

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

July 1, 1932

Money Market in June

The outstanding development in the financial situation during the past month has been the virtual completion of the repatriation of the funds of foreign central banks which accumulated in this country a few years ago. The termination of this movement, which is discussed on a subsequent page of this Review, left the amount of short term foreign funds in this market substantially less than the amount of American funds employed abroad. After the middle of June, gold exports from the United States were almost entirely confined to shipments of gold which had previously been taken out of the gold stock of this country by earmarking transactions, and there were small imports of gold from Latin America and Far Eastern countries and Canada, so that the monetary gold stock of the United States rose slightly.

The gold losses of early June were largely offset, in their effect on the position of member banks, by continued purchases of Government securities by the Reserve Banks, which during the month as a whole amounted to about \$230,000,000. Consequently, the member banks were under no pressure as a result of the gold movement, and continued to hold substantial excess reserves.

Towards the end of the month an additional demand upon the money market rose from currency withdrawals in connection with month end and holiday requirements and with the closing of a number of small neighborhood banks in the environs of Chicago which led to withdrawals from a number of other banks.

These events were reflected in the New York money market in withdrawals of funds by out of town banks, and in addition there were some sales of acceptances and securities in the New York market. The result was a heavy drain on the New York banks for a few days. The New York money market banks met these demands easily, however, and continued to hold moderate amounts of excess reserves throughout the period.

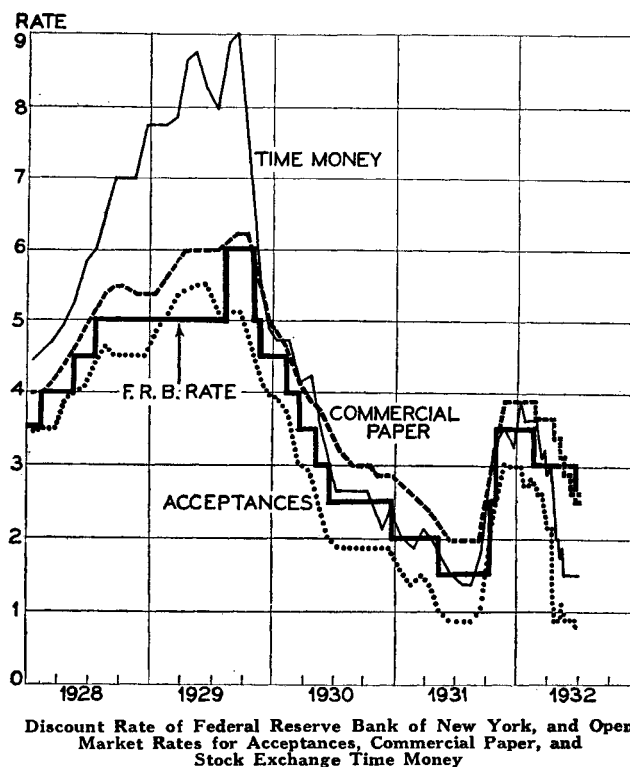
Open market money rates continued at low levels during June. As the accompanying diagram indicates, all the important open market rates had fallen below the discount rate of the Federal Reserve Bank of New York by the beginning of June, and effective June 24 the discount rate was reduced from 3 to $2\frac{1}{2}$ per cent. This action was followed the next day by a reduction in the discount rate of the Federal Reserve Bank of Chicago to $2\frac{1}{2}$ per cent. The buying rates of the Federal Reserve Bank of New York for indorsed bankers acceptances, which, in the virtual absence of offerings of

bills in recent months, had been left above the market rates by the rapid decline in those rates, were reduced to approximately the rates being paid by dealers for unindorsed bills. This brought the Reserve Bank buying rates within the reach of dealers and banks, so that when the banks find it advisable they can obtain additional funds through the sale of bills.

Money Rates at New York

	June 30, 1931	May 31, 1932	June 30, 1932
Stock Exchange call loans.....	$1\frac{1}{2}$	$2\frac{1}{2}$	$2\frac{1}{2}$
Stock Exchange 90 day loans.....	$1\frac{1}{2}$	* $1\frac{1}{2}$	* $1\frac{1}{2}$
Prime commercial paper.....	2	$2\frac{3}{4}$ -3	$2\frac{1}{2}$ - $2\frac{3}{4}$
Bills—90 day unindorsed.....	$\frac{7}{8}$	$\frac{7}{8}$	$\frac{7}{8}$
Customers' rates on commercial loans..	†3.46	†4.10	†4.21
Treasury securities			
Maturing September 15 (yield).....	.42	.10	.09
Maturing December 15 (yield).....	.52	.28	.32
Federal Reserve Bank of New York re-discount rate.....	$1\frac{1}{2}$	3	$2\frac{1}{2}$
Federal Reserve Bank of New York buying rate for 90 day indorsed bills	1	$2\frac{1}{2}$	1

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



MEMBER BANK CREDIT

The total loans and investments of weekly reporting member banks have shown alternate increases and decreases of substantial amount during the past month, but in general have remained within about the same range as in the two previous months. The loans and investments of New York banks have remained somewhat above the lowest point reached early in April, and outside of New York there was only a small net decline during June.

An important factor in the wide fluctuations during the past month has been changes in the "all other" loans due to alternate large loans and repayments of "Federal funds". These transactions represented temporary loans of funds by banks with excess reserves to banks in need of additional reserves. Excluding such transactions, the real commercial loans which are included in the "all other" loans appear to have continued to decline gradually. Security loans and investments in securities other than Government issues also showed some reduction, but holdings of Government securities showed a further substantial increase, due chiefly to subscriptions to the June 15 issues.

JUNE TREASURY FINANCING OPERATIONS

On June 15, a total of \$790,000,000 of new Treasury certificates and notes was allotted, of which \$374,000,000 represented an issue of $1\frac{1}{2}$ per cent one year certificates of indebtedness and \$416,000,000 a 3 per cent three year Treasury note issue. Subscriptions to the Treasury offering of these issues totaled nearly four times the amount of securities offered, and quotations on the new securities soon advanced to a premium.

