

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

September 1, 1932

#### Money Market in August

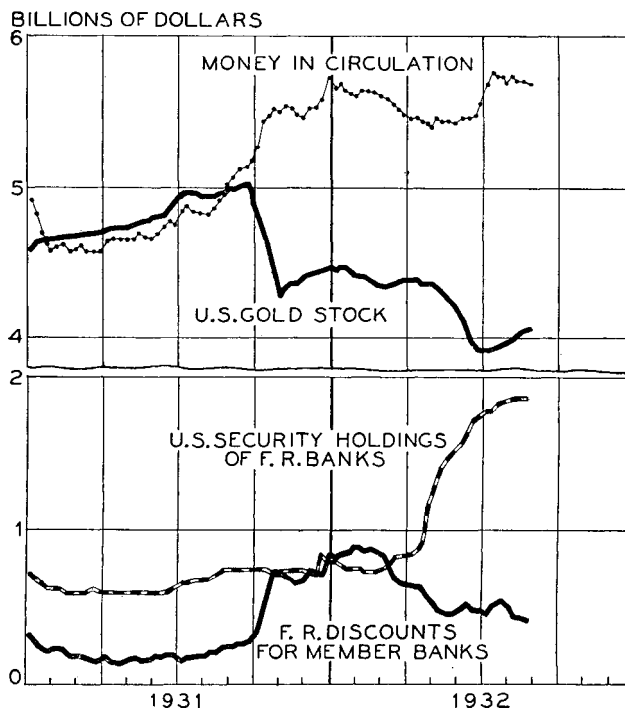
A continued strengthening of the general banking situation both in this district and the country as a whole has occurred during the past month. Reserves of all member banks have increased \$70,000,000 further, and the indebtedness of member banks at the Reserve Banks has been reduced by nearly \$100,000,000 to the lowest level since last September. The rise in bond prices has added substantially to the market value of bank investments, and the number of bank suspensions, after declining moderately from June to July, showed a considerable further reduction in August. There were no suspensions in the Second Federal Reserve District during August, and one bank reopened.

Among the factors contributing to this improvement in the banking situation were a further gain of gold and some return flow to the banks of currency previously hoarded. A number of National banks also obtained funds by availing themselves of the recently extended privilege of issuing National bank notes. The increase in the monetary gold stock of the United States during August was \$112,000,000, bringing the total increase from the low point in June up to about \$177,000,000. The principal element in this gain of gold during August was the release of gold previously earmarked for foreign account. The proceeds were largely paid out in the New York money market and went directly into the reserves of the New York banks. The amount of money in circulation increased seasonally over the July month-end, but subsequently showed a reduction of \$44,000,000 for the country as a whole, whereas there is normally a gradual increase during this period. New issues of National bank notes during August amounted to about \$50,000,000.

These movements of funds reverse the tendencies which prevailed during the last quarter of 1931 and the first half of 1932. During that period the commercial banks sustained unprecedented losses of funds through the withdrawal of foreign balances from this country in gold and through withdrawals of currency by domestic depositors. This general period may be divided into two periods with somewhat different characteristics. In the first of these, from the middle of September 1931 to the end of February 1932, the losses sustained by the member banks, due chiefly to these two causes amounted to approximately \$1,000,000,000. A large part of these losses were sustained in the first instance by the New York banks, but there was a coincident tendency for

large depositors to concentrate their funds in the city banks, which had the effect of distributing the losses of funds widely throughout the country. The result was that any excess funds previously held by the commercial banks were quickly used up, and their reserves were rapidly depleted. Member banks were forced to increase rapidly their indebtedness at the Reserve Banks, and banks generally, in the effort to attain a more liquid position, reduced their loans and investments at the most rapid rate in many years.

In the period from the end of February to the end of June, the banks sustained a further loss of nearly \$500,000,000, chiefly through the continued repatriation of foreign funds, which was reflected in a heavy gold outflow. Currency flowed back to the banks in substantial volume for a time, but there were heavy withdrawals near the end of June, which resulted in a small net increase in money nominally in circulation for the period as a whole. During this period, the Reserve Banks, given much greater freedom of action by the Glass-



Recent Changes in Four of the Principal Factors Affecting the Amount of Reserves Held by Member Banks (Weekly averages of daily figures)

Steagall amendment to the Federal Reserve Act which authorized them to use Government securities as collateral for Federal Reserve notes, purchased more than \$1,000,000,000 of Government securities. The result was to enable member banks not only to meet the heavy demands on them, but also to retire a considerable amount of their indebtedness at the Reserve Banks and to increase their reserves by about \$150,000,000. This had the effect of materially lessening the pressure on member banks for further liquidation of their loans and investments.

The total loans and investments of member banks showed some further decline during this period, but at a much less rapid rate than in the preceding five months. The recently published report for all member banks for June 30, 1932 shows a reduction of more than \$2,500,000,000 in loans and investments during the first half of this year. Weekly reports from member banks in the larger cities indicate that two-thirds of the reduction occurred during the first quarter and only one-third in the second quarter, notwithstanding the large loss of gold during the latter period. In fact, the loans and investments of the New York City reporting banks showed no net reduction between the end of February and the end of June. The deposits of New York City member banks showed a net increase of \$160,000,000 between February and June, as compared with a reduction of more than \$1,300,000,000 between last September and February of this year, and in all other member banks throughout the country the shrinkage in deposits from February to June was reduced to \$800,000,000, as compared with a decline of \$3,450,000,000 between September and February.

After the end of June the reversal of the gold movement and the slackening of the demand for currency placed funds in the hands of the banks and caused their reserves to increase without the aid of any further substantial increase in the Government security account of the Reserve System. In July the gain of funds to member banks was not large, but the funds obtained from these sources increased in volume in August, and were supplemented by the proceeds of new issues of National bank notes, thus giving definite affirmation to the change in the direction of the movement of funds.

(In millions of dollars)

	Change during period		
	Sept. 16, 1931 to Feb. 24, 1932	Feb. 24, 1932 to June 29, 1932	June 29, 1932 to Aug. 24, 1932
U. S. gold stock . . . . .	-665	-430	+144
Money in circulation* . . . . .	+505	+ 57	+ 35
Treasury currency outstanding . . . . .	- 20	+ 31	+ 8
Foreign balances in Federal Reserve Banks, etc.† . . . . .	-194	- 1	- 16
Net gain or loss of funds . . . . .	-996	-455	+133
Federal Reserve holdings of U. S. securities . . . . .	- 1	+1,060	+ 50
Federal Reserve discounts for member banks . . . . .	+572	-365	- 43
Federal Reserve holdings of acceptances . . . . .	- 85	- 69	- 29
Other Federal Reserve credit . . . . .	- 30	- 15	- 3
Net increase or decrease in Federal Reserve credit . . . . .	+456	+611	- 25
Change in member bank balances . . . . .	-540	+156	+108

\* An increase in this item involves a loss of funds to banks.  
† A reduction in this item involves a gain to banks.

