MONTHLY REVIEW
of Credit and Business Conditions
Second Federal Reserve District

Federal Reserve Agent — *Federal Reserve Bank, New York* — ***August 1, 1932***

Money Market in July

During the past few weeks there has been a material strengthening of the reserve position of New York City banks and a further gradual easing of the money market. The excess reserves of New York City member banks, which had been considerably reduced during the heavy gold outflow of early June and the period of enlarged currency demand at the June month end and the Fourth of July holiday, were again built up in the latter part of July to well over $100,000,000. These changes are shown in the accompanying diagram. This renewed increase in excess reserves of New York banks was due chiefly to a substantial return flow of funds from other districts and to a reversal of the gold movement, supplemented by some return flow of currency from circulation in this district and further moderate purchases of Government securities by the Reserve Banks.

Gold transactions during July resulted in a net gain of approximately $55,000,000 to the monetary gold stock of the United States, the first net gain for any month since March. This was due partly to moderate imports from a number of countries, but more largely to the release of gold which had been previously earmarked for foreign account here. Some of the European exchanges which had been conspicuously strong in previous months declined in July to below par, and as a result part of the funds held in this country in the form of earmarked gold was used in meeting foreign payments in this market, and in at least one instance there was a shipment of gold to this country from Europe representing purely an exchange transaction. There was also evidence that some gold offered in the London market was finding its way to New York.

The accumulation of funds in New York banks has been accompanied by some further decline in open market rates. Stock Exchange call money, after holding at 2½ per cent or higher since last October, declined early in July to 2 per cent, and the prevailing rates on open market commercial paper moved to slightly lower levels. Quotations on Stock Exchange time money, which in recent months have been largely nominal, were also reduced somewhat further in July.

In other leading cities as well as in New York there have been indications of an increase in the excess reserves of member banks since the early part of July, so that the amount of excess reserves for all member banks of the System rose to around $250,000,000 in the latter part of July. Nevertheless, the total borrowings of

Money Rates at New York

	July 31, 1931	June 30, 1932	July 29, 1932
Stock Exchange call loans	1½	2½	2
Stock Exchange 90 day loans	*1¼–1½	*1½	*1¼–1½
Prime commercial paper	2	2½–2¾	2¼–2½
Bills—90 day unindorsed	⅞	¾	¾
Customers' rates on commercial loans	†3.58	†4.21	†4.13
Treasury securities			
Maturing December 15 (yield)	.42	.32	.22
Maturing March 15 (yield)	.47	.81	.47
Federal Reserve Bank of New York rediscount rate	1½	2½	2½
Federal Reserve Bank of New York buying rate for 90 day indorsed bills	1	1	1

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

member banks from the Reserve Banks remained above $500,000,000 during much of the month, indicating that there were a considerable number of member banks, especially in the smaller localities, which had not yet been reached by the ease in money in the principal centers.

Additional Issues of National Bank Notes

A new influence upon the money market and upon the position of the banks is under development in the recently authorized increase in National bank note circulation. Under Section 29 of the Federal Home Loan Bank Act, the security for National bank notes, which had been limited to the less than $700,000,000 of 2 per

Excess or Deficit of Reserves Held by 17 New York City Banks at the Federal Reserve Bank, After Deducting Borrowings from the Reserve Bank (Semiweekly averages of daily figures)

cent issues of Consols and Panama Canal bonds now outstanding, was extended to include for a period of three years all United States Government bonds bearing interest of 3⅜ per cent or less. The factor which now fixes the maximum amount of National bank notes is not the amount of eligible bonds but the amount of the paid in capital of National banks. The total paid in capital of all National banks at the end of 1931 was $1,621,000,000, and the amount of their notes outstanding was $627,000,000, leaving a maximum possible addition to their note issues at that time of slightly less than $1,000,000,000. This maximum at the present time is estimated to be nearer $900,000,000.

Under this extended circulation privilege, any National bank which has Government bonds with coupon rates of 3⅜ per cent or less will be able to obtain additional notes against the Government bonds to the extent that it has not already issued notes up to the limit of its paid in capital. The additional notes may then be put into circulation. Since this extension of the National bank note circulation will in no way affect the demand for currency, however, it is to be expected that the total amount of currency in circulation will not be increased, but rather that the demand will be supplied to a larger extent with National bank notes, and to a reduced extent with Federal Reserve notes. The Federal Reserve notes that are replaced will be returned to the Reserve Banks for credit, and the proceeds will be used by the National banks to pay off borrowings or to increase their reserves.

Member Bank Credit

During the period of heavy currency withdrawals from the banks in the latter part of June and early July, and the accompanying elimination of a large part of the excess reserves which had been held by member banks in preceding weeks, there was a renewed decline in the loans and investments of reporting member banks, which continued up to the date of the latest report, for July 20. During the four weeks ended on that date the total loans and investments of reporting banks declined $486,000,000. The loans and investments of New York City reporting banks declined $177,000,000 during this period, and those of reporting banks in other principal cities throughout the country showed a reduction of $309,000,000. In New York the reduction was largely in loans, both in security loans and in other loans, whereas outside of New York the largest element in the decline was a reduction in Government security holdings, supplemented by smaller reductions in other types of earning assets. This downward trend was reversed when the New York banks increased their total loans and investments moderately in the week ended July 27, however, and the effect of purchases of the recently announced issues of Government securities will appear in the member bank figures in the report for August 3.

Bill Market

The discount market for acceptances was rather quiet throughout the month of July, both from the viewpoint of the volume of transactions and of rates, which showed no variation from the level reached toward the end of June. Dealers' portfolios increased moderately during the first week of the month, and Reserve Bank bill holdings also rose during this period as a result of bills sold by the dealers under repurchase agreements. In subsequent weeks, however, dealers' sales of bills consistently exceeded offerings to them, and their portfolios declined to a comparatively small total by the close of the month. The Reserve Banks' bill holdings were reduced $38,000,000 in the three weeks after July 6, reflecting the repurchase by the dealers of bills sold to the Reserve Banks around the mid-year, and also maturities from bills which had been acquired previously from holdings of foreign banks at the Reserve Banks.

