

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

November 1, 1932

Money Market in October

A continued flow of funds into the banks has occurred during the past month. As in the two previous months, some of the funds have been used either for further repayments of member bank indebtedness at the Reserve Banks or as the basis for expansion of bank credit, and the remainder has been added to unemployed reserves. The principal receipts of funds by member banks during the past three months, and the ways in which the funds have been used, have been as follows:

(In millions of dollars)

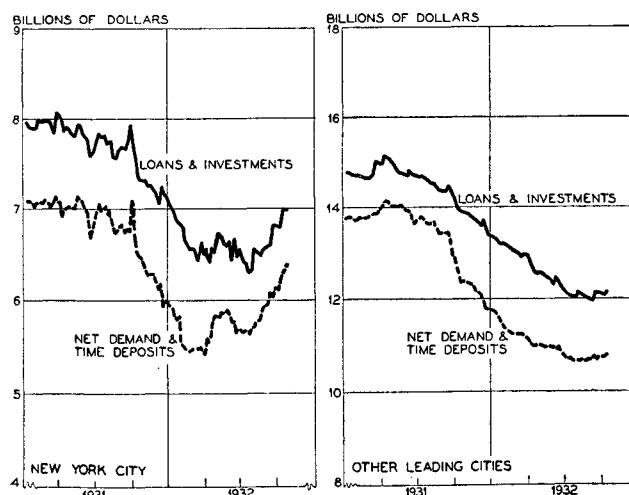
	July 27 to Oct. 26
FUNDS OBTAINED THROUGH:	
Gold imports, releases of earmarked gold, etc.....	297
Increase in Treasury currency outstanding (chiefly new National bank notes).....	134
Net receipt of all kinds of currency from circulation	106
Total funds received.....	537
DISPOSITION OF FUNDS:	
Used to repay borrowings at Federal Reserve Banks..	203
Used as reserve against increased deposits, which resulted partly from credit expansion.....	90
Total funds used.....	293
Amount added to excess reserves.....	244

As this indicates, the largest gain of funds has been through the rise in this country's monetary gold stock, which has been supplemented by the issuance of a substantial volume of new National bank notes and by a return flow of currency to the banks which is contrary to seasonal tendency. Over \$200,000,000 of the funds have been used to repay borrowings from the Reserve Banks, about \$90,000,000 have been absorbed by the increase in member bank reserve requirements, and the remainder has not thus far been employed.

During the past four weeks the gain of gold, while substantial, has not been quite as large as in the two previous months, and the return flow of currency has been relatively small. New issues of National bank notes also have been somewhat smaller in October than in August and September, and, although some further repayments of member bank borrowings from the Reserve Banks have been made, the change here again has been less rapid during the past month. On the other hand, the increase in reserve requirements reflecting deposit

increases has been accelerated, especially in New York, where the principal banks have continued to hold at least half of the total excess reserves.

Recent changes in the deposits and in the total loans and investments of reporting member banks in New York City and in other leading cities are shown in the accompanying diagram. As the first section of this diagram indicates, the net demand and time deposits of the principal New York City banks are now nearly \$1,000,000,000 above the low point reached in March, and a large part of the gain has taken place since July. The increase during the past three months has been due partly to the direct effects of currency deposits at these banks, the receipt by the banks of the proceeds of gold imports and gold released from earmark, and deposits of funds in New York by banks in other localities. A considerable part of the increases in deposits, however, has resulted directly or indirectly from the credit expansion which is reflected in total loans and investments. During the past month there has been a further net increase of about \$200,000,000 in the loans and investments of New York banks, bringing the total increase since the third week in July to about \$700,000,000. The total loans of these banks have not changed materially during the past month, but holdings of Government securities have continued to increase substan-



Total Loans and Investments and Net Demand and Time Deposits of Weekly Reporting Member Banks in New York City and Other Leading Cities

tially, and recently there has been a moderate increase also in investments in other securities.