The Treasury tax period operations centering on June 15 passed with no visible effect on the money market, due principally to the fact that, of the \$325,000,000 of $2\frac{3}{4}$ per cent certificates of indebtedness that came due on the 15th, \$248,000,000 were tendered in exchange for the new certificate and note issues. Furthermore, there were sizable sales of the new issues for cash, and somewhat more than the usual amount of the matured Treasury obligations remained outstanding after the 15th. Consequently, payments by the Treasury for matured securities, together with interest on the public debt and other ordinary expenditures, did not exceed the receipts for the day and the balances which the Treasury had on deposit at the Reserve Banks. The Treasury, therefore, closed its books on June 15th with a small credit balance at the Reserve Banks, whereas ordinarily the Treasury finds it necessary to sell special one day certificates of indebtedness to the Reserve Banks to cover its temporary excess of expenditures on the quarterly tax date. The proceeds of income tax collections in the next few days after June 15th restored the Treasury balances at the Reserve Banks to at least their normal level. Income tax collections for the month totaled about \$160,000,000, as compared with \$192,000,000 at the March collection and \$293,000,000 in June of 1931.

The June 15th financing operations of the Treasury were supplemented by two issues of Treasury bills which were entirely refunding operations. The June 1 issue of Treasury bills which was for \$100,000,000 was floated

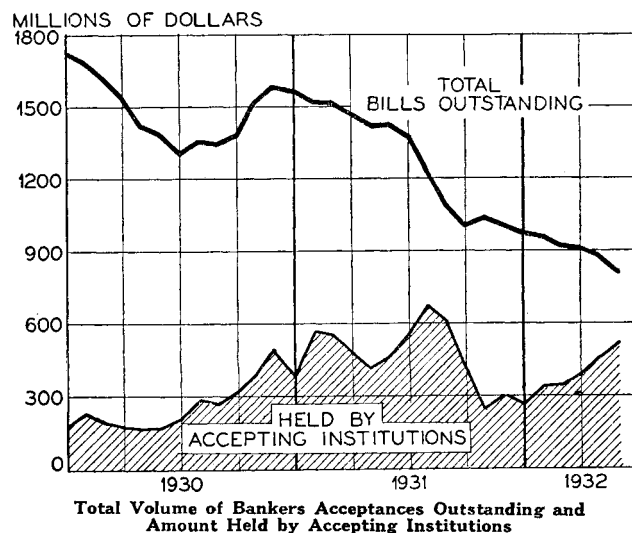
at an average cost to the Treasury of 0.32 of one per cent, and the June 29 issue, also for \$100,000,000, was priced to yield 0.41 of one per cent. The offerings of both of these Treasury bill issues were considerably oversubscribed.

BILL MARKET

During the first week of June, dealers' purchases of bills exceeded their sales, which were affected by the absence of foreign bank buying, and portfolios rose to the highest level since March. In the next two weeks, the volume of bills offered to the discount market by accepting and discounting banks declined to a small volume, and the portfolios of the dealers consequently were reduced by the excess of sales for this period. In the last week of the month, however, dealers' portfolios rose once again due to sales of bills by Chicago banks, and concurrent with this increase the bill holdings of the Reserve Banks also advanced somewhat in the week ended June 29, reflecting bills purchased from the dealers under repurchase agreement. This was the only material change in Reserve Bank holdings except for a rise around the middle of the month when a block of bills was purchased from the bills held for foreign account by this bank.

Open market rates for bills were unchanged until after the reduction in the Federal Reserve Bank of New York's buying rate for bills, which, effective June 24, became one per cent for maturities not exceeding 90 days, as compared with the previous rate of $2\frac{1}{2}$ per cent. Most of the dealers immediately reduced their bid and offered rates by $\frac{1}{8}$ per cent, and the reduction became general on June 30. The offering rates of all dealers then became $\frac{3}{4}$ of one per cent for one to ninety day bills, $\frac{7}{8}$ of one per cent for four month bills, and $1\frac{1}{8}$ per cent for five and six month maturities.

The tendency for accepting and discounting banks to withhold new bills from the discount market, which has been noted for several months, has resulted in the accumulation by the accepting institutions of about two-thirds of all the bills outstanding. The accompanying diagram indicates that at the close of May accepting institutions held \$510,000,000 of bills, an increase of \$55,000,000 during the month, while the total volume of



bills outstanding on May 31 showed a drop of \$92,000,000 for the month to \$787,000,000. As compared with a year ago when the accepting banks held only one-third of the amount outstanding, holdings of the accepting banks have increased \$46,000,000, while the total volume of acceptances outstanding has been reduced \$625,000,000, or 44 per cent. Most of the decline in the amount of bills held by investors other than the accepting institutions represents the withdrawal from the acceptance market of foreign banks which converted their funds in this market into gold.

COMMERCIAL PAPER MARKET

The investment demand for prime commercial paper on the part of the banks throughout the country continued to exceed the amount of new drawings of paper during June. Open market rates showed a downward tendency throughout the month; during the first part of the period the prevailing range for best names became established at $2\frac{1}{2}$ - $2\frac{3}{4}$ per cent, as compared with the $2\frac{3}{4}$ -3 per cent level reached around the middle of May, and subsequently some choice paper moved at $2\frac{1}{4}$ per cent.

A further increase in the amount of open market commercial paper outstanding occurred during May, and outstandings of \$111,000,000 reported to this bank by dealers on May 31 were one per cent larger than a month earlier. The small increase in May marked the third successive increase in outstandings, which, however, remained 64 per cent smaller than a year ago.