The sources of supply and demand for reserve funds, the amount and form of changes in Federal Reserve credit outstanding, and the net changes in member bank reserve balances during the three periods discussed above are shown in the foregoing table. The net increase in money in circulation shown for the period since June 29 is due to the inclusion of a heavy demand for currency in the first week of July which was largely seasonal.

#### MEMBER BANK CREDIT

The total loans and investments of New York City member banks showed a net increase of \$156,000,000 during the four weeks ended August 24. This increase was due entirely to a substantial increase in holdings of Government securities, representing purchases of the new Treasury securities sold on August 1. Accompanying rising security prices, the security loans of these banks showed a small net increase during the month, after declining almost without interruption since March of last year. Other loans continued to decline gradually, however, and investment holdings other than Government securities showed little change. In weekly reporting member banks in other principal cities also there was a considerable increase in holdings of Government securities, but the other principal classes of loans and investments showed some further decline.

#### MONEY RATES

Money rates in the New York market showed little change during August. Commercial paper rates declined slightly further, and yields on short term Government securities moved somewhat lower, but other money rates were steady.

Money Rates at New York

	Aug. 31, 1931	July 29, 1932	Aug. 31, 1932
Stock Exchange call loans . . . . .	1½	2	2
Stock Exchange 90 day loans . . . . .	*1¼-1½	*1¼-1½	*1¼-1½
Prime commercial paper . . . . .	2	2¼-2½	2-2¼
Bills—90 day indorsed . . . . .	¾	¾	¾
Customers' rates on commercial loans . . . . .	†3.44	†4.13	†4.13
Treasury securities			
Maturing December 15 (yield) . . . . .	.45	.22	.09
Maturing March 15 (yield) . . . . .	.48	.47	.26
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

#### BILL MARKET

Throughout the month of August, the discount market continued to report a strong demand for bills, reflecting chiefly the efforts of New York City banking institutions to employ their excess reserves. With accepting and discounting banks withholding bills from the market the supply dwindled to very small proportions, with the result that dealers' sales were curtailed as they had few bills to use in filling orders. Dealers' portfolios were reduced to the lowest level on record. No change occurred in open market rates for bankers bills from the quotations established late in June.

Federal Reserve buying rates for bankers bills likewise were unchanged during August, but the New York Reserve Bank's buying rate for trade acceptances was reduced from 2½ to 2 per cent, effective August 5. The trade acceptances that have been drawn thus far have been absorbed by the commercial banks, so that none

have been offered to the Reserve Bank. The bill portfolio of the Federal Reserve Banks declined slightly further, due chiefly to the repurchase by the dealers of bills previously sold to the Reserve Banks under repurchase agreement.

Reflecting the accumulation of bills by commercial banks, the accepting institutions that report their outstandings to the American Acceptance Council held \$563,000,000, or 80 per cent, of the total volume of bills outstanding at the end of July. This was an increase of \$45,000,000 in their holdings during the month, while the outstanding volume was undergoing a further decline of \$42,000,000. The volume of bills outstanding has declined steadily since the end of 1930, so that the total at the end of July this year at \$705,000,000 was \$524,000,000 smaller than a year ago, and not much more than half the volume of two years ago. All classes of bills show considerable reduction from last year. The largest has been in export bills, followed closely by a drop in bills based on goods stored in or shipped between foreign countries. Import bills also are materially lower; proportionately large reductions have occurred in dollar exchange and domestic shipment bills; and a moderate decline in domestic warehouse bills.

#### COMMERCIAL PAPER MARKET

An excellent investment demand for open market commercial paper continued to be reported during August. A considerable number of banks were in the market, but the actual volume of dealers' sales remained comparatively small, due to the limitations of the supply of high grade new paper. A few dealers reported some increase in drawings of commercial paper by certain lines of industrial and mercantile concerns, but these were balanced by indications of a decline in open market borrowings of other industries. Further easing of rates in the paper market occurred in the first part of the month when the prevailing offering range for prime names of 4 to 6 month maturity was reduced to 2-2 $\frac{1}{4}$  per cent from the previous quotation of 2 $\frac{1}{4}$ -2 $\frac{1}{2}$  per cent. Some especially choice paper of fairly short maturity also began to move at 1 $\frac{3}{4}$  per cent.

Reflecting the short supply of open market paper, the volume outstanding through reporting dealers at the end of July showed a further decline to \$100,000,000. This amount was 3 per cent below the volume outstanding on June 30 and 66 per cent below that of a year ago.

#### Commodities Finance Corporation

Announcement was made on August 19 that plans had been formulated for the organization of a Commodities Finance Corporation and subsidiary corporations, the purpose of which will be to supplement existing facilities for the financing of commodity transactions. The announcement indicated that the Corporation was being organized to supply credit rather than for the purpose of buying commodities. Two subsidiary corporations are indicated in the preliminary announcement: an acceptance corporation and a corporation to make other types of commodity loans.

The principal sections of the statement issued by Mr. Buckner, President of the New York Clearing House Association, regarding the Commodities Finance Corporation and its subsidiaries are as follows:

A corporation is to be organized under the laws of the State of Delaware called the Commodities Finance Corporation, with a nominal capital.

It is to have the usual corporate officers and a board of directors with the usual powers of directors and provision for an executive committee.

The Commodities Finance Corporation (hereinafter called the corporation) has been organized primarily for the purpose of facilitating the financing of the purchase, carrying and orderly marketing, for domestic consumption or export, of agricultural and other commodities.

The sound and effective financing of these transactions may require different methods and in consequence operations will be conducted wherever deemed advisable through separate subsidiary corporations. Subsidiary corporations therefore will be organized under the laws of the State of New York, but in no event will the corporation directly or through its subsidiaries, nor will any of the subsidiaries, purchase any commodities except where necessary to protect loans or acceptances or other credits.

Two subsidiary corporations will be forthwith organized. One corporation is to undertake an acceptance business exclusively and the other corporation is to undertake a finance business, making loans or extending other credit facilities, all upon such terms as it is anticipated should enable those with satisfactory business responsibility to obtain proper accommodations upon a sound banking basis.