The decline in Federal Reserve bill holdings for own account and for the account of foreign correspondents, together with the decline in dealers' portfolios and a continued tendency on the part of the commercial banks to withhold new bills from the discount market, indicates that there may have been a further increase during July in the bill holdings of the accepting institutions. The amount held by these institutions at the end of June was $518,000,000, which represented nearly 70 per cent of the $747,000,000 of the bills then outstanding, as compared with holdings of 65 per cent on May 31 and 40 per cent a year ago.

Commercial Paper Market

Continuing the declining tendency noted during the latter half of June, open market commercial paper quotations receded slightly to a range of 2¼-2¾ per cent early in July from the previous level of 2½-2¾ per cent for prime names, and late in month became established at 2¼-2½ per cent. Throughout the month, the investment demand for prime paper, chiefly paper of less than 4 month maturity, continued active, but the total sales volume of the dealers remained rather small due to the limited supply of choice names in the market.

In keeping with the usual practice of mercantile and industrial concerns to reduce in so far as possible their indebtedness before making June 30 statements, the amount of open market commercial paper outstanding at the end of June, at $103,000,000, was 7 per cent less than a month earlier. As compared with a year ago, the amount outstanding was down 65 per cent, or about the same decrease as has been shown in recent months.

Federal Reserve Bank Loans to Individuals, Partnerships, and Corporations

Section 210 of the "Emergency Relief and Construction Act of 1932" amends Section 13 of the Federal Reserve Act to permit the Federal Reserve Board to authorize Federal Reserve Banks "in unusual and exigent circumstances" and under important limiting conditions to discount paper for any individual, partnership, or corporation. The Board has now authorized the Reserve Banks to discount paper under these conditions during the six months beginning August 1. The principal conditions are as follows:

(1) The paper discounted must be "of the kinds and maturities made eligible for discount for member banks" under other provisions of the Federal Reserve Act;

(2) The paper must not only be of a type that is

eligible, but must be "indorsed and otherwise secured to the satisfaction of the Federal reserve bank";

(3) Before discounting such paper the Federal Reserve Bank must obtain evidence that the borrower is unable to secure adequate credit accommodations from other banking institutions.

These provisions of the law thus limit closely the cases in which it will be possible for the Reserve Banks to make direct loans to borrowers.

In general the types of paper that are eligible for discount at the Reserve Banks are notes, drafts, and bills of exchange that have been drawn to finance agriculture, industry, or trade, and are of definite maturity at the time of discount not exceeding 90 days in the case of industrial and commercial paper, or nine months in the case of agricultural paper. Paper is not eligible if the proceeds have been used or are to be used for permanent or fixed investments of any kind, such as land, buildings, or machinery, or for any other capital purpose. The details of the requirements and procedure for borrowing under this amendment are set forth in a circular issued by the Federal Reserve Board, which is now available in all banks in this district, or may be had on request from the Federal Reserve Bank of New York.

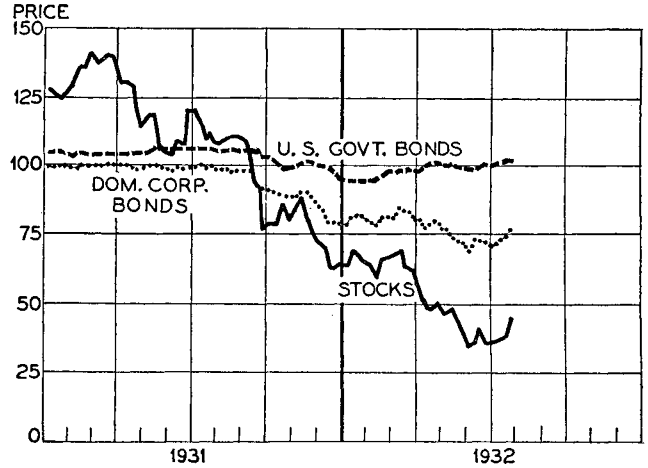
The text of the amendment is as follows:

In unusual and exigent circumstances, the Federal Reserve Board, by the affirmative vote of not less than five members, may authorize any Federal reserve bank, during such periods as the said board may determine, at rates established in accordance with the provisions of section 14, subdivision (d), of this Act, to discount for any individual, partnership, or corporation, notes, drafts, and bills of exchange of the kinds and maturities made eligible for discount for member banks under other provisions of this Act when such notes, drafts, and bills of exchange are indorsed and otherwise secured to the satisfaction of the Federal reserve bank: Provided, That before discounting any such note, draft, or bill of exchange for an individual or a partnership or corporation the Federal reserve bank shall obtain evidence that such individual, partnership, or corporation is unable to secure adequate credit accommodations from other banking institutions. All such discounts for individuals, partnerships, or corporations shall be subject to such limitations, restrictions, and regulations as the Federal Reserve Board may prescribe.

Security Markets

The month of July was a period of advance in the prices of securities, both of bonds and of stocks, as the accompanying diagram indicates. Price averages of domestic corporation bonds advanced almost continuously and toward the close of the month showed a total rise of 5 to 7 points, which, together with the net advance of June, raised the average prices of corporate bonds to the highest levels since the latter part of April. At the levels prevailing around the end of July, corporation bond averages stood about midway between the year's high and low points. All groups of bonds participated in the advance, though the July increases were larger in the industrial and railroad bonds than in the public utility issues.