Security Markets

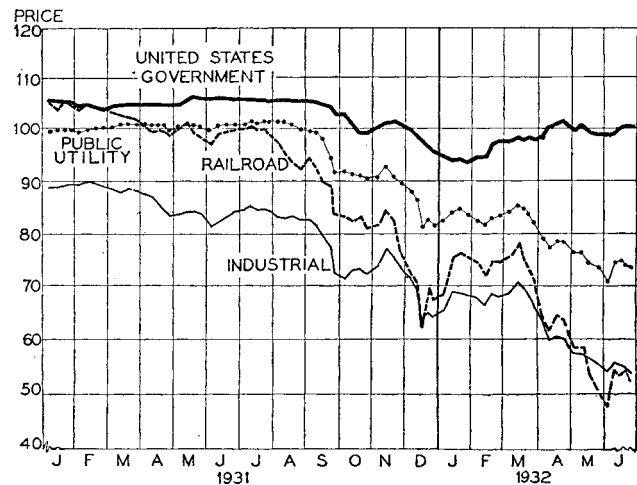
Domestic corporation bond prices showed a considerable rise during the first week of June, which was attributed to the successful passage through Congress of the tax measure and also to the anticipation of the organization of a bond buying pool. On June 3 the formation of the American Securities Investing Corporation was announced in the following statement:

"A corporation is in process of organization for the purpose of acquiring sound investments in the security markets. Funds for investment will be made available to the corporation through the sale of its debenture bonds. For such bonds initial subscriptions have already been received in the amount of \$100,000,000 from New York banking institutions.

"Various banking institutions in leading centers outside New York City have already signified their intention of joining the group which is undertaking to subscribe for the debentures of the corporation.

"The corporation purposes to make its initial purchases in the bond market. Its policy in acquiring investments must manifestly be based in large measure upon its confidence in final action by Congress in effectively balancing the budget and thus manifesting its determination to maintain intact the Government's credit."

During this period, domestic corporate bonds rose about five points, thereby canceling about half of the decline that occurred in the previous month. This advance is shown in the accompanying diagram, which indicates that the most sizable recoveries were in railroad issues which previously had shown the largest declines. After attaining these higher levels, corporation bonds maintained a fairly stable level until late in the month when a gradual decline occurred.



Movements of Bond Prices (Standard Statistics Company corporation bond indexes, and Federal Reserve Bank of New York average of 11 United States Government bonds)

The diagram also indicates a gradual advance in United States Government bond prices, followed by a period of stability at a fairly high level during the latter part of June. Long term Treasury bond issues rose about $2\frac{1}{2}$ points on the average during June, and the Liberty Loan issues, which have nearby call dates, showed smaller advances.

Foreign bond prices likewise advanced during the first half of the month, and subsequently showed little change. A price average representative of the foreign bond list closed the month about $2\frac{1}{2}$ points above the early June low.

After reaching new low levels on the opening day of the month, stock prices held fairly steady throughout June. Representative price averages generally fluctuated within a range of about five points, and closed the month at about the opening low levels. Public utility and bank stocks were slightly higher at the end of the month than at the opening, while the rails and industrials were slightly lower. The comparative steadiness of stock prices during June followed a persistent downward movement which had been under way since early in March. Trading activity declined to the smallest volume in many years; on several full trading days, the turnover of stocks on the New York Stock Exchange was between 400,000 and 600,000 shares, as compared with 5,000,000 and 6,000,000 shares for average days in 1929. It is necessary to go back to 1924 in order to find markets as inactive as those on some days of the past month.

New Financing

Aside from United States Government issues, the flotation of new securities continued at a low ebb in June. The volume of offerings at around \$100,000,000, including refunding issues, was only one-quarter of the amount put out in June of last year and about one-seventh of the June 1930 issues. Of the June total this year, \$30,000,000 represented an issue of Federal Intermediate Credit Bank debentures for three to twelve month periods in replacement of \$33,000,000 of debentures which matured on June 15. In addition, there

were a number of State and municipal offerings, the largest of which was a State of New Jersey \$18,000,000 serial bond issue which was sold at yields of 3.50 to 4.35 per cent according to maturity. Corporate financing, as for some months past, was of very limited proportions, and there continued to be a complete cessation of foreign security offerings in this market.

International Movement of Short Term Funds

An unprecedented outward movement of short term foreign funds from this country during 1931 is indicated in a report recently issued by the Department of Commerce. This movement, amounting in the net to \$765,000,000, was the result of a withdrawal of \$1,275,000,000 of foreign funds from this market which was offset in part by a reduction of \$510,000,000 in American funds employed abroad. The details of this flow of funds are presented in the following table.

(In millions of dollars)

	Dec. 31, 1930	Dec. 31, 1931	Change
<i>Due to Foreigners</i>			
Foreign deposits with American banks	1,640	1,022	— 618
Acceptance credits and advances and overdrafts from foreigners.....	51	47	— 4
Short term investments of foreigners in:			
American acceptances.....	792	303	— 489
U. S. Treasury bills and certificates	86	39	— 47
All other short term loans.....	168	51	— 117
Total.....	2,737	1,462	—1,275
<i>Due from Foreigners</i>			
American deposits abroad.....	294	125	— 169
Advances and overdrafts to foreigners	212	279	+ 67
American short term investments abroad.....	94	57	— 37
Other short term loans.....	323	310	— 13
Acceptance credits to foreigners.....	879	521	— 358
Total.....	1,802	1,292	— 510
Net Short Term Indebtedness to Foreigners on Banking Account.....	935	170	— 765

The decline in foreign short term funds in this market was brought about chiefly by a withdrawal of deposits amounting to \$618,000,000 and a reduction of \$489,000,000 in foreign holdings of dollar acceptances. This movement occurred largely during the period immediately following the suspension of gold payments of Great Britain on September 21, and resulted from the policy adopted by a number of foreign central banks of converting their foreign assets into gold, as well as from a loss of confidence on the part of private foreign investors in investments outside of their own countries.

The reduction in American funds abroad took place primarily through a decline of \$358,000,000 in the volume of dollar acceptances originating under credits granted to foreigners. This decline was indicative in part of the difficulty encountered by American accepting institutions in extending credits to foreigners in view of the disturbed financial conditions and the foreign exchange restrictions which existed in a number of countries, but it was associated also with the marked shrinkage in the value of world trade. Smaller declines were shown in American deposits and short term investments abroad, while an increase occurred in advances and overdrafts granted to foreigners.

The repatriation of foreign funds in 1931, together with a smaller outflow in 1930, reduced the amount of

short term foreign funds in this country by more than half—from more than three billion dollars at the end of 1929 to less than one and one-half billion at the end of 1931.