The corporation is to be authorized to issue up to \$50,000,000 principal amount in notes. Members of the New York Clearing House Association and other New York City banks will be requested to subscribe to the notes at par in an amount equal to 3 $\frac{1}{2}$  per cent of their capital, surplus and undivided profits, or 1 per cent of their respective net demand and time deposits as at July 30, 1932, whichever is less.

Subscription will be payable in instalments on call of the board of directors, when and as required. Notes are to be issued from time to time to the principal amount of the instalments paid.

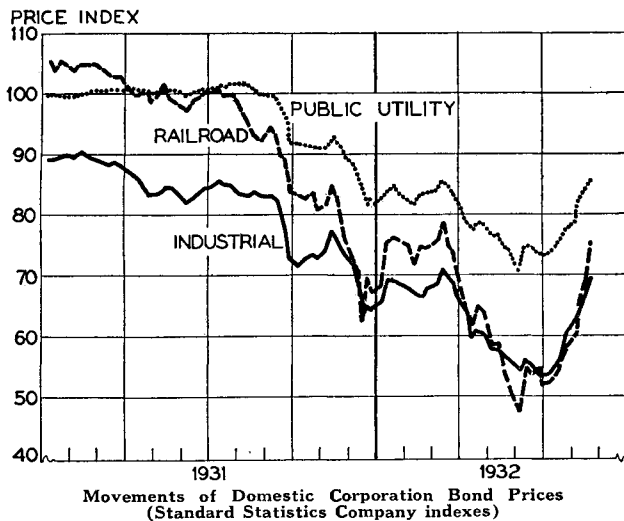
#### Security Markets

During the first ten days of August, stock prices continued to advance, and at a somewhat faster rate than in July. After a reaction of short duration, which canceled about one-quarter of the advance from the June-July lows of the year, the rise in stock prices was resumed, and the general movement of quotations continued to be upward for the balance of the month. A greater amount of irregularity was evident in the second half of the month, however, and the net rise for this period was much less than earlier in the month. Nevertheless, by the close of August, the general level of stock prices was about 90 per cent above the lowest points reached in June and July and within 5 per cent of the highest level of the year which was reached in March. The July-August recovery has thus raised average prices of stocks to about the same level as prevailed in the period of comparative stability which existed during the first quarter of 1932.

Railroad shares, which had declined to exceptionally low levels, have had by far the greatest percentage rise; their advance, amounting to 165 per cent, compares with a rise of 100 per cent in public utility shares, and 90 per cent in industrial stocks.

Accompanying the upswing in prices, trading activity on the New York Stock Exchange increased to the largest volume since April 1930. On one day the turnover amounted to 5,500,000 shares, and on a number of days the trading was around 4,000,000 shares.

In the market for domestic corporation bonds, even greater advances occurred during August than in July, and during the first 23 days of the month there were



only two days on which price averages showed declines. As a result, representative price averages of domestic corporation bonds by the end of the third week were generally at new high levels for 1932, although some reaction occurred late in the month, especially in the lower grade issues. The recovery in the bond price averages from the low points of a few months ago has amounted to from 20 to 40 per cent, with the greatest advance occurring in lower grade bonds, which had previously suffered the largest declines. In fact, there were numerous issues which doubled or trebled their early June prices. Railroad bonds showed especially large advances during the past month, as is indicated in the accompanying diagram.

The general level of United States Government bond prices showed little net change for the month of August. Long term Treasury bonds were up slightly for the period while Liberty Loan bonds eased a little. The major tendency in foreign bonds was a move to higher levels, but the advances were very moderate as compared with the rise in domestic bonds.

As in the case of stocks, trading in bonds was considerably heavier than in recent months. Turnover on the New York Stock Exchange, as an indication, was the largest for any month since last December.

### New Financing

New security offerings brought out during August aggregated somewhat less than in July, in accordance with the usual seasonal tendency. The decline reflected entirely a decrease in State and municipal financing, while flotations of public utility bonds continued in about the same volume as in July, so that the proportion of corporate issues to total security offerings was higher than in many months. Announcement was made of eight offerings of public utility company securities, of which the greater part, however, represented borrowings to repay existing bank loans and bond maturities, rather than the obtaining of new funds. In addition to the domestic issues there was for the first time this year an offering of Canadian securities—a \$2,000,000 two year bond issue of the Province of British Columbia, yielding 7 per cent.

Final figures for July on new security flotations placed the total for that month at \$170,000,000, of which

\$66,000,000 was for refunding purposes. New capital issues of domestic corporations amounted to \$63,000,000 and issues of States and municipalities to \$41,000,000.

Other than the new Treasury note issues dated August 1, which were offered for subscription late in July, United States Treasury financing during August was limited to four issues of 91 day Treasury bills aggregating \$310,000,000, which were put out to replace maturing bills. The August Treasury bill sales were at average discounts equivalent to annual rates of .32 to .53 of one per cent.

### Foreign Exchange

Movements in the foreign exchange market during August were of a mixed character. Sterling dropped rather precipitately during the first week to \$3.45½, strengthened for a time, and then steadied during the last week at fractionally above \$3.46. French francs recovered gradually from their end of July lows and were quoted at around par toward the end of August. Swiss francs turned sharply downward in the last week of August; guilders were fairly steady throughout the month; and lire firmed slightly, particularly during the first week. Danish crowns, which had been quoted higher than the other Scandinavian currencies for some time, declined from \$0.1845 on August 27 to \$0.1760 on the 29th.

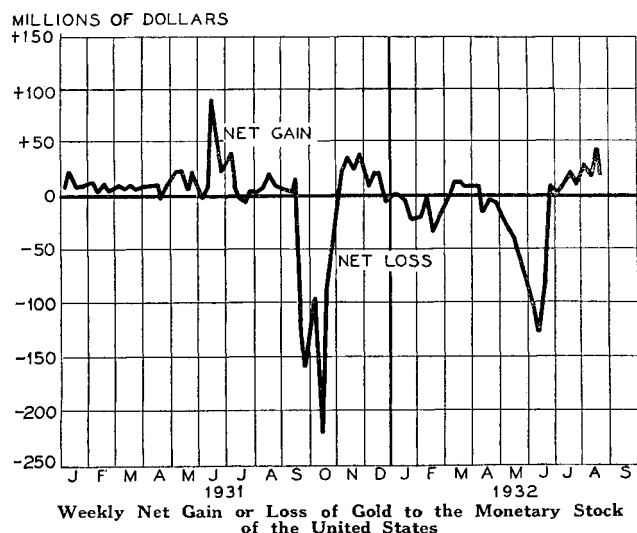
No substantial changes occurred in the quotations of South American currencies during August. In the Far East the yen began to weaken during the first week and the quotation continued downward to \$0.2220, a new low. During the last week the rate showed a tendency to steady around this level. The silver currencies gained irregularly. The discount on Canadian dollars was reduced toward the end of the month.