United States Treasury bonds were strong during most of July, and after the middle of the month the bonds bearing 3 to 3⅜ per cent coupons showed especial strength, advancing 1 to 3½ points following the pas-



Movements of Stock and Bond Prices (Standard Statistics Company's index of 90 stocks and of 60 high grade domestic bonds, and Federal Reserve Bank of New York average of 11 United States Government bonds)

sage of the Federal Home Loan Bank Act, which carries a provision allowing National banks to pledge Government bond issues carrying 3⅜ per cent or less interest as security for additional National bank note issues, within prescribed limits. For the month as a whole, the average price of the eight United States Treasury bonds now outstanding rose about 2½ points to a new high level for this year. Prices of Liberty Loan issues showed no material change.

In the first week of the month, foreign bonds were particularly strong, in anticipation of an agreement at Lausanne. The principal German issues showed large advances, and, despite some subsequent decline, were materially higher in the latter part of July than in June. The foreign list as a whole appears to have reached the highest level since early April.

The stock market also showed a rising trend, after declining gradually during the first week of July to a level equaling the early June low. From this level, the general average of share prices advanced consistently and toward the end of the month was 38 per cent above the recent low. The turnover of shares on the New York Stock Exchange increased considerably during the period of advancing prices.

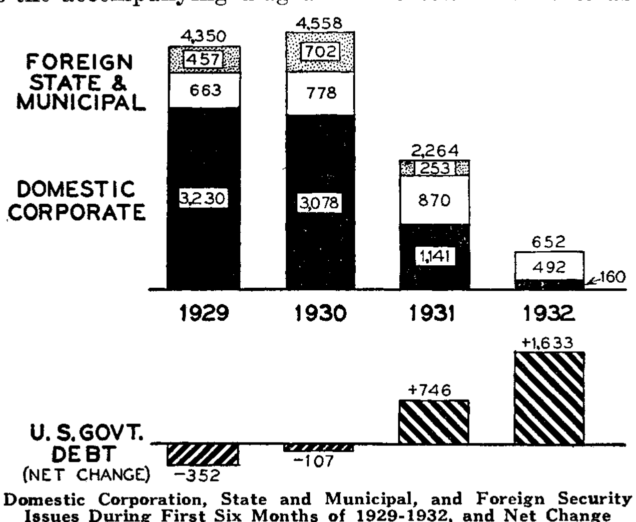
New Financing

Accompanying higher prices for outstanding bonds, flotations of new bond issues increased somewhat in July to a total, which, though still comparatively small, was the largest in a number of months. The offerings of new bonds in the week ended July 16 were the largest for any week since June 1931, excepting only a week in January when the $100,000,000 of New York City financing was consummated. The outstanding feature of the month's issues, however, was the nature of the flotations, the largest element being public utility offerings, whereas in other recent months most of the limited public sale of securities was State and municipal financing. For the principal utility bond issues, representing borrowings of $90,000,000 by five companies, yields ranged from 5.14 to 5.45 per cent. Other offerings of the month included a number of State and municipal issues, and a refunding issue of $16,000,000 of Federal Intermediate Credit Bank debentures.

Financing consummated by the United States Treasury during July was composed of three issues of 90-91 day Treasury bills in the aggregate amount of $235,000,000 which were sold at an average cost to the Treasury of .39 to .47 of one per cent. To a large extent these issues replaced bills that matured during July. In addition, the Treasury on July 25 offered for subscription $325,000,000 of two year 2⅛ per cent Treasury notes, and $325,000,000 of four year 3¼ per cent Treasury notes, both issues to be dated August 1. These notes were offered to provide funds for the redemption on August 1 of $228,000,000 of maturing Treasury certificates, which were given preferred allotment when tendered in payment of the new note issues, and also to provide funds for the current financial requirements of the Treasury, principally for the Reconstruction Finance Corporation.

The demand for the new Government security issues was so large that the subscription books were kept open only one day, notwithstanding which the subscriptions received totaled $5,506,000,000, or 8½ times the amount of the offering, and the notes were immediately quoted on a when issued basis at substantial premiums. Of the $228,000,000 of maturing certificates, $174,000,000 were received in payment for the new note issues and were allotted in full, so that the Treasury has a comparatively small amount of the August 1 maturity to meet by cash payment, which will be provided for largely from cash sales of the new issues.

During the first six months of this year new capital issues totaled only $650,000,000, exclusive of United States Government financing. This is less than one-third of the flotations in the corresponding period of last year and about one-sixth of the issues in the first half of 1930 or 1929. Refunding issues and those of investment trusts have been excluded from the figures. The large increase in the volume of United States Government securities outstanding has offset only in part the falling off in the amount of corporate and State and municipal financing, as the accompanying diagram indicates. A considerable part of the increase in the Government debt has represented Treasury borrowings to provide funds for the Reconstruction Finance Corporation, part of which has in turn been used to finance business which under more normal conditions would be handled by public offerings of corporate securities.



Domestic Corporation, State and Municipal, and Foreign Security Issues During First Six Months of 1929-1932, and Net Change in Interest Bearing Debt of the United States—In millions of dollars (Commercial and Financial Chronicle figures for domestic issues)

Foreign Exchange

Continuous weakening of the European currencies was the dominant tendency in the foreign exchange market during July. Toward the end of the month, the downward movement was accelerated, and all the major currencies, with the exception of reichsmarks, sold at their lowest levels of the month during the last week. On July 28, the only major Continental currency which was quoted above par was the Swiss franc, while the guilder was just about at par. On that day, the belga quotation was below the estimated gold import point to this country, and French francs were within a few points of the rate at which it is estimated gold can be profitably imported to this country. Sterling exchange declined to $3.50½ by the close of the month, the lowest since March. On July 6, the Austrian schilling fell from the nominal rate of $0.1410 to $0.1050, a level subsequently maintained, and the Hungarian pengö dropped on the same day from $0.1750 to $0.1250. The accompanying table shows the strengthening in the dollar that has occurred since May, as indicated by declines in the principal foreign exchanges.

The South American list did not move in the same manner as the European exchanges. Argentine pesos were held at a fixed rate, while Brazilian milreis and Uruguayan pesos netted a small gain for the month. In the Far East, Japanese yen were steady, as were the silver currencies. Canadian dollars were weakest during the middle of the month, selling at a low of $0.8612 on the 18th, but subsequently recovering partly.