This huge reduction in the amount of foreign funds in this market was offset only to a small extent by withdrawals of American funds from abroad, yet the United States had a net gain through gold movements and earmarking transactions of about \$100,000,000 during the two years. In 1931 the \$765,000,000 reduction in the net short term indebtedness to foreigners was accompanied by a net gold loss through shipments and earmarking transactions between this and other countries of only \$175,000,000. This indicates that the reductions in foreign funds have been absorbed to large extent in meeting payments due the United States on the balance of merchandise and other transactions and on long term indebtedness to this country.

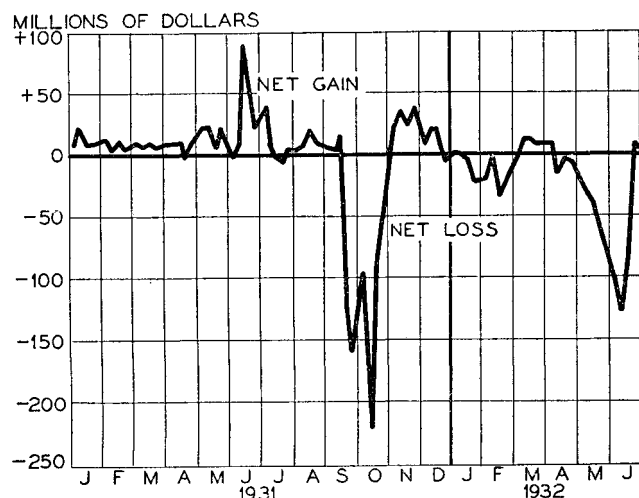
Although comparable figures are not available for a later date, information that has been reported to this bank has indicated a further rapid outflow during the first six months of 1932, so that the amount of foreign funds now on deposit or employed in short term investments in this market is believed to represent little more than a reasonable amount of working balances.

The amount of American short term funds employed abroad has also shown some further decline during the first half of 1932, but the total, including funds employed in central European and other countries which cannot be withdrawn under present circumstances, is now much larger than the amount of foreign funds remaining in the United States.

Gold Movement

During the first half of June, the monetary gold stock of the United States was further reduced by \$240,000,000, as a result of exports of gold to several European countries and of some additional net earmarking of gold for foreign central banks. After the middle of the month the gold outflow ceased abruptly, due to the fact that the conversion of foreign central bank balances into gold had largely been completed, and, as the accompanying diagram shows, there was a small net gain of gold in the last two weeks of the month, amounting to about \$11,000,000. The exports of the second half of June represented the shipment of gold which had been previously earmarked and consequently had no effect on the total stock of monetary gold in the country. The small increase in the gold stock during that period was due to other releases of gold from earmark, the proceeds of which were disbursed in this country, and to several arrivals of imported gold.

For the month of June as a whole, gold exports totaled \$225,000,000, consisting chiefly of shipments of \$108,000,000 to France, \$64,000,000 to Switzerland, \$26,000,000 to Belgium, \$24,500,000 to Holland, and \$1,000,000 to England. In addition, there was for the month of June a \$29,000,000 net increase in the amount of gold held under earmark for foreign account. As a partial offset to the export and earmarking loss of gold, a total of \$17,000,000 was imported, of which \$5,000,000 was received from Canada, \$1,000,000 from Uruguay, and



Weekly Net Gain or Loss of Gold to United States Monetary Stock

\$500,000 from Mexico at New York; and \$5,200,000 from Japan, \$3,800,000 from China, and \$630,000 from Australia at San Francisco.

Foreign Exchange

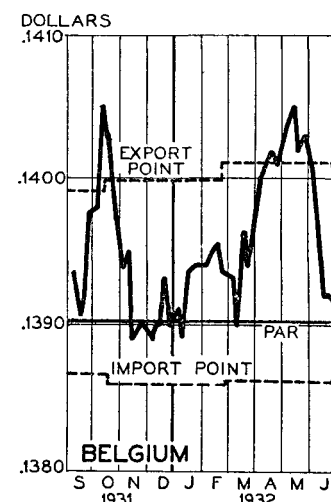
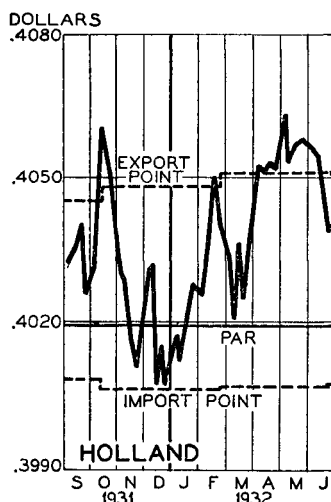
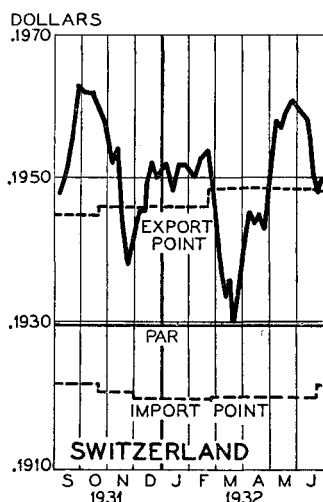
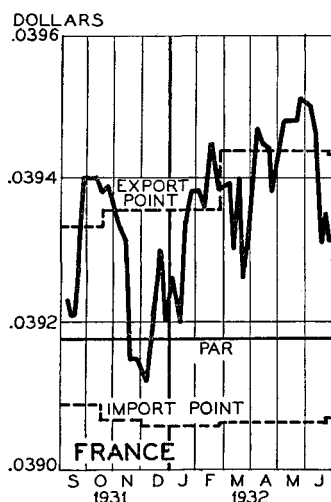
During the second week of June the dollar began to gain strength, and on the 16th there was a sharp downward movement in foreign exchange quotations. Just after the middle of the month sterling fell from \$3.66 $\frac{1}{4}$ to \$3.61, and remained around that level for the rest of the month. French francs declined abruptly to \$0.0392 $\frac{5}{8}$ on the 16th, after selling as high as \$0.0395 earlier in the month; quotations were somewhat higher later in the month, but the rate remained considerably below the gold export point. Guilders broke nearly 10 points to \$0.4034 $\frac{1}{2}$ on the 16th, and on the same day Swiss francs dropped 3 points to \$0.1947 $\frac{1}{2}$. Belgas had previously fallen to \$0.1392 by the 15th from \$0.1400 $\frac{1}{2}$ on the first. Reichsmarks moved irregularly, going as high as \$0.2380 at the close of the month, or somewhat above the opening quotation. Lire declined gradu-