Closing Cable Rates at New York

Exchange on	Par of Exchange	Aug. 31, 1931	July 30, 1932	Aug. 29, 1932
Belgium.....	\$ .1390	\$ .1394	\$ .1387	\$ .1388
Denmark.....	.2680	.2674	.1895	.1760
England.....	4.8666	4.8616	3.5088	3.4688
France.....	.0392	.03922	.03917	.03920
Germany.....	.2382	.2374	.2374	.2378
Holland.....	.4020	.4033	.4023	.4023
Italy.....	.0526	.0523	.0509	.0512
Norway.....	.2680	.2675	.1760	.1740
Spain.....	.1930	.0900	.0804	.0805
Sweden.....	.2680	.2678	.1808	.1781
Switzerland.....	.1930	.1947	.1945	.1938
Canada.....	1.0000	.9967	.8713	.8925
Argentina.....	.9648	.6472	.5865	.5865
Brazil.....	.1196	.0620	.0763	.0763
Uruguay.....	1.0342	.4350	.4725	.4750
Japan.....	.4985	.4939	.2760	.2313
India.....	.3650	.3598	.2650	.2625
Shanghai.....	.....	.3000	.2988	.3175

### Gold Movement

This country continued to gain gold during August, as the accompanying diagram indicates, and for the month as a whole the monetary gold stock showed an increase of about \$112,000,000. This rise, together with that of July and the latter part of June, has increased the gold stock some \$177,000,000 above the mid-June low when the heavy withdrawal of gold subsided. The principal factor in the August gain continued to be releases of gold from amounts held under earmark at this bank for account of foreign central banks.



The net decrease in the amount of gold held under earmark for foreign account amounted to \$100,500,000 for the month. Except for \$18,000,000 released for export to France, the proceeds of these releases were paid out to the local money market. Included in the month's transactions were releases of gold to provide funds for the redemption of about \$34,000,000 of Paris-Lyons-Mediterranean Railroad bonds which were called for payment on August 15.

August imports of gold through New York amounted to approximately \$15,000,000, of which \$6,100,000 was received from England, \$4,300,000 from Canada, \$1,800,000 from Mexico, \$1,000,000 from Belgium, \$1,000,000 from Uruguay, and \$565,000 from India. Arrivals at San Francisco were \$4,750,000 from China and \$1,800,000 from Australia.

### Central Bank Rate Changes

Declines in central bank rates continued to be reported in August. On the 8th, the discount rate of the Bank of Greece was reduced from 11 to 10 per cent; on the 18th, the Bank of Japan rate was lowered from the equivalent of 5.11 to 4.38 per cent, the latter being the lowest discount rate in at least twenty seven years; and on the 24th the Austrian National Bank reduced its rate from 7 to 6 per cent. On the 31st the State Bank of Sweden lowered its rate from 4 to 3½ per cent and the Bank of Norway rate was reduced from 4½ to 4 per cent, both effective September 1.

Word has been received during the past month of the reduction of the discount rate of the Central Bank of the Republic of Turkey from 8 to 7 per cent, effective July 9.

### Business Profits

Reflecting the continued low level of general business activity during the April to June quarter of this year, corporation earnings reports showed very little net profit for the period. Thirteen of the 23 groups of industrial and mercantile companies shown in the table reported deficits after all fixed charges and expenses for the second quarter of the year, and the aggregate of net profits for all groups was little more than one-tenth as

large as in the same period of last year, and was only 5 per cent as large as in 1930. The oil company group increased its earnings considerably in the second quarter, and, as in the first quarter, was the only group to report larger earnings than last year.

For the first six months of 1932, data are available for 428 industrial and mercantile companies, a larger number than for the second quarter, since many companies issue half-yearly but not quarterly earnings statements. These data indicate that aggregate net profits in the first half of this year were only 13 per cent as large as a year ago and 6 per cent of the 1930 profits. The oil companies reported net profits nearly two-thirds as large as last year's deficit for the first six months, but all other groups showed reduced earnings. The reduction in profits of food and chemical companies was about one-third, but most other groups either showed reductions in net earnings exceeding 50 per cent or reported deficits; in fact, 12 of the 25 groups of companies showed deficits for the half year.

Net operating income of telephone companies during the first six months showed the comparatively moderate decreases of 17 per cent from a year ago and 15 per cent from 1930. For other public utilities net earnings were 18 per cent lower than in 1931 and 29 per cent less than in 1930. Net operating income of 167 Class I railroads was less than half as large as in 1931 and only 30 per cent of the 1930 return. This comparison is after all current expenses but before interest payments. After allowing for interest payments a large deficit was shown, as against some net profit last year.

(Net profits in millions of dollars)

Corporation groups	Number of companies	Second quarter			Number of companies	First six months		
		1930	1931	1932		1930	1931	1932
Oil.....	24	39.7	-24.2	17.9	28	69.9	-33.2	21.2
Food and food products.....	33	46.9	40.4	27.7	39	103.2	93.4	65.9
Chemical.....	18	18.4	12.4	7.9	21	50.0	37.4	24.6
Printing and publishing.....	5	8.0	4.2	2.4	7	18.4	10.8	6.1
Tobacco.....	6	2.2	1.4	0.7	8	4.3	2.9	1.3
Leather and shoe.....	..	..	..	..	10	9.8	5.7	1.7
Mining and smelting (excl. copper, coal, and coke).....	11	7.3	4.1	0.8	19	23.3	10.4	3.0
Office equipment.....	6	4.6	2.4	0	7	11.1	5.2	1.4
Stores.....	4	1.2	1.8	0.3	12	14.0	16.0	3.2
Electrical equipment.....	7	19.4	11.8	0.5	11	39.8	19.7	2.4
Automobile.....	16	69.0	60.6	-1.5	17	125.1	89.4	0.3
Realty.....	4	2.7	1.0	-0.6	5	6.9	3.4	0
Paper.....	5	1.6	0.8	-0.4	8	4.9	3.1	-0.3
Motion picture.....	5	3.3	3.1	-0.5	7	10.7	10.0	-1.2
Machinery.....	12	6.4	2.8	-1.5	20	20.3	7.8	-3.8
Automobile parts and accessories (excl. tires).....	31	15.0	7.5	-0.8	41	31.2	12.8	-6.8
Household equipment.....	4	2.1	1.6	-0.1	7	3.4	1.7	-1.4
Building supplies.....	11	3.7	1.5	-1.7	18	13.9	5.0	-5.1
Copper.....	6	1.5	-0.5	-1.6	7	6.8	-1.0	-3.1
Railroad equipment.....	9	11.7	2.6	-1.4	13	30.6	4.4	-6.2
Rubber.....	..	..	..	..	7	3.1	1.6	-4.2
Steel.....	19	53.1	5.8	-37.1	22	120.7	14.3	-50.8
Coal and coke.....	7	0.4	0	-1.5	8	2.0	0.6	-2.2
Clothing and textiles.....	6	0.6	0.1	-0.8	19	-0.8	-1.0	-13.6
Miscellaneous.....	42	24.6	24.3	8.4	67	87.5	65.8	16.4
Total (23 groups for 2nd quarter, 25 groups for 1st half)	291	343.4	165.5	17.1	428	810.9	386.2	48.8
Telephone (net operating income).....	104	69.9	72.3	59.1	104	138.0	141.8	117.9
Other public utilities (net earnings).....	47	68.3	62.0	48.7	47	143.8	124.3	102.6
Total public utilities.....	151	138.2	134.3	107.8	151	281.8	266.1	220.5
Class I railroads (net operating income).....	167	200.8	130.5	45.2	167	376.3	240.5	112.3