Closing Cable Rates at New York

	Par of Exchange	May 1932 High	July 28, 1932
Belgium	$ .1390	$ .1407	$ .1386
Denmark	.2680	.2030	.1890
England	4.8666	3.7300	3.5050
France	.0392	.03951	.03910
Germany	.2382	.2390	.2372
Holland	.4020	.4063	.4020
Italy	.0526	.0516	.0509
Norway	.2680	.1880	.1765
Spain	.1930	.0827	.0804
Sweden	.2680	.1910	.1801
Switzerland	.1930	.1962	.1944
Canada	1.0000	.8950	.8688
Argentina	.9648	.5865	.5865
Brazil	.1196	.0760	.0763
Uruguay	1.0342	.4810	.4725
Japan	.4985	.3300	.2763
India	.3650	.2775	.2650
Shanghai	....	.3163	.2988

Gold Movement

There was a continuous gain to the monetary gold stock of the United States during July totaling $55,000,000 for the month. The increase in gold holdings was the result both of moderate imports and of gold released from earmark above the amounts withdrawn to be exported. These releases of earmarked gold represented the use in this market of some of the funds previously converted into gold by foreign countries, in order to meet payments due here, and were related to the recent decline in most of the principal foreign exchanges.

Imports of gold in July totaled $19,000,000, of which $4,200,000 was received from Canada, $1,500,000 from England, and $700,000 from Mexico at New York; and $4,500,000 from China, $4,200,000 from Japan, $2,200,-000 from the Philippine Islands, and $1,100,000 from Australia at San Francisco. The net decrease in gold held under earmark for foreign account amounted to $56,000,000. Exports consisted of $21,500,000 of gold shipped to France and $1,660,000 to Ecuador, and represented the transfer of gold previously placed under earmark.

Central Bank Rate Changes

The only European central bank rate change announced in July was that of the Bank of Danzig which lowered its discount rate from 5 to 4 per cent effective July 12. On the 5th the rate of the Central Bank of Bolivia was reduced to 6 per cent from the 7 per cent rate which had ruled since August 1930, and on the 7th a seasonal reduction from 5 to 4 per cent was effected by the Imperial Bank of India.

Balance of Payments of the United States

A recently published study by the Department of Commerce of the balance of international payments of the United States for 1931 shows the effects of two major factors. These were, first, the direct effects on the movements of commodities, services, and capital of the world-wide depression, and, second, the effects of the financial crisis in the second half of the year.

This country's favorable balance on merchandise trade was greatly reduced, and the unfavorable balance on "invisible" items was not correspondingly reduced, so that for these items combined the payments due other countries were $264,000,000 larger in 1931 than in the previous year. In addition, net receipts of the United States through the service on debts to this country were $158,000,000 less than in 1930. Interest receipts and earnings, including those on war debts owed to the United States Government, accounted for most of the decline, though there was a moderate drop in sinking fund and bond redemption payments.

A decline of $503,000,000 from 1930 occurred in the amount of American long term investments placed abroad, and the estimated amount of foreigners' long term investments in the United States was $24,000,000 less than in 1930. Consequently, there was a net reduction of $479,000,000 in the export of long term capital from the United States as compared with 1930. This cessation of long term capital export somewhat exceeded the reduction that occurred in the service on debts and the increase in our unfavorable balance on commodities and "invisible" items, so that notwithstanding the large reduction in short term foreign funds held in this country, chiefly in the latter part of the year, the international balance sheet of the United States was settled by the withdrawal of only $176,000,000 of gold from this country.

The following table summarizes the Department of Commerce survey for 1931 and gives comparative data for 1930.

(In millions of dollars; + = credit to U. S.; — = debit to U. S.)

	1930	1931
Commodities and "invisible" items:		
Commodity account (adjusted)	+801	+369
Tourist expenditures (net)	—605	—458
Immigrant remittances	—166	—163
Other "invisible" items	—163	—145
Balance of commodity and "invisible" items	—133	—397
Service on debts:		
Net interest receipts and earnings	+769	+633
Sinking fund and bond redemption payments	+250	+228
Total service on debts	+1,019	+861
New private loans, investments, and movements of short term funds:		
Net change in American long term investments abroad (net)	—595	—92
Net change in foreigners' long term investments in U. S. (net)	+127	+103
Movement of short term funds	—485	—765
Net capital movement (long and short term)	—953	—754
Gold shipments and earmark transactions, and shipments of American paper money (net)	—256	+166
Net discrepancy	+323	+124

Foreign Trade

During June this country's merchandise exports declined further to $115,000,000, showing considerably more than the usual seasonal reduction. Imports, on the other hand, valued at $111,000,000, remained nearly the same as in May, contrary to the usual tendency for a decline between these months. The maintenance of June imports at about the level of the previous month was attributed at least in part to shipments of certain commodities from abroad in advance of the date on which higher tariff rates became effective on these commodities. Imports of semimanufactures, finished products, and crude materials were somewhat larger than in May, while those of manufactured foodstuffs were smaller.

Exports showed a decline of 39 per cent from a year ago, the largest decrease since January. Seasonal decreases occurred between May and June in exports of grain and raw cotton. Grain exports were down 25 per cent in volume and 39 per cent in value from a year ago, but cotton exports continued to show a large increase in volume over 1931, and the value was only slightly reduced. Exports of manufactures continued to show heavy reductions from a year ago.

For the fiscal year ended June 1932, exports amounted to $1,950,000,000 and imports to $1,731,000,000. The decline from the previous fiscal year was 37 per cent in the case of exports and 29 per cent in the case of imports. The favorable balance of merchandise trade was thus cut to $219,000,000 in the year ended June 30, 1932 from $651,000,000 in the preceding year. Decreases among the various classes of exports ranged from 24 per cent in the case of crude foodstuffs to 44 per cent in finished manufactures. Among the imports, the declines ranged from 17 per cent in manufactured foodstuffs to 35 per cent in semimanufactures. Raw cotton exports were 28 per cent larger in volume than in the previous year, and there was a slight increase in the volume of grain shipments. The quantity of coffee and raw silk imported was somewhat smaller than in the previous fiscal year, while receipts of crude rubber increased slightly.