ally in June, and the Scandinavian exchanges continued to move with sterling. The accompanying diagram indicates the decline that occurred in the principal continental European currencies during June. The drop in these currencies is similar to the movements that occurred in the October-November period of last year, and again in March of this year. French francs, guilders, and belgas all receded below their estimated gold export points, and in the case of the Swiss exchange, the gold export point has become a nominal factor.

In the South American list, Argentine pesos were quoted at the fixed rate of \$0.5865. Brazilian milreis were likewise unchanged at \$0.0760 for two weeks, but declined slightly in the latter half of the month. Among the Far Eastern exchanges, Japanese yen, after declining slowly from \$0.3288 on June 2 to \$0.31 on the 16th, lost ground more rapidly, going to \$0.2675 on the 28th. The silver currencies were lower for the month, Shanghai taels dropping from \$0.3113 to \$0.2963. Canadian dollars, after a period of weakness, closed the month without much change.

Closing Cable Rates at New York
(In dollars)

Exchange on	Par of Exchange	June 30, 1931	May 31, 1932	June 28, 1932
Austria.....	\$.1407	\$.1405	\$.1394	\$.1397
Belgium.....	.1390	.1393	.1400	.1392
Denmark.....	.2680	.2678	.2025	.1970
England.....	4.8666	4.8634	3.6888	3.6100
France.....	.0392	.03914	.03949	.03931
Germany.....	.2382	.2374	.2365	.2376
Holland.....	.4020	.4023	.4057	.4040
Italy.....	.0526	.0524	.0514	.0509
Norway.....	.2680	.2678	.1852	.1784
Spain.....	.1930	.0979	.0825	.0825
Sweden.....	.2680	.2682	.1905	.1854
Switzerland.....	.1930	.1938	.1959	.1950
Canada.....	1.0000	.9966	.8788	.8750
Argentina.....	.9648	.7299	.5865	.5865
Brazil.....	.1196	.0770	.0760	.0755
Uruguay.....	1.0342	.5815	.4775	.4775
Japan.....	.4985	.4940	.3240	.2675
India.....	.3650	.3603	.2765	.2700
Shanghai.....	.....	.3238	.3100	.2963



Course of Foreign Exchange Quotations at New York

Central Bank Rate Changes

On June 30, the discount rate of the Bank of England was reduced from $2\frac{1}{2}$ to 2 per cent, the lowest rate fixed at that bank since 1897.

On June 3, the State Bank of Sweden lowered its discount rate from $4\frac{1}{2}$ to 4 per cent, which made the sixth successive reduction from the 8 per cent rate that prevailed between September 28 and October 8, 1931. On the 8th, the Bank of Japan rate was reduced from 5.84 to 5.11 per cent; as low a rate has been fixed on only three occasions since January 1914. The Hungarian National Bank lowered its rate on the 27th, effective July 1, from 6 to 5 per cent, this being the lowest rate at that bank since its foundation in 1924.

We have been informed that on May 12 the Banco Central del Ecuador reduced its rate to member banks from 10 to 7 per cent and its rate to the public from 11 to 10 per cent.

Foreign Trade

This country's merchandise exports during May totaled \$132,000,000, a figure which showed a slight increase over the previous month after allowance for the usual seasonal tendency. Imports, however, continued the downward movement of the past three years and the valuation of \$112,000,000 was smaller than in any month since January 1909.

Exports of finished manufactures increased somewhat over the previous month, but again registered the largest decline from a year ago of any of the major export groups, the decline being 42 per cent. Finished manufactures constituted only 47 per cent of the total value of exports as compared with 52 per cent in May 1931 and 57 per cent in 1930. Meanwhile, exports of crude materials and crude foodstuffs each were down only 18 per cent in value from a year ago. In contrast with the movements in the various categories of export trade, imports of crude materials showed the largest relative decline in value from May 1931—nearly 50 per cent. This reduction to considerable extent is accounted for by decreases in the prices of crude rubber and raw silk, the two principal items in the group. On the other hand, imports of manufactured foodstuffs, chiefly sugar, declined only 12 per cent in value from a year ago.

The volume of raw cotton shipments abroad during May was seasonally smaller than in the previous month, but continued to show a large increase over a year ago. Exports of grains and grain products were reduced somewhat in quantity and considerably in value from a year ago. The quantity of crude rubber received was about the same as in May 1931, while silk imports were 19 per cent smaller in volume.

Production

The recession in steel production which began in the last week of May, or somewhat later than usually, continued throughout June, and by the end of the month the *Iron Age* estimate of operations had been reduced to 15 per cent of capacity. Output of bituminous coal, crude petroleum, and cotton goods declined somewhat in June, but automobile production showed an unseasonal

increase and reached the highest point so far this year, reflecting chiefly the enlarged operations of the Ford Company.

Substantial curtailment in activity occurred in many leading industries in May, and the production index of the Federal Reserve Board, which is adjusted for seasonal variations but not for the growth of industry, declined 3 points further to a level beneath the 1921 low. The only important increases were in output of passenger automobiles and in lead production. Larger declines than usual occurred in production of steel ingots and shoes, and bituminous coal output showed a decrease instead of the expansion which generally takes place at this time of year. Declines also occurred in output of pig iron and wheat flour and in mill consumption of raw cotton and raw silk, and slaughterings of live stock did not show all of the usual seasonal upswing. On the other hand, no important change occurred in production of motor trucks, crude petroleum, and lumber, and in activity of wool mills, and about the average seasonal increase was shown in output of tobacco products.