— Deficit

### Commodity Prices

Wholesale commodity prices continued generally strong in August. The weekly price index of the Bureau of Labor Statistics advanced to the highest level since the end of April, showing a gain of nearly 3 per cent from the June low, and the index of farm products at the farm, computed by the Department of Agriculture, advanced further to a level 13 per cent above the June low. As the accompanying diagram indicates, substantial advances occurred in the prices of a number of leading commodities. Cotton rose steadily from 6.05 cents a pound at the end of July to 9.20 cents, a price well above that of a year ago and nearly double the low point reached in June of this year, but subsequently reacted moderately. Raw silk prices also advanced sharply during the month, reaching the highest level since March; wheat advanced moderately, with an average of the various quotations higher than a year ago; and the price of hides advanced 2 cents further to 7½ cents a pound, thus equaling the January high.

Firmness in agricultural commodities spread to some of the metal prices during August. Scrap steel at Chicago rose 50 cents a ton to a level \$1.00 above the July low, lead advanced steadily from 2.95 cents a pound to 3.60 cents, the highest point since February, and zinc also showed a gain for the month. Tin rose 3 cents to 24½ cents a pound, the highest level since September 1931 and 6 cents above the April low. Among the commodities not shown in the diagram, increases occurred in domestic wool, copper, silver, and rubber, the latter reaching the highest point since January. No important net change for the month as a whole was shown in corn, steers, raw sugar, and the fuels, and there was a moderate reaction in the price of hogs.

### Employment and Wages

The weeks between the middle of June and the middle

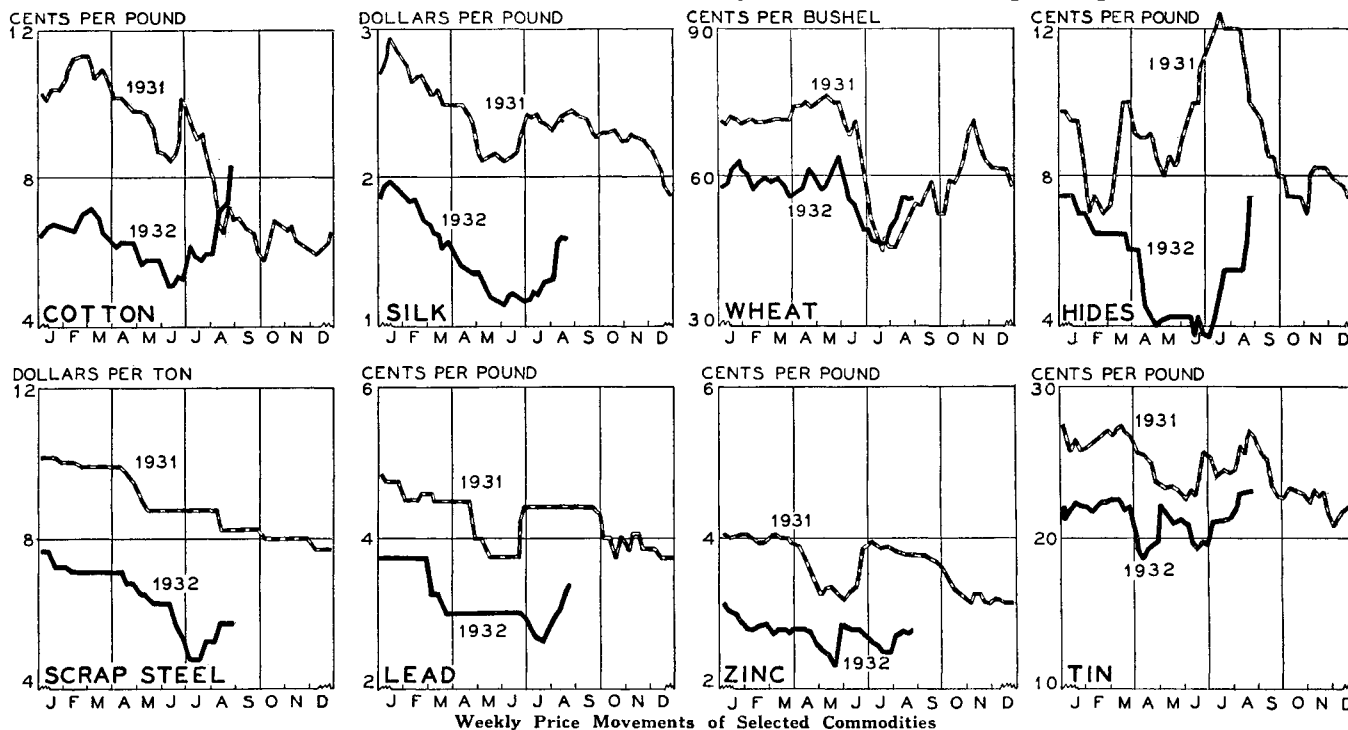
of July were a period of further reduction in factory employment and wage payments, only a portion of which is explained by the usual seasonal contraction. In New York State, factory employment declined 6 per cent further and payrolls showed an additional reduction of 8 per cent, the largest June to July declines on record; both employment and payrolls reached the lowest levels for the period covered by the reports—since June 1914. Average weekly earnings in New York State factories declined 2 per cent further to the lowest level since 1918. In the country as a whole, the number of workers employed in factories was reduced 3 per cent, payrolls 7 per cent, and individual weekly earnings 4 per cent, all of these figures reaching new low levels for the period from 1919 for which they are available.