Commodity Prices

Wholesale commodity prices were generally strong in July, and the weekly index of the Bureau of Labor Statistics rose 1.3 points, or 2.0 per cent, between the middle of June and the middle of July, reaching the highest level since the beginning of May. This is the largest recovery in commodity prices that has taken place during the present depression.

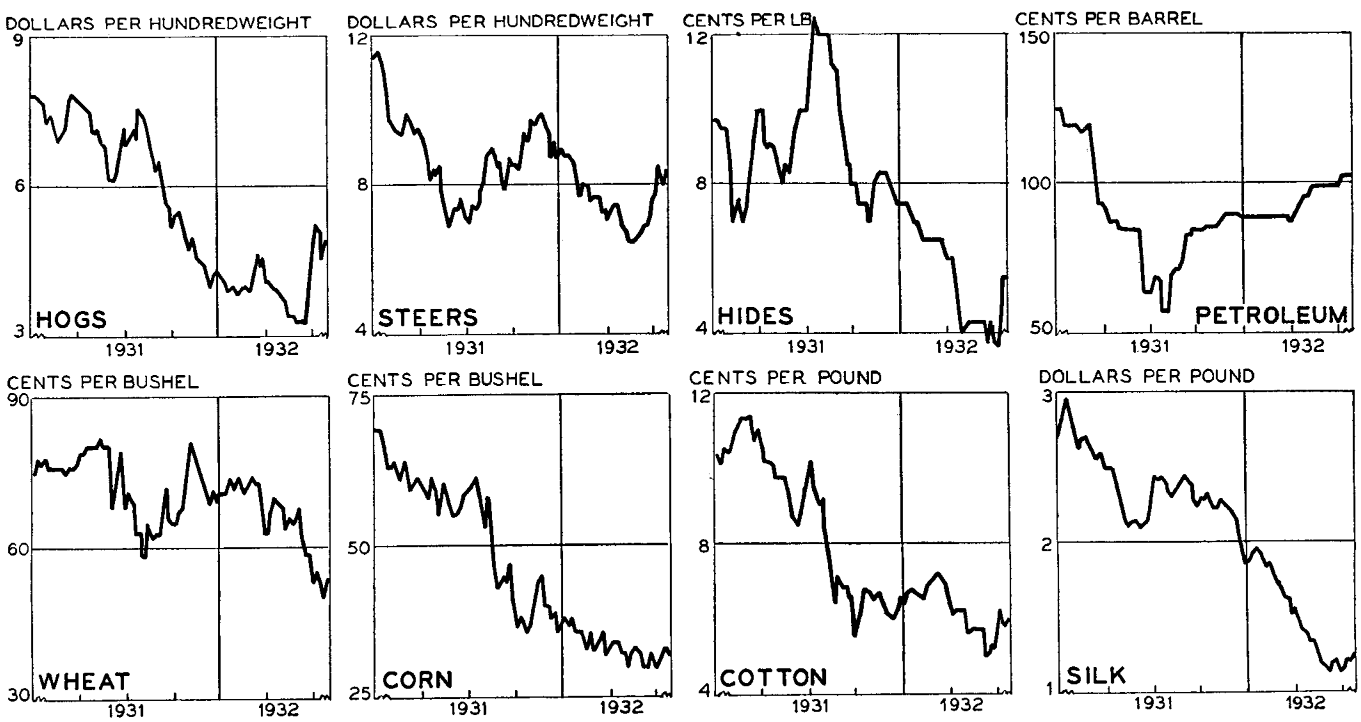
As is shown by the accompanying diagrams, the most substantial increases have been in the prices of live stock and hides. A composite of hog prices advanced from the May low of \$3.19 a hundredweight to \$5.33 in July, the highest point reached since last October, and although a reaction later canceled part of this gain, about 70 per cent of the recovery was held. The price of steers rose to \$8.50, which is \$2.21 above the May low and the highest since January. These advances, although partly of a seasonal nature, were more than usually occur at this time of the year, especially the increase in hog prices. The price of hides also had a sharp advance, reaching 5½ cents a pound, the highest level since April.

Spot cotton rose from the June low of 5.00 cents a pound to a peak of 6.20 cents, also the highest since April, and held most of this gain. Wheat prices, after declining to a new low for many years, were strong as the month closed, recovering all of the loss sustained early in July, with an average rise of about 5 cents a bushel. Moderate advances occurred in silk and in corn. Petroleum prices, which have been moving generally upward for a year, reached the highest level since March 1931. Among the commodities not shown in the diagrams, raw sugar advanced to the highest level since January, and rubber quotations were firmer. The price of lead early in July declined to a new low level for the current depression but subsequently recovered all of the loss, advancing 30 points in two days late in the month, and tin advanced moderately.

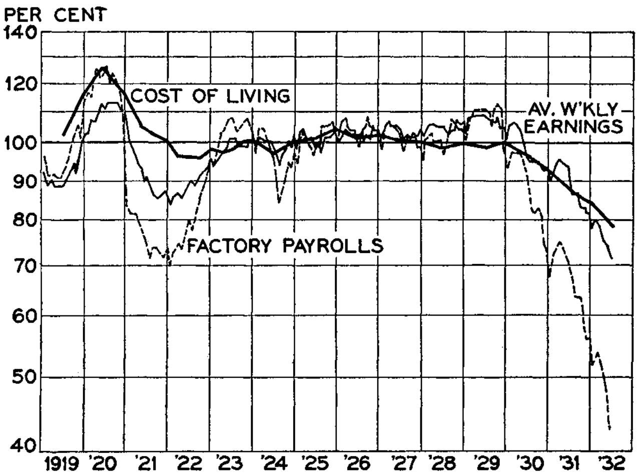
Employment and Wages

Factory employment and payrolls showed a further substantial reduction between the middle of May and the middle of June. The number of workers employed in factories, both in New York State and in the country as a whole, declined an additional 3½ per cent to a new low level for many years, and payrolls were reduced 5 per cent for New York State and 8 per cent for the entire country. On the other hand, a seasonal increase occurred in road construction, farm work, and other out of door activities.