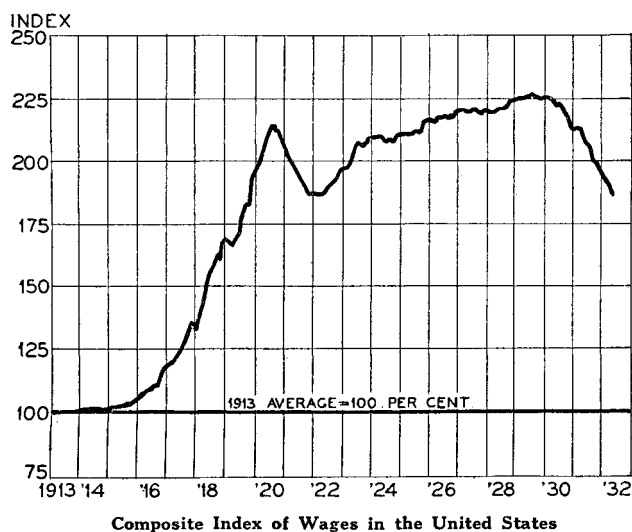
(Adjusted for seasonal variations and usual year-to-year growth)

	1931	1932		
	May	Mar.	Apr.	May
<i>Metals</i>				
Pig iron.....	56	28	25	22
Steel ingots.....	56	29	26	24
Lead r.....	68r	50r	40r	43r
Zinc r.....	49r	40r	39r	35r
Tin deliveries.....	86	41	42	48
<i>Automobiles</i>				
Passenger cars.....	65	23	27	36
Motor trucks.....	76	30	42	43
<i>Fuels</i>				
Bituminous coal.....	79	75	60	52p
Anthracite coal.....	77	77	91	52p
Coke.....	71	44	43	40
Petroleum, crude.....	87	73	75	74p
Petroleum products.....	82	63	67	
<i>Textiles and Leather Products</i>				
Cotton consumption.....	79	74	60	55
Wool mill activity.....	85	55	38	38
Silk consumption.....	92	65	67	60
Boots and shoes.....	114	96	97p	87p
<i>Foods and Tobacco Products</i>				
Live stock slaughtered.....	92	90	100	96
Wheat flour r.....	89r	85r	88r	78r
Sugar meltings, U. S. ports.....	65	55	52	56
Tobacco products.....	100	77	78	79
<i>Miscellaneous</i>				
Cement.....	92	45	41	44
Tires.....	80	47	48	
Lumber.....	54	31	32	33
Printing activity.....	84	72	71	
Paper, newsprint.....	88	89	81	79

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Employment and Wages

Further substantial decreases occurred during May in the number of factory workers employed and in wage payments. For the country as a whole, factory employment was reduced about four per cent, or considerably more than seasonally, and reached a new low level for many years. The largest decline in employment occurred at textile mills, but, after seasonal adjustment, practically all of the major industrial groups contributed to the downward movement. Concurrent with the drop in the number of workers employed, aggregate factory payrolls declined about five per cent. The American



Federation of Labor reports an increase in the proportion of its members out of work from 22.8 per cent on May 1 to 23.6 per cent on June 1; it has been estimated by the Federation that the total number of unemployed in the country is now in excess of 10,000,000 persons, which is more than 20 per cent of the number reported by the census of 1930 as usually gainfully employed.

Larger reductions in employment and in wage payments occurred in New York State than in the country as a whole. The number of workers on the payrolls of representative factories decreased seven per cent during May to a new low level for the period for which the statistics are available—since June 1914. Factory payrolls dropped more than ten per cent, the largest monthly decline on record, and reached the lowest aggregate since August 1915. The average weekly remuneration of New York State workers who were employed decreased three per cent further to a new low level since 1919.

This bank's composite index of wages, which has recently been revised, is shown in the accompanying chart. The index contains a wide sampling of wages, including at the present time such diversified groups as factory workers, coal miners, railroad employees, building workers, teachers, farm hands, and those employed by public utility companies and retail establishments. Most of the indexes reflect average earnings, although wage rates are used for some groups. The various components are adjusted, where necessary, for their usual seasonal variations.

As the diagram indicates, this composite index of wages has declined more from the high level of 1929 than from 1920 to 1922, and is now slightly below the lowest point reached in 1921-1922. The most substantial reduction since 1929 has been in farm wages, which are now below the pre-war average, and earnings of coal miners have also shown a large decline. On the other hand, earnings of public utility employees and teachers' salaries have shown little reduction from the 1929 level. Factory earnings, the most important single group in the index, are the lowest since 1919.

Commodity Prices

Wholesale commodity prices showed diverse movements in June, and although the general tendency appears to have been slightly downward the decline was smaller than occurred in the previous month. The weekly index of the Bureau of Labor Statistics, which is a weighted average of the prices of almost 800 commodities, decreased 0.6 of a point in the first three weeks of June, followed by a recovery of 0.3 of a point in the fourth week.

The outstanding feature of the commodity markets was a sharp advance in live stock prices. A composite average of hog prices rose from the low level of \$3.19 a hundredweight, reached toward the close of May, to as high as \$4.84 at the end of June, and the price of steers likewise advanced \$1.34 a hundredweight from the May low. There were also sharp recoveries in cotton and in raw sugar, after quotations had reached the lowest levels for many years. Little net change for the month as a whole was shown in corn and silk, although early in June these commodities reached new low levels for many years, as did wheat prices also in the course of the month. The fuels and most of the metals were fairly steady in price. On the other hand, crude rubber, hides, and scrap steel declined to the lowest levels on record, and wool dropped to the lowest level for many years. The price of zinc lost a small part of the sharp recovery of late May, and a decline also occurred in silver.

Building

The total value of building and engineering contracts for 37 States reported by the F. W. Dodge Corporation increased somewhat further from April to May, although continuing considerably below the level of a year ago. The increase of 20 per cent between April and May was more than usually occurs, and was a result of an expansion in contracts for public works, chiefly highways, and in other non-residential construction. For the first five months of this year, however, total building and engineering contracts have been 63 per cent less than in the corresponding period of last year. Residential building and public works and utilities projects have been reduced by two-thirds, and the decrease in other non-residential building has exceeded one-half.