On the other hand, employment in the building trades in New York State showed a substantial increase in July, reflecting partly the termination of the building strike in New York City. A seasonal increase also occurred in farm work and in road construction.

### Production

On the basis of weekly reports of steel mill activity, it appears that steel ingot production for the month of August showed little change from the July level. Bituminous coal production increased seasonally, and cotton goods output showed considerably more than the usual expansion, while production of automobiles is reported to have declined sharply and petroleum production slightly.

In July, the seasonally adjusted index of industrial production computed by the Federal Reserve Board was unchanged from the June level, the first month since last December for which the index has not shown a decline. About the average seasonal contraction from June to July occurred in production of pig iron and lumber and in mill consumption of raw cotton, and the seasonally adjusted indexes of slaughtering of live stock and of



Weekly Price Movements of Selected Commodities

output of bituminous coal, crude petroleum, and wheat flour also were little changed. Somewhat more than the usual curtailment was shown in production of steel ingots, lead, and automobiles, and there were also declines in the seasonally adjusted indexes of production of shoes and tobacco products. On the other hand, wool mill activity and mill consumption of raw silk increased sharply, and this bank's adjusted indexes were the highest since February.

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

	1931	1932		
	July	May	June	July
<i>Metals</i>				
Pig iron.....	48	22	20	19
Steel ingots.....	50	24	23	21
Lead.....	58	43	46	28
Zinc.....	43	35	32	29
Tin deliveries r.....	79r	48r	45r	
<i>Automobiles</i>				
Passenger cars.....	46	36	37	25
Motor trucks.....	63	43	38	32
<i>Fuels</i>				
Bituminous coal.....	79	52	49	49p
Anthracite coal.....	61	52	40	50p
Coke.....	61	40	37	36
Petroleum, crude.....	86	72	69	68p
Petroleum products.....	80	67	67	
<i>Textiles and Leather Products</i>				
Cotton consumption.....	82	55	55	54
Wool mill activity.....	98	38	42	61p
Silk consumption.....	85	60	68	82
Shoes.....	90	88	77p	68p
<i>Foods and Tobacco Products</i>				
Live stock slaughtered.....	84	96	83	84
Wheat flour.....	95	84	84	85
Sugar meltings, U. S. ports.....	81	56	67	64
Tobacco products.....	91	79	84	82
<i>Miscellaneous</i>				
Cement.....	89	44	51	48
Tires.....	73	51	76	
Lumber.....	47	33	31	30
Printing activity.....	81	67	67	
Newsprint paper.....	90	79	76	72

p Preliminary r Revised

### Indexes of Business Activity

The outstanding development in business activity during the past month has been a large increase in sales of textiles by mill agents, accompanying the substantial rise in prices of textile raw materials. Changes in other data now available on general business activity in August were largely confined to the usual seasonal movements. Car loadings of merchandise and miscellaneous freight in the first three weeks of the month were little changed from the average July level, while loadings of bulk freight showed a small seasonal increase. Department store sales in New York City and vicinity in the first half of August were 22 per cent lower than a year previous, the smallest year to year reduction since April. On the other hand, a preliminary estimate indicates that bank debits outside of New York City declined more than seasonally.

A majority of this bank's indexes of general trade and business activity were somewhat lower in July than in June. Car loadings of merchandise and miscellaneous freight declined substantially, sales of department stores in this district were reduced more than is usual, and decreases occurred in the seasonally adjusted indexes of wholesale trade and of chain grocery store sales. There was also a decline in foreign trade which is explainable only in small part by the usual seasonal change. On the

other hand, car loadings of bulk freight showed more than the usual seasonal expansion, and the adjusted index of bank debits outside of New York rose slightly for the second consecutive month.

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

	1931	1932		
	July	May	June	July
<i>Primary Distribution</i>				
Car loadings, merchandise and misc.....	75	56	55	51
Car loadings, other.....	69	42	38	41
Exports.....	64	52	45	43p
Imports.....	80	60	65	49p
Waterways traffic.....	64	34	32	31
Wholesale trade.....	97	76	79	77
<i>Distribution to Consumer</i>				
Department store sales, 2nd Dist.....	90	76	76	73
Chain grocery sales.....	94	77	74	72
Other chain store sales.....	87	78	76	76
Mail order house sales.....	92	75	73	69
Advertising.....	76	59	59	55
Gasoline consumption.....	86	65	81	
Passenger automobile registrations.....	53	31	41p	
<i>General Business Activity</i>				
Bank debits, outside of New York City.....	82	63	64	65
Bank debits, New York City.....	72	57	62	61
Velocity of bank deposits, outside of New York City.....	88	79	76	82
Velocity of bank deposits, New York City.....	80	55	61	61
Shares sold on N. Y. Stock Exchange.....	104	56	59	75
Postal receipts.....	85	69	69	
Life insurance paid for.....	89	73	76r	76p
Electric power.....	87	68	68p	
Employment in the United States.....	77	63	61	60
Business failures.....	100	132	129	139
Building contracts.....	56	31	22	27
New corporations formed in N. Y. State.....	96	83	94	91
Real estate transfers.....	52	47	48	
General price level*.....	149	132	129	129
Composite index of wages*.....	207	184	182r	180p
Cost of living*.....	148	132	130	134

p Preliminary r Revised \* 1913 average=100

### Building

An increase of 14 per cent over June occurred in the July volume of building and engineering contracts awarded in the 37 States covered by the F. W. Dodge Corporation report. Ordinarily, the July contract volume is less than June, but this year contracts for public works and other non-residential construction, chiefly public buildings, showed an increase between these two months. The total of contract awards, however, continued at a comparatively low level, the July figure being 55 per cent below that of a year ago. Nevertheless, this comparison is more favorable than that of the first seven months of the year for which the total was 62 per cent smaller than a year ago.

During the first three weeks of August, the value of contract awards receded from the July level by about the estimated seasonal amount. A substantial falling off in residential construction and in non-residential construction of the commercial, factory, and public building type was approximately offset by a considerably less than seasonal decline in public works and utilities contracts.

### Foreign Trade

The foreign merchandise trade of the United States continued to decline during July, only a small part of the decrease being accounted for by seasonal movements. Exports, amounting to \$107,000,000, were 41 per cent below a year ago and were at the lowest level since July 1908. After a brief stimulus in the previous month

in anticipation of higher tariff rates on certain commodities, imports declined in July to only \$79,000,000, or less than half the value of a year ago and the smallest monthly total since July 1904.

