the other hand, somewhat less than the average decrease was shown by the Newark, Hudson River Valley, and Westchester reporting stores. Sales of the leading apparel stores continued considerably lower than a year ago.

For the first half of May, department stores in the Metropolitan area of New York reported practically the same decrease in sales from a year ago as in April.

Stocks of merchandise on hand at the end of April, at retail valuation, continued to show substantial reductions from last year. Collections during April continued to be slower than in 1931 in all localities except Rochester.

Locality	Percentage change from a year ago			Per cent of accounts outstanding March 31 collected in April	
	Net sales		Stock on hand end of month	1931	1932
	April	Jan. to Apr.			
New York	-22.0	-19.2	-19.3	47.8	44.9
Buffalo	-26.8	-19.9	-16.5	46.8	41.9
Rochester	-23.7	-24.8	-36.5	43.4	43.7
Syracuse	-32.0	-28.3	-13.4	29.0	25.8
Newark	-18.2	-15.6	-10.2	41.6	39.4
Bridgeport	-27.3	-23.1	-20.4	37.0	34.3
Elsewhere	-23.6	-20.8	-15.0	33.1	30.8
Northern New York State	-33.1	.....	.....	.....	.....
Southern New York State	-27.5	.....	.....	.....	.....
Hudson River Valley District	-16.1	.....	.....	.....	.....
Capital District	-27.4	.....	.....	.....	.....
Westchester District	-18.1	.....	.....	.....	.....
All department stores	-22.1	-19.2	-17.9	44.1	41.3
Apparel stores	-27.1	-25.8	-22.7	43.9	41.5

	Net sales percentage change April 1932 compared with April 1931	Stock on hand percentage change April 30, 1932 compared with April 30, 1931
Toilet articles and drugs	+ 0.3	+ 0.3
Cotton goods	-13.3	-19.2
Home furnishings	-13.6	-13.3
Hosiery	-17.8	-19.3
Books and stationery	-18.6	-16.4
Woolen goods	-19.1	-13.1
Silverware and jewelry	-19.7	-12.6
Shoes	-20.7	-4.7
Linens and handkerchiefs	-21.1	-16.8
Silks and velvets	-21.2	-26.9
Women's ready-to-wear accessories	-24.5	-18.4
Men's furnishings	-24.8	-11.2
Furniture	-26.0	-19.0
Luggage and other leather goods	-28.6	-18.1
Women's and Misses' ready-to-wear	-28.7	-26.5
Toys and sporting goods	-29.6	-7.3
Men's and Boys' wear	-33.0	-12.4
Musical instruments and radio	-38.9	-15.1
Miscellaneous	-18.4	-21.3

Wholesale Trade

April sales of the reporting wholesale dealers averaged 30 per cent below last year, a larger reduction than has previously been reported to this bank. Sales of station-

ery, drugs, shoes, paper, and silk goods were reduced by larger percentages than in any other month in the period covered by the reports to this bank. Concerns in the men's clothing, jewelry, and diamond trades also reported somewhat larger decreases than in the previous month, but sales of hardware and cotton goods showed a somewhat smaller decline, and machine tool orders, as reported by the National Machine Tool Builders Association, also declined less from a year ago than in March.

Merchandise stocks held at the end of April continued to show substantial decreases from a year previous in all reporting lines, except drugs, stocks of which remained larger than a year ago, and silk, the amount of which was little changed. Collections in April continued on the average to be somewhat slower than in 1931.

Commodity	Percentage change April 1932 compared with March 1932		Percentage change April 1932 compared with April 1931		Per cent of accounts outstanding March 31 collected in April	
	Net sales	Stock end of month	Net sales	Stock end of month	1931	1932
Groceries	-6.9	-6.0	-12.9	-21.3	79.2	82.9
Men's clothing	-37.2	.....	-39.5	.....	33.3	29.8
Cotton goods	+ 9.3	-4.0	-27.4	-21.0	34.0	34.5
Silk goods	-9.8*	-3.3*	-24.3*	-0.3*	56.2	56.1
Shoes	-35.9	-10.7	-39.6	-14.1	46.8	33.7
Drugs	-24.4	-2.4	-29.0	+15.2	31.6	27.8
Hardware	+17.5	-1.3	-26.6	-7.8	46.0	40.0
Machine tools**	+26.1	.....	-60.9	.....	.....	.....
Stationery	-16.9	.....	-32.1	.....	76.3	62.9
Paper	-13.3	.....	-34.1	.....	56.7	53.5
Diamonds	-12.5	-2.8	-55.2	-30.0	16.7	15.8
Jewelry	-9.9	+ 9.4	-44.4	-23.9	.....	.....
Weighted average	-13.1	.....	-30.1	.....	51.4	49.3