The slight betterment in building contracts reported during April and May does not appear to have continued during June. Average daily figures for the first three weeks of the month indicate that contracts for public works and utilities and for other non-residential construction were reduced considerably from the level of the previous month, whereas ordinarily some increase occurs, and these declines more than offset a less than seasonal decline in residential building activity.

Indexes of Business Activity

The limited data now available indicate no material change in the general business situation during June. The average number of cars loaded with merchandise and miscellaneous freight in the first three weeks of the month showed little change from the May level, and car loadings of bulk freight continued to decline; ordinarily there is no consistent variation in car loadings between

May and June. The dollar value of sales of department stores in the Metropolitan area of New York City in the first half of June was 24 per cent below the level of a year previous, a slightly larger decline than has occurred in recent months. Bank debits in 140 centers outside of New York City increased in about the usual proportions in June, according to an estimate based on figures for the first three weeks.

This bank's seasonally adjusted indexes of business activity for May showed further declines.

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

	1931	1932			
	May	Mar.	Apr.	May	
Primary Distribution					
Car loadings, merchandise and misc.	79	58	58	56	
Car loadings, other	68	60	56	42	
Exports	71	51	49	50p	
Imports	72	65	62	60p	
Waterways traffic	62	40	40r		
Wholesale trade	90	81	75	76	
Distribution to Consumer					
Department store sales, 2nd Dist.	95	77	82	76	
Chain grocery sales	95	72	73	77	
Other chain store sales	94	75	83	78	
Mail order house sales	96	59	83	75	
Advertising	77	62	62	59	
Gasoline consumption	83	73	67		
Passenger automobile registrations	61	27	28p	31p	
General Business Activity					
Bank debits, outside of New York City ..	86	62	70	63	
Bank debits, New York City	86	60	65	57	
Velocity of bank deposits, outside of New York City	91	77	86	79	
Velocity of bank deposits, New York City	93	68	67	55	
Shares sold on N. Y. Stock Exchange ..	117	72	71	56	
Postal receipts	87	72	71	69	
Life insurance paid for	92	80	75	73	
Electric power	85	73	70p		
Employment in the United States	80	68	66	64	
Business failures	109	121	124	132	
Building contracts	61	21	24	31	
New corporations formed in N. Y. State ..	86	78	83	83	
Real estate transfers	54	48	48		
General price level*	153	137	134	132	
Composite index of wages * r	209r	190r	187r	184r	
Cost of living*	149	136	135	132	

p Preliminary r Revised *1913 average=100

Department Store Trade

Total May sales of the reporting department stores in this district were 22.6 per cent less than in 1931, a slightly larger decline than occurred in April. New York City and the Westchester stores reported decreases in sales practically the same as the average reduction for the whole district. Although substantial decreases from a year ago continued to be reported by department stores in Rochester, Syracuse, and Northern New York State, the declines were the smallest since February, and the reduction reported by the Capital District stores was the smallest since December. In most of the other sections of the district, however, the year to year decline that occurred in May sales was somewhat larger than in April. Sales of the reporting apparel stores, although 18.6 per cent smaller than in May 1931, showed the smallest year to year decline since December.

Stocks of merchandise on hand at the end of the month, valued at retail prices, continued to show a substantial reduction from last year. The rate of charge collections during May remained slower than in 1931 in all localities, except Buffalo.

Locality	Percentage change from a year ago			Per cent of accounts outstanding April 30 collected in May	
	[Net sales		Stock on hand end of month	1931	1932
	May	Jan. to May			
New York	-22.7	-19.9	-19.7	47.6	42.9
Buffalo	-27.1	-21.3	-18.5	42.9	43.1
Rochester	-19.5	-23.9	-17.2	44.8	44.6
Syracuse	-27.1	-28.1	-15.3	26.8	23.6
Newark	-19.9	-16.5	-12.5	41.2	38.0
Bridgeport	-29.7	-24.4	-18.0	37.6	31.8
Elsewhere	-22.0	-21.1	-16.1	33.4	29.8
Northern New York State	-27.5	.....	.....	.....	.....
Southern New York State	-24.2	.....	.....	.....	.....
Hudson River Valley District ..	-24.4	.....	.....	.....	.....
Capital District	-16.2	.....	.....	.....	.....
Westchester District	-22.8	.....	.....	.....	.....
All department stores	-22.6	-19.9	-18.2	43.4	39.5
Apparel stores	-18.6	-24.4	-24.6	44.3	42.1

Wholesale Trade

Sales of the reporting wholesale firms in this district averaged 26 per cent smaller in May than a year previous, a decline slightly less than occurred in April. All lines of wholesale trade reported smaller year to year declines in sales in May than in April, with the exception of the paper and diamond firms. The decline in shoe sales was materially less than in April, and sales of stationery, drugs, cotton goods, silk goods, and men's clothing, all presented a more favorable showing than in April. In some of these lines the reduction in sales was the smallest since February. The volume of machine tool orders, reported by the Machine Tool Builders Association, also showed the smallest year to year decline since February. The decline in grocery, hardware, and jewelry sales was not materially different in May than in April.

The value of merchandise stocks on hand at the end of May continued below the level of a year previous in all lines except drugs, and in this group the increase was the smallest reported in recent months. The ratio of collections to accounts outstanding averaged about the same as in May 1931.