Exports of crude materials showed a substantial gain over the previous month, reducing their decline from a year ago to less than 3 per cent. Shipments of raw cotton, one of the leading commodities in this type of exports, were 17 per cent larger in value than in July 1931, and the volume was increased 77 per cent. Other major groups of exports, however, registered larger declines from a year ago in July than in the previous month. The heaviest drop occurred in exports of crude foodstuffs, chiefly grains.

Among the imports, crude and manufactured foodstuffs showed the smallest percentage decrease from a year ago. Meanwhile, imports of crude materials and semi-manufactures, the two groups that showed temporary gains in the previous month, had the largest decreases from July 1931—about 60 per cent. The volume of crude rubber and coffee imports showed considerable declines, both as compared with the previous month and with a year ago, while the quantity of raw silk imports was somewhat larger than in June and only 3 per cent less than a year ago.

### Wholesale Trade

Total July sales of the reporting wholesale firms in this district were about 42 per cent smaller than a year ago, a somewhat larger decline than had been reported in previous months. Sales of stationery, groceries, cotton goods, men's clothing, jewelry, and diamonds showed unusually large year to year reductions, while sales of hardware, shoes, and paper registered decreases not materially larger than in June. Drug firms reported a decline in sales, following an increase in June, but the reduction was the smallest reported by any line in July. Machine tool orders, reported by the National Machine Tool Builders Association, were reduced from a year ago by the largest percentage since April. Yardage sales of silk, reported by the Silk Association of America, were reduced less than in June.

Stocks of merchandise held by wholesalers at the end

Commodity	Percentage change July 1932 compared with June 1932		Percentage change July 1932 compared with July 1931		Per cent of accounts outstanding June 30 collected in July	
	Net sales	Stock end of month	Net sales	Stock end of month	1931	1932
Groceries . . . . .	-11.3	+ 0.8	-25.5	-17.3	78.8	73.9
Men's clothing . . . . .	-51.4	.....	-66.8	.....	31.0	28.7
Cotton goods . . . . .	-41.6	+ 5.3	-47.6	-37.3	34.0	30.0
Silk goods . . . . .	- 3.5*	+ 1.8*	-27.7*	- 6.3*	54.7	61.3
Shoes . . . . .	-13.6	+23.8	-49.2	-21.1	39.3	30.7
Drugs . . . . .	-23.2	- 2.9	- 5.8	- 2.3	23.9	21.4
Hardware . . . . .	-24.9	- 7.4	-36.8	-24.7	47.2	44.8
Machine tools** . . . . .	-32.0	.....	-38.9	.....	.....	.....
Stationery . . . . .	-17.2	.....	-41.7	.....	63.3	53.2
Paper . . . . .	-16.8	.....	-39.1	.....	53.1	45.2
Diamonds . . . . .	-63.6	- 1.8	-75.3	-30.7	16.8	15.4
Jewelry . . . . .	-77.6	+ 2.7	-72.1	-24.2		
Weighted average . . . . .	-26.7	.....	-41.9	.....	49.1	45.9

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

of July were about as far below a year ago in most lines as at the end of June. Collections in July averaged slightly slower than in June.

### Department Store Trade

Total July sales of the reporting department stores in this district were 30 per cent below a year ago, but after making allowance for two less shopping days in July this year than in 1931, the reduction in average daily sales was slightly smaller than in June. Average daily sales of the New York, Newark, Northern New York State, and Capital District department stores showed smaller decreases than in June, and the daily sales of Buffalo, Bridgeport, Syracuse, Southern New York State, Hudson River Valley District, and Westchester stores were below the level of a year ago by the smallest percentages in several months. Sales of the leading apparel stores on a daily basis also were reduced from a year ago by a slightly smaller amount than in June.

During the first half of August the sales of reporting department stores in New York and vicinity showed a decline of 22 per cent from the corresponding period last year, the smallest decrease since April.

Merchandise stocks on July 31, valued at retail prices, were further below the level of a year ago than at the close of June. July collections in all localities were slower than in 1931.

Locality	Percentage change from a year ago			Per cent of accounts outstanding June 30 collected in July	
	Net sales		Stock on hand end of month	1931	1932
	July	Jan. to July			
New York . . . . .	-29.8	-21.8	-23.9	46.4	41.7
Buffalo . . . . .	-31.1	-23.3	-23.1	42.9	37.1
Rochester . . . . .	-36.0	-25.3	-23.9	40.3	33.9
Syracuse . . . . .	-29.6	-28.3	-18.0	25.1	23.4
Newark . . . . .	-30.8	-19.8	-19.5	40.5	35.4
Bridgeport . . . . .	-32.3	-26.3	-12.7	38.0	32.6
Elsewhere . . . . .	-27.7	-22.7	-15.2	32.1	29.0
Northern New York State . . . . .	-36.9	.....	.....	.....	.....
Southern New York State . . . . .	-26.7	.....	.....	.....	.....
Hudson River Valley District . . . . .	-27.4	.....	.....	.....	.....
Capital District . . . . .	-27.4	.....	.....	.....	.....
Westchester District . . . . .	-24.7	.....	.....	.....	.....
All department stores . . . . .	-30.1	-21.9	-22.3	42.6	37.9
Apparel stores . . . . .	-31.2	-25.4	-25.5	42.4	38.1

Commodity	Net sales percentage change July 1932 compared with July 1931		Stock on hand percentage change July 31, 1932 compared with July 31, 1931
	Net sales	Stock end of month	
Woolen goods . . . . .	-10.5	-19.1	-19.1
Toilet articles and drugs . . . . .	-16.3	+18.0	+18.0
Hosiery . . . . .	-23.6	-34.8	-34.8
Men's and Boys' wear . . . . .	-25.3	-16.5	-16.5
Women's ready-to-wear accessories . . . . .	-27.2	-28.0	-28.0
Cotton goods . . . . .	-27.6	-17.8	-17.8
Books and stationery . . . . .	-28.8	-24.1	-24.1
Home furnishings . . . . .	-30.1	-18.3	-18.3
Shoes . . . . .	-31.4	-15.3	-15.3
Linen and handkerchiefs . . . . .	-31.5	-22.4	-22.4
Women's and Misses' ready-to-wear . . . . .	-32.5	-38.6	-38.6
Men's furnishings . . . . .	-33.7	-19.7	-19.7
Silks and velvets . . . . .	-34.3	-24.0	-24.0
Silverware and jewelry . . . . .	-34.4	-12.9	-12.9
Furniture . . . . .	-39.9	-25.3	-25.3
Toy and sporting goods . . . . .	-40.5	-13.4	-13.4
Luggage and other leather goods . . . . .	-41.1	-25.6	-25.6
Musical instruments and radio . . . . .	-47.8	-12.4	-12.4
Miscellaneous . . . . .	-27.2	-29.7	-29.7



# FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, SEPTEMBER 1, 1932

## Business Conditions in the United States

(Summarized by the Federal Reserve Board)

**V**OLUME of industrial output declined seasonally from June to July while factory employment and payrolls decreased by more than the usual seasonal amount. In July the general level of wholesale prices was about 1 per cent higher than in June, and in the first half of August prices of many leading commodities advanced considerably. Reserve Bank credit declined somewhat in the four weeks ended August 17, reflecting chiefly a substantial growth in the country's stock of monetary gold.