The decrease in factory payrolls and in the average weekly earnings of employees during the past three years has been partly offset by the reduction in the cost of living. This is illustrated in the accompanying diagram, in which the various series are charted on a ratio scale to facilitate comparison of their relative declines. Since the end of 1929, the cost of living in the country as a whole, as computed by the United States Bureau of Labor Statistics, has been reduced 21 per cent; the computed average weekly earnings of workers who have retained their employment have decreased 31 per cent; and aggregate payrolls have fallen 57 per cent. These figures indicate that the purchasing power of the average worker who is still employed has decreased about 13 per cent, but that the purchasing power of factory workers as a group has declined about 46 per cent.



Weekly Price Movements of Selected Commodities



Bureau of Labor Statistics Index of the Cost of Living in the United States, Compared with Federal Reserve Board Index of Factory Payrolls and with Average Weekly Earnings of Factory Employees (1923-25 average = 100 per cent—ratio scale used to show proportionate changes)

Building

The F. W. Dodge Corporation report on the value of building contracts in 37 States shows that total awards during June were 23 per cent smaller than in May and 64 per cent below the June 1931 figure. The reduction from May to June was more than the customary seasonal movement, and consequently this bank's index of building contracts, which makes allowance for seasonal changes, receded to about the low level of last March. The decline reflected principally decreases in public works and utilities and in other non-residential construction, but also somewhat more than the usual decline in residential contracts.

Data for the first six months of this year indicate the value of building and engineering contracts to have been about three-eighths of the amount in the corresponding period of 1931 and one-quarter of that in the first half of 1930. All of the principal categories of building contracts showed large reductions for the period, ranging from 60 to 80 per cent, except those for public buildings, including post offices, city halls, etc., for which the decline was less than 20 per cent.

During the first three weeks of July a proportionately larger volume of building contracts was awarded than in June. This improvement reflected a sharp increase in public works and utilities and other non-residential building.

Production

The rate of steel mill activity, according to the *Iron Age,* after declining to a record low of 12 per cent of capacity in the first week of July, recovered to 16 per cent, but the average for the month as a whole was seasonally below the June level. Output of automobiles and production of cotton goods are reported to have declined, in accordance with the seasonal movement, and production of crude petroleum was curtailed slightly, but output of bituminous coal showed a small increase.

Although a further decline occurred in industrial production in June, the decrease in the Federal Reserve Board's seasonally adjusted index amounted to only one point, as compared with declines of three and four points in the preceding two months. More than the usual curtailment was shown in production of pig iron, and the seasonally adjusted indexes of live stock slaughterings, shoe production, and anthracite output decreased considerably. In addition, production of bituminous coal, crude petroleum, and lumber declined somewhat, whereas no consistent movement between May and June has been observable in past years. Production of automobiles showed about the average seasonal reduction, and consumption of raw cotton and output of steel ingots and of wheat flour also declined in only about the usual proportions. Output of lead increased instead of showing the seasonal reduction, output of tobacco products had more than the customary expansion, and the activity of wool mills and consumption of silk also increased somewhat.

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

	1931	1932		
	June	April	May	June
Metals				
Pig iron	52	25	22	20
Steel ingots	53	26	24	23
Lead	56	40	43	46
Zinc *r*	47*r*	39*r*	35*r*	32*r*
Tin deliveries	73	42	48	48
Automobiles				
Passenger cars	50	27	36	37
Motor trucks	70	42	43	38
Fuels				
Bituminous coal	80	60	52	48*p*
Anthracite coal	70	91	52	40*p*
Coke	65	43	40	37
Petroleum, crude	86	75	72	69*p*
Petroleum products	80	67	67	
Textiles and Leather Products				
Cotton consumption	78	60	55	55
Wool mill activity	89	38	38	42
Silk consumption	79	67	60	68
Shoes	94	98	88*p*	77*p*
Foods and Tobacco Products				
Live stock slaughtered	84	100	96	83
Wheat flour	84	88	84*r*	84
Sugar meltings, U. S. ports	69	52	56	67
Tobacco products	97	78	79	84
Miscellaneous				
Cement	93	41	44	51
Tires	81	48	51	
Lumber	52	32	33	31
Printing activity	82	71	67	
Paper, newsprint	88	81	79	76*p*

p Preliminary *r* Revised

Indexes of Business Activity

No material change in business activity from June to July is indicated by the limited data now available. Preliminary July estimates for bank debits outside New York show about the usual reduction from the June level, and car loadings of bulk freight increased at least seasonally. The dollar value of department store sales in New York City and vicinity during the first half of July showed about the same percentage decline from a year ago as in June. On the other hand, car loadings of merchandise and miscellaneous freight declined materially, whereas ordinarily the July figures are about at the same level as June.

This bank's indexes of business activity exhibit no consistent movement from May to June. Merchandise imports declined by less than the usual seasonal amount, and the seasonally adjusted index of wholesale trade also rose somewhat. Department store sales and car loadings of merchandise and miscellaneous freight were little changed from the May level and bank debits in 140 centers outside New York showed an increase of about the usual proportions. On the other hand, merchandise exports, car loadings of bulk freight, and chain store trade decreased, whereas the record of past years shows no consistent variation between May and June.