Commodity	Percentage change May 1932 compared with April 1932		Percentage change May 1932 compared with May 1931		Per cent of accounts outstanding April 30 collected in May	
	Net sales	Stock end of month	Net sales	Stock end of month	1931	1932
Groceries	-4.0	-4.0	-12.7	-20.9	73.9	78.3
Men's clothing	-33.4	.....	-33.1	.....	27.5	26.2
Cotton goods	+0.6	-11.9	-23.4	-26.5	33.4	32.8
Silk goods	-27.2*	-5.1*	-20.5*	-6.2*	45.1	60.3
Shoes	-0.4	-7.7	-25.4	-22.8	42.4	35.9
Drugs	-22.2	-0.5	-24.5	+9.6	35.8	23.2
Hardware	+0.3	-15.9	-24.2	-20.7	46.7	44.1
Machine tools**	-5.4	.....	-55.4	.....	.....	.....
Stationery	-8.8	.....	-26.1	.....	74.7	64.4
Paper	-8.0	.....	-36.3	.....	56.3	42.5
Diamonds	-18.3	-5.3	-68.3	-30.3	15.9	14.4
Jewelry	+15.4	+1.4	-42.5	-21.0	.....	.....
Weighted average	-12.4	.....	-26.3	.....	47.5	47.4

* 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, JULY 1, 1932

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

VOLUME of production in basic industries and employment at factories decreased further in May, and wholesale prices declined. Foreign withdrawals of gold, which had been in large volume in May and the first half of June, practically stopped after the middle of the month.

PRODUCTION AND EMPLOYMENT

Production at mines and factories declined further in May, and the Board's seasonally adjusted index of industrial production showed a reduction from 64 per cent of the 1923-1925 average in April to 61 per cent in May. Output of coal was substantially reduced, particularly in the anthracite fields; shipments of iron ore showed less than the usual seasonal increase, production of iron and steel declined, and activity at textile mills and shoe factories was further curtailed. In the automobile industry output increased considerably.

In the first part of June activity in the steel and cotton industries was reported to have declined further, while output of automobiles continued at about the same rate as in the latter part of May.

Further reductions in employment and earnings of factory workers accompanied the smaller volume of manufacturing output in May, particularly in the steel and machinery industries, and in the textile and clothing trades. Employment at automobile plants and in the seasonally active food industries showed an increase.

Value of building contracts awarded, according to reports to the F. W. Dodge Corporation, after increasing somewhat in April and May, declined slightly in the first half of June, reflecting chiefly smaller awards for public works and other non-residential building.

DISTRIBUTION

Railroad freight traffic decreased further in May, the largest reduction being in shipments of coal and miscellaneous freight. Sales of department stores in leading cities, which had increased substantially during April, were smaller in May.

WHOLESALE PRICES

Prices of commodities at wholesale were 1.7 per cent lower in May than in April, according to the Bureau of Labor Statistics. There were large decreases in prices of many domestic agricultural products and of hides and textiles. Prices of petroleum products advanced.

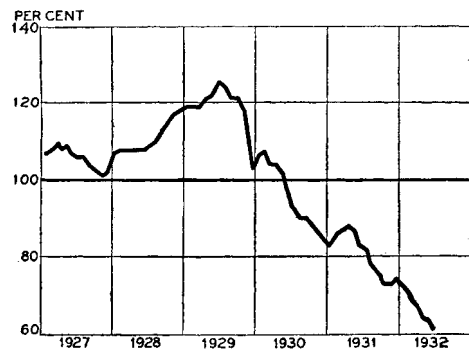
During the first three weeks of June, market quotations for a number of non-agricultural commodities were relatively steady, and prices of sugar, meats, and livestock increased. Prices of wheat, after considerable fluctuations, were at unusually low levels at the beginning of the third week in June.

BANK CREDIT

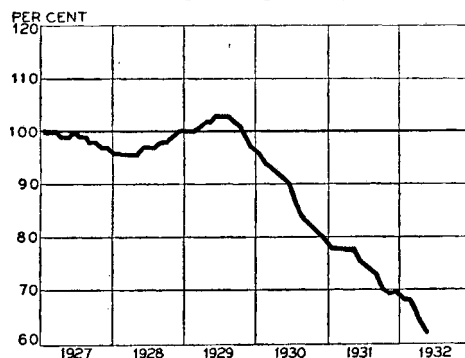
Withdrawals of gold from the United States continued through May and the first half of June, and the country's stock of monetary gold declined by \$435,000,000 between May 4 and June 15. After that date there was no further decline in the total stock of monetary gold, continued gold exports representing gold previously earmarked by foreign central banks. During the first part of May continued purchases of United States Government securities by the Reserve Banks enabled member banks further to reduce their discounts; in later weeks, however, funds released through these purchases were absorbed by the demand for gold for export, and there was also a decrease in member bank reserve balances.

Loans and investments of reporting member banks in leading cities, which had declined sharply earlier in the year, showed wide fluctuations after the middle of May. In the middle of June total loans and investments were larger than a month earlier, the increase in holdings of United States securities being more than sufficient to offset declines in other investments and in loans.

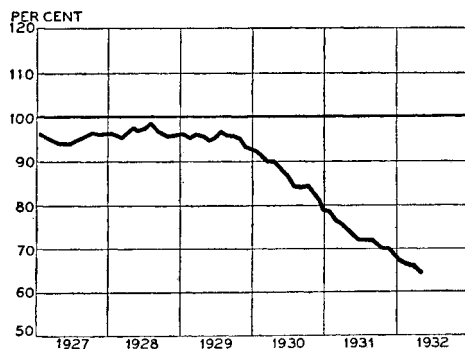
Money rates in the open market remained at low levels. Rates on prime commercial paper were reduced to a range of $2\frac{1}{2}$ -2 $\frac{3}{4}$ per cent in the second week of June.



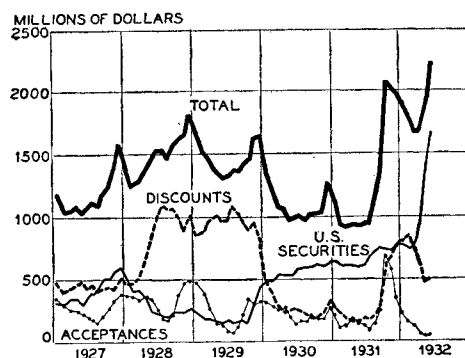
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



Index of Factory Employment with Adjustment for Seasonal Variation (1923-25 average=100 per cent)



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



Reserve Bank Credit (Monthly averages of daily figures for 12 Federal Reserve Banks; latest figures are averages of first 20 days of June)