* Quantity not value. Reported by Silk Association of America

** Reported by the National Machine Tool Builders Association

Chain Store Trade

The April sales of the reporting chain store systems were about 11 per cent below 1931, a somewhat larger year-to-year decline than has been reported previously. All groups of chain stores, except candy chains, reported greater reductions in sales than in March, and in the case of the candy group, the increase was the smallest since last November. In the case of the drug and variety stores, the declines were the largest in a number of months, while for the ten cent and shoe chains the declines were larger than were ever before reported by these types of chains. After allowing for changes in the number of stores operated, the chain organizations generally showed even larger declines in sales per store than in total sales, as the number of stores has still continued to increase slightly during the past year.

Type of store	Percentage change April 1932 compared with April 1931		
	Number of stores	Total sales	Sales per store
Grocery	+ 0.7	-7.3	-8.0
Ten cent	+ 1.4	-15.1	-16.3
Drug	+ 1.1	-8.9	-9.9
Shoe	-0.9	-35.7	-35.2
Variety	+ 3.3	-6.8	-9.8
Candy	+20.9	+ 1.7	-15.9
Total	+ 1.6	-11.3	-12.6

FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, JUNE 1, 1932

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL activity and factory employment declined substantially from March to April, although usually little change occurs at this season. Purchases of Government securities by the Federal Reserve Banks have continued during April and the first three weeks of May and there has been a considerable growth in the reserves of member banks.

PRODUCTION AND EMPLOYMENT

Volume of industrial production, as measured by the Board's seasonally adjusted index, decreased from 67 per cent of the 1923-1925 average in March to 64 per cent in April. Reductions in activity were reported for many leading industries, with sharp declines at cotton and woolen mills and at bituminous coal mines; in the automobile industry output increased from the low level of March by more than the usual seasonal percentage, and in the steel industry, where activity had declined from early February to the middle of April, production increased somewhat between the middle of April and the third week of May.

The number of wage earners employed at manufacturing establishments declined further between the middle of March and the middle of April and there was a substantial reduction in factory payrolls. Large decreases in employment were reported for the iron and steel, machinery, and textile industries, while the volume of employment in the food and leather industries showed the usual seasonal changes.

Daily average value of building contracts awarded during April and the first half of May, as reported by the F. W. Dodge Corporation, showed a seasonal increase over the first quarter. A substantial increase was reported for public works and public utilities, while residential building continued at the low level of the first quarter, showing none of the usual seasonal expansion.

DISTRIBUTION

Freight car loadings of merchandise showed little change in volume from March to April, continuing at the level prevailing since January, although increases are usual during this period. Sales by department stores increased considerably in April.

WHOLESALE PRICES

Wholesale prices of commodities declined from 66 per cent of the 1926 average in March to 65.5 per cent in April, according to the Bureau of Labor Statistics, and in the first three weeks of May further decreases in the prices of many leading commodities were reported. Downward movements in textiles, nonferrous metals, and imported raw materials, as well as in most domestic agricultural products except wheat, were offset in part by increases in the prices of coffee, petroleum, and petroleum products.

BANK CREDIT

Further purchases of U. S. Government securities by the Federal Reserve Banks were made during April and the first three weeks in May, and on May 18 total holdings were \$1,466,000,000. The funds placed in the market through these purchases between April 6 and May 18 were used to the extent of \$170,000,000 in a further reduction of member bank indebtedness to the Reserve Banks; and to the extent of \$122,000,000 in meeting a demand for gold from abroad; at the same time member banks accumulated reserve balances considerably in excess of legal requirements. During May the demand for currency, which had declined in April, increased somewhat, contrary to usual seasonal movement.

Loans and investments of reporting member banks in leading cities, which had declined continuously until the middle of April, showed little net change between April 13 and May 18. The banks' investments increased by nearly \$300,000,000, chiefly in New York City, while loans declined by about an equal amount. There was also a growth in net demand deposits, which reflected in part an increase in bankers' balances deposited in New York City banks.

Money rates in the open market continued easy. Rates on commercial paper were reduced about one-half per cent to a range of 2¼-3 per cent for prime names, and the offering rate on 90-day bankers acceptances, which had advanced to 1½ per cent in the first week of May, declined on May 11 to the previously prevailing rate of ¾ of one per cent.