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

	1931	1932		
	June	Apr.	May	June
Primary Distribution				
Car loadings, merchandise and misc.	78	58	56	55
Car loadings, other	65	56	42	38
Exports	67	49	52	45*p*
Imports	79	62	60	65*p*
Waterways traffic	61	40	34	
Wholesale trade	93	75	76	79
Distribution to Consumer				
Department store sales, 2nd Dist.	99	82	76	76
Chain grocery sales	96	73	77	74
Other chain store sales	90	83	78	76
Mail order house sales	89	83	75	73
Advertising	76	62	59	59
Gasoline consumption	91	68*r*	65	
Passenger automobile registrations	57	28	31*p*	
General Business Activity				
Bank debits, outside of New York City	86	70	63	64
Bank debits, New York City	84	65	57	62
Velocity of bank deposits, outside of New York City	89	86	79	76
Velocity of bank deposits, New York City	96	67	55	61
Shares sold on N. Y. Stock Exchange	157	71	56	59
Postal receipts	84	71	69	69
Life insurance paid for	92	75	73	78
Electric power	85	70	68*p*	
Employment in the United States	78	66	63*r*	61
Business failures	98	124	132	129
Building contracts	60	24	31	22
New corporations formed in N. Y. State	94	83	83	
Real estate transfers	52	48	47	48
General price level*	150	134	132	129
Composite index of wages**r*	207*r*	187*r*	184*r*	183*r*
Cost of living*	148	135	132	130

p Preliminary *r* Revised *1913 average=100

Wholesale Trade

Reporting wholesale dealers showed June sales 26 per cent below a year ago, the same decline as occurred in May. Sales of groceries continued to show a comparatively small reduction and sales of drug houses were considerably larger than a year ago, reflecting the movement of cosmetics in advance of the date on which the new Federal taxes became operative. Such lines as stationery, paper, jewelry, and diamonds reported somewhat smaller year to year decreases than in May, and the decline in machine tool orders reported by the National Machine Tool Builders Association was less than in the previous month. On the other hand, the year to year comparison was less favorable in June than in May for the hardware, shoe, and men's clothing concerns, and sales of silk goods reported in yardage by the Silk Association dropped further below a year ago than in May.

Sales of the reporting wholesalers during the first six months of 1932 averaged 24 per cent smaller than in the corresponding period of 1931.

The value of stocks in all reporting lines, with the exception of drugs, continued to be smaller than a year ago. The declines in grocery and diamond stocks, however, were the smallest reported in a number of months. Collections in June of this year were somewhat slower than in the previous year in a majority of lines.

Commodity	Percentage change June 1932 compared with June 1931		Per cent of charge accounts outstanding May 31 collected in June		Percentage change in net sales	
	Net sales	Stock end of month	1931	1932	June 1932 from May 1932	First six mos. 1932 from 1931
Groceries	—13.6	—17.7	75.1	77.0	+ 5.3	—11.2
Men's clothing	—39.6	......	41.4	31.8	—21.0	—33.5
Cotton goods	—23.9	—38.4	34.0	31.2	+ 1.0	—25.6
Silk goods	—33.2*	— 5.4*	57.0	64.8	—15.9*	—20.6*
Shoes	—46.6	—28.9	45.4	35.4	—22.4	—25.3
Drugs	+37.7	+ 0.1	33.9	26.0	+77.0	—10.2
Hardware	—31.5	—20.4	49.1	45.4	— 9.7	—24.9
Machine tools**	—49.5	......	....	....	— 4.4	—53.8
Stationery	—22.8	......	71.5	57.6	+ 8.3	—22.9
Paper	—32.7	......	55.5	39.4	— 3.6	—30.6
Diamonds	—41.4	— 9.1	} 16.6	} 16.0	+25.1	—54.7
Jewelry	—23.7	—29.7			+57.5	—36.1
Weighted average	—25.8	......	52.2	48.7	+ 0.1	—24.4

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

Department Store Trade

The dollar value of June sales of the reporting department stores in this district was 26 per cent below 1931, a somewhat larger reduction than had been reported previously. In Buffalo, Syracuse, Bridgeport, and Southern New York State sales showed about the same decline as in May, but in other localities sales were reduced by larger percentages than in the previous month. Sales of the leading apparel stores declined substantially in June, following a comparatively small year to year decline in May. For the first six months of 1932 department store sales in this district showed a 21 per cent reduction from the corresponding months of 1931.

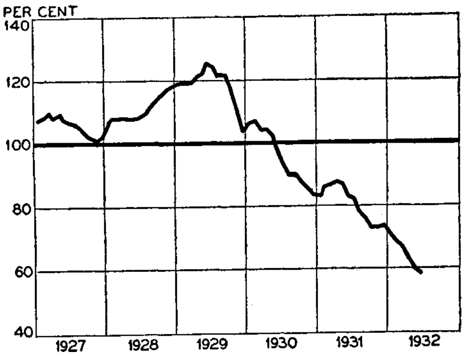
For the first half of July, department stores in the Metropolitan area of New York reported a decline of 24 per cent in sales, the same reduction as in the first half of June.

Department and apparel store stocks of merchandise on hand at the end of June, at retail valuations, continued to be considerably smaller than the previous year, but the reduction was not quite as large as in sales. The percentage of charge accounts outstanding on May 31 collected during June was lower than last year.