### PRODUCTION AND EMPLOYMENT

Industrial production declined by about the usual seasonal amount in July and the Board's index, which is adjusted to allow for the usual seasonal variations, remained unchanged at 59 per cent of the 1923-1925 average. Activity decreased seasonally in the steel industry; by slightly more than the usual seasonal amount in the lumber, cement, newsprint, and meat packing industries; and by substantially more than the seasonal amount in the automobile and lead industries. Output of shoes, which ordinarily increases in July, declined. At woolen mills activity increased by a substantial amount, and at silk mills there was a seasonal increase in production. Activity at cotton mills decreased, as is usual in July, while sales of cotton cloth by manufacturers increased considerably. Output of coal increased from the low level prevailing in June.

Reports on the volume of factory employment and payrolls showed substantial declines from the middle of June to the middle of July. In the machinery, women's clothing, and hosiery industries, and at railroad repair shops, the number employed decreased by considerably more than the usual seasonal amount, and at shoe factories the increase reported was smaller than usual. In the woolen goods industry a substantial increase in employment was reported.

Value of building contracts awarded, as reported by the F. W. Dodge Corporation, continued at a low level during July and the first half of August.

Prospects for many leading crops, including corn, spring wheat, potatoes, and tobacco, were reduced somewhat during July, according to the Department of Agriculture. The estimated total wheat crop, based on August 1 conditions, is 723,000,000 bushels, a decrease of about 175,000,000 bushels from last year's large crop, reflecting a reduction of 350,000,000 bushels in the winter wheat crop, offset in part by an estimated increase of 175,000,000 in the spring wheat crop. The first official cotton estimate, as of August 1, was 11,300,000 bales, as compared with crops of 17,100,000 last season and 13,900,000 the year before. The indicated production of corn is 2,820,000,000 bushels, substantially larger than the crops of the last two seasons and slightly larger than the five year average.

### DISTRIBUTION

Volume of freight traffic decreased somewhat from June to July, and value of department store sales was substantially reduced.

### WHOLESALE PRICES

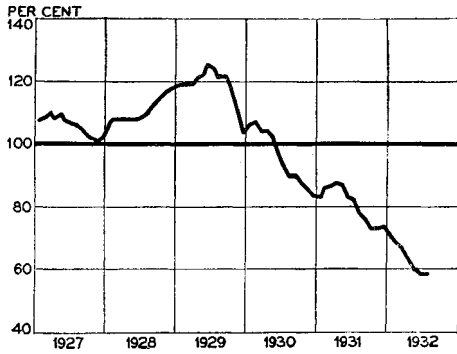
The general level of wholesale prices, as measured by the monthly index of the Bureau of Labor Statistics, advanced from 63.9 per cent of the 1926 average in June to 64.5 per cent in July. Between the middle of July and the third week of August prices of live stock and meats, which had previously advanced considerably, declined somewhat, while price increases were reported for many other leading commodities, including wheat, textile raw materials and finished products, nonferrous metals, hides, sugar, coffee, and rubber.

### BANK CREDIT

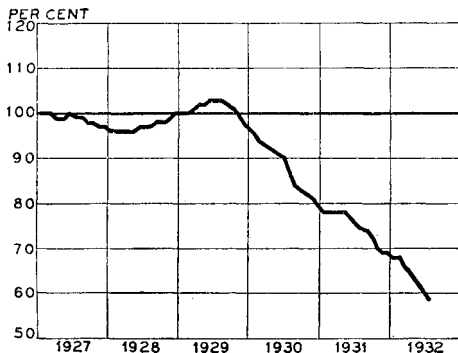
The total volume of Reserve Bank credit outstanding, which had increased by \$850,000,000 between the end of March and the third week of July, declined by \$95,000,000 in the four weeks to August 17, and in the same period member banks increased their reserve balances by \$45,000,000. These changes reflected chiefly the addition of \$95,000,000 to the country's stock of monetary gold and an inflow to the banks of \$30,000,000 in currency.

Total loans and investments of reporting member banks in leading cities were \$250,000,000 larger on August 17 than four weeks earlier. Total loans of these banks continued to decline throughout the period, while their investments increased substantially, reflecting an increase in holdings of United States Government securities in connection with Treasury financing operations. Time deposits increased by \$95,000,000 and net demand deposits by \$85,000,000.

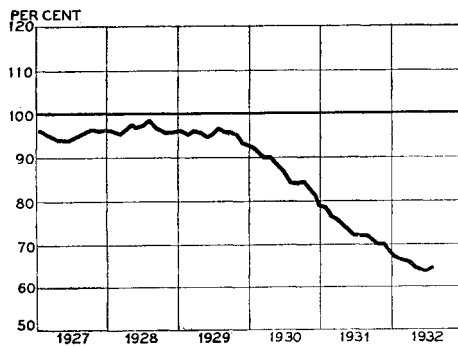
Money rates in the open market remained at low levels. Successive reductions brought the prevailing rates on prime commercial paper to a range of 2-2¼ per cent in the first part of August.



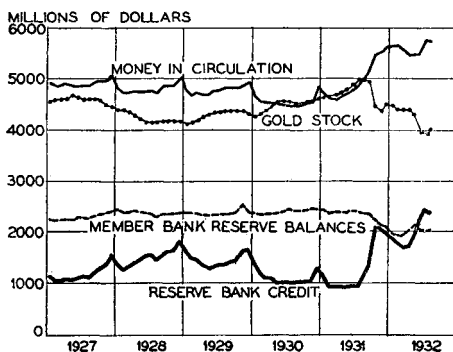
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average = 100 per cent)



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)



Federal Reserve Bank Credit and Principal Factors in Changes (Monthly averages of daily figures; latest figures are averages of first 21 days of August)