Outside of New York there has been no material increase as yet, either in deposits or in total loans and investments. However, the deposits of the reporting banks outside of New York reached their lowest point in August and have since shown a gradual upward tendency, and the total loans and investments of these banks have at least leveled out during the past three months.

The earlier expansion of bank credit in New York City than elsewhere is in conformity with the usual developments in periods of depression. Almost invariably the New York City banks have led in expanding credit, probably due to the earlier accumulation of funds in their possession. Some of the funds they receive, however, represent deposits by banks in other localities pending the time when those banks find satisfactory ways of employing funds. This frequently puts the responsibility for employing funds on the "money market" banks in New York until evidences of at least the early stages of business improvement appear. Many of the important developments of the past few months, including the accumulation of substantial excess reserves, the expansion of deposits and then of investments in New York banks, the rise in prices of high grade bonds, and the recent upturn in business activity, have followed the same general pattern as that observed on a number of occasions in earlier periods of depression.

MONEY RATES

Open market money rates in New York moved somewhat lower during October. On October 13 the Stock Exchange rate for call money, which had been held at 2 per cent for several months, was reduced to 1 per cent. This was accompanied by a slight further decline in quotations for Stock Exchange time loans and a reduction of $\frac{1}{4}$ per cent in rates on bankers acceptances. Government securities maturing within six months continued to sell on a basis which offered no net yield, and commercial paper rates declined gradually.

Money Rates at New York

	Oct. 30, 1931	Sept. 30, 1932	Oct. 31, 1932
Stock Exchange call loans.....	2½	2	1
Stock Exchange 90 day loans.....	*3½-4	*1	*1½-¾
Prime commercial paper.....	3¾-4¼	2-2½	1¾-2
Bills—90 day undorsed.....	3¼	¾	¾
Customers' rates on commercial loans..	†3.67	†3.98	†3.96
Treasury securities			
Maturing December (yield).....	1.48	No yield	No yield
Maturing March (yield).....	2.32	No yield	No yield
Federal Reserve Bank of New York re- discount rate.....	3½	2½	2½
Federal Reserve Bank of New York buying rate for 90 day indorsed bills	3½	1	1

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

BILL MARKET

The discount market for bankers bills continued extremely quiet during October, reflecting the large excess reserves in the possession of the member banks which induced them to retain most of the bills that came into

their possession either in the process of accepting or discounting. Dealers' portfolios remained at a low level, as the few bills that they were able to obtain quickly moved out in response to investment demand, which included some buying by domestic corporations. Dealers' rates for bills, which had shown no change since June, were reduced $\frac{1}{4}$ of one per cent on October 13, following the reduction in the call loan rate, without any appreciable effect on the supply of or demand for bills. The new offering rates of $\frac{1}{2}$ per cent for maturities up to 90 days, $\frac{5}{8}$ per cent for 4 month bills, and $\frac{7}{8}$ per cent for 5 and 6 month dates are the lowest in the history of dollar acceptances.

With Federal Reserve holdings of bills for their own account remaining at a low level and with the amount held for foreign correspondents declining further, the accepting banks and bankers continued during October to hold a large proportion of all the bills outstanding. The accepting institutions' holdings on September 30 amounted to \$573,000,000, or 84 per cent of the \$683,000,000 of bills outstanding on that date. The end of September outstandings were less than \$2,000,000 higher than the August total, but the increase was the first that had occurred since October 1931. The September increase was the result chiefly of seasonal drawings of bills under domestic warehouse credits.