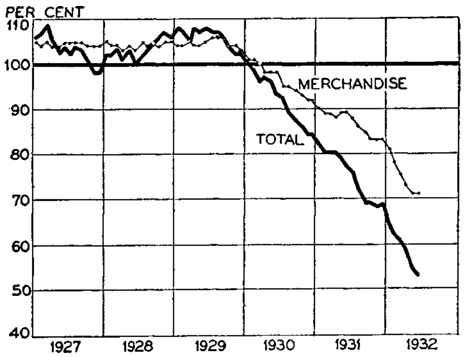
Locality	Percentage change from a year ago			Per cent of accounts outstanding May 31 collected in June	
	Net sales		Stock on hand end of month		
	June	Jan. to June		1931	1932
New York	—25.3	—20.9	—20.5	49.7	45.1
Buffalo	—27.4	—22.4	—17.9	45.4	39.3
Rochester	—26.1	—24.2	—18.0	41.6	43.1
Syracuse	—28.4	—28.1	—15.7	26.8	24.1
Newark	—26.7	—18.5	—12.7	42.2	37.6
Bridgeport	—28.1	—25.1	—14.2	38.4	33.4
Elsewhere	—26.0	—22.0	—15.3	33.7	29.0
Northern New York State	—33.2	—26.3	......	....	....
Southern New York State	—23.8	—23.5	......	....	....
Hudson River Valley District	—26.8	—19.2	......	....	....
Capital District	—25.5	—23.2	......	....	....
Westchester District	—26.3	—19.2	......	....	....
All department stores	—25.8	—21.0	—18.7	45.2	40.7
Apparel stores	—26.9	—24.8	—24.5	41.9	39.6

FEDERAL RESERVE BANK OF NEW YORK

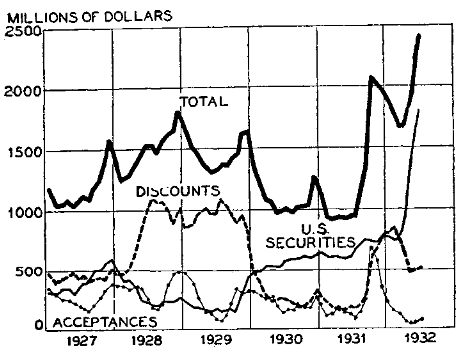
MONTHLY REVIEW, AUGUST 1, 1932



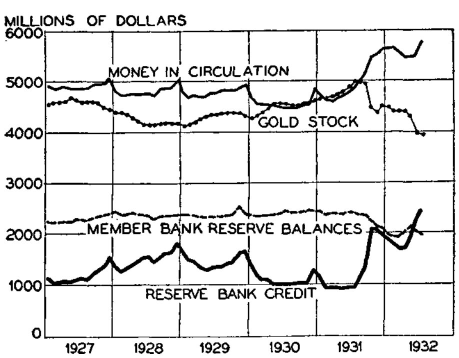
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average = 100 per cent)



Indexes of Freight Car Loadings, Daily Average Figures Adjusted for Seasonal Variation (1923-25 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 July)



Federal Reserve Bank Credit and Principal Factors in Changes (Monthly averages of daily figures; latest figures are averages of first 20 days of July)

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL activity decreased further from May to June by somewhat more than the usual seasonal amount and there was a considerable reduction in factory employment and payrolls. The general level of commodity prices advanced between the middle of June and the middle of July, reflecting chiefly a rise in the prices of live stock and meats.

Production and Employment

Volume of industrial production, as measured by the Board's seasonally adjusted index, declined from 60 per cent of the 1923-1925 average in May to 59 per cent in June. There were large decreases in output in the steel, coal, and meat packing industries, while at automobile factories daily average production showed a smaller decline than is usual at this season, and at woolen mills activity increased contrary to seasonal tendency. Consumption of cotton by domestic mills showed the usual seasonal decline.

At manufacturing establishments there was a further reduction of 3.6 per cent in number of employees and of 7.8 per cent in earnings between the middle of May and the middle of June. Decreases in employment were general, with the exception of the automobile and tobacco industries and of seasonally active industries, such as vegetable and fruit canning and the manufacture of ice cream. The largest decreases were in the steel, textile, chemical, and machinery industries and at railway repair shops.

Daily average value of building contracts awarded, as reported by the F. W. Dodge Corporation, declined in June but increased in the first half of July.

Department of Agriculture estimates as of July 1 indicate a corn crop of 3,000,000,000 bushels, the largest since 1923; a winter wheat crop of 432,000,000 bushels, 45 per cent smaller than last year and 21 per cent less than the five year average; a spring wheat crop of 305,000,000 bushels, three times as large as last year and slightly larger than the average; and a tobacco crop one-fifth smaller than usual.

Distribution

Volume of railroad freight traffic declined somewhat further in June and value of merchandise sold by department stores decreased by more than the usual seasonal amount.

Wholesale Prices

The level of prices in wholesale markets, after declining steadily during May, was relatively stable early in June, and after the middle of the month there was an advance which continued through the second week in July. Prices of several leading commodities, including live stock and meats, cotton, and sugar, increased considerably during June and the first half of July, but later showed some recession. Prices of wheat declined to unusually low levels and markets for copper and lead continued weak.

Bank Credit

Volume of Reserve Bank credit continued to increase between the middle of June and the middle of July, reflecting principally further purchases of United States Government securities by the Reserve Banks. In addition, member banks obtained Reserve Bank funds through an increase in the monetary stock of gold and a decline in deposits held with the Reserve Banks by foreign central banks. Funds released from these sources were absorbed by an increase in the demand for currency which also caused the member banks to draw on their balances with the Reserve Banks and to increase their discounts somewhat. The demand for currency which for the period amounted to $270,000,000, was caused by banking disturbances, largely in the Chicago district, by seasonal requirements at the turn of the month and the Fourth of July holiday, and by increased use of cash to avoid the tax on checks.

Loans and investments of reporting member banks, after fluctuating widely during June, declined in the first two weeks of July, and on July 13 totaled $18,475,000,000, about $540,000,000 less than on June 1. There was a further decline in loans, while the banks' investments in United States Government securities, after increasing substantially during the period of Treasury financing in mid-June, declined gradually, but on July 13 were still $90,000,000 larger than six weeks earlier.

Money rates in the open market declined further during June and the first half of July. At the Federal Reserve Bank of New York buying rates for bankers acceptances maturing within 90 days were reduced from 2½ to 1 per cent on June 24. On the same day the bank lowered its discount rate from 3 per cent to 2½ per cent, and on the following day the rate at the Chicago bank was reduced from 3½ per cent to 2½ per cent.