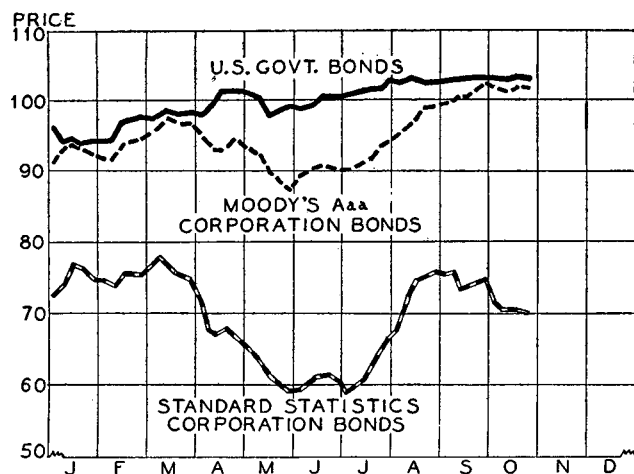
COMMERCIAL PAPER MARKET

Open market commercial paper rates were reduced from 2-2¼ per cent to a prevailing range of 1¾-2 per cent during the first week of October, and following reductions in call money and bill rates around the middle of the month there was a tendency for commercial paper rates to seek still lower levels. Some high grade names began to be offered at 1½ per cent, but due to the scarcity of this type of paper no general change from the rate level established in the first part of the month became effective. Dealers' supplies of paper continued light, reflecting the small borrowing requirements of the type of industrial and commercial concern that can obtain funds in the open market. Meanwhile, the steady investment demand coming from the banks quickly absorbed all of the good paper offered by dealers.

A further increase of 9 per cent occurred during September in the amount of commercial paper outstanding through dealers reporting to this bank, carrying outstandings up to \$118,000,000. The August-September increase this year is in contrast with a decline in the corresponding period of the two previous years. The September 30 figure, however, was less than half as large as that of September 1931.

Security Markets

The principal characteristic of the bond market during October was the stability that existed in the prices of high grade investment issues. As is indicated by the line in the accompanying diagram showing price movements for the highest grade of domestic corporation bonds, as reported by Moody's Investors Service, such issues



Federal Reserve Bank of New York Price Average of United States Government Bonds, Moody's Investors Service Average Price of 30 Aaa Domestic Corporation Bonds, and the Standard Statistics Company Daily Price Index of 60 Domestic Corporation Bonds

held within a half point of their recent highs, which were some 15 to 20 per cent above the lowest levels of the year. Despite the recent firmness, however, prices of even these high grade issues still remain below the general level that has prevailed in previous years for these securities. United States Government bonds likewise fluctuated during October at a level close to the highest of the year, showing a net decline of about one-quarter point from the end of September.

Prices of lower grade issues were not as well maintained as the high grade issues, however. This is reflected in the third line in the diagram which represents an average composed of various grades of bonds, computed by the Standard Statistics Company. This index has declined about 6 points from its recent high, and another bond average which also includes a sizable proportion of the less high grade issues has receded by about the same amount. During the second half of the month all of the currently available bond averages steadied somewhat.

In foreign bonds, recent movements have corresponded more nearly to the movements of high grade domestic issues than to the lower grade issues. The Baker-Kellogg Company average of 40 foreign bonds advanced slightly further in the first week of October and then declined about $1\frac{3}{4}$ points.

Stock prices moved very irregularly during October in a considerably less active market than existed in the preceding two months. A rather sharp drop in prices during the first ten days of October was followed by an irregular recovery for the next ten days, after which price declines again predominated. During the latter part of October average prices did not reach as low a level as during the first part, but nevertheless representative stock averages showed a net loss of about 13 per cent for the month and of about 25 per cent from the early September recovery peak, a loss of about half of the advance which had occurred from the July low. Industrial stocks have lost about 51 per cent of the previous recovery, railroads about 43 per cent, and pub-

lic utility shares approximately 39 per cent, while bank stocks have retained all but about one-third of their advance.

New Financing

The volume of new security issues put out by domestic corporations, States, and municipalities continued at a low level in October. Public utility financing was somewhat larger than in the previous month, however, due to several moderate sized bond issues. For September, final figures place the total of new financing in this market at \$161,000,000, of which \$86,000,000 was for refunding purposes. New capital issues of States and municipalities totaled \$67,000,000, domestic corporate issues \$6,000,000, and foreign issues \$2,000,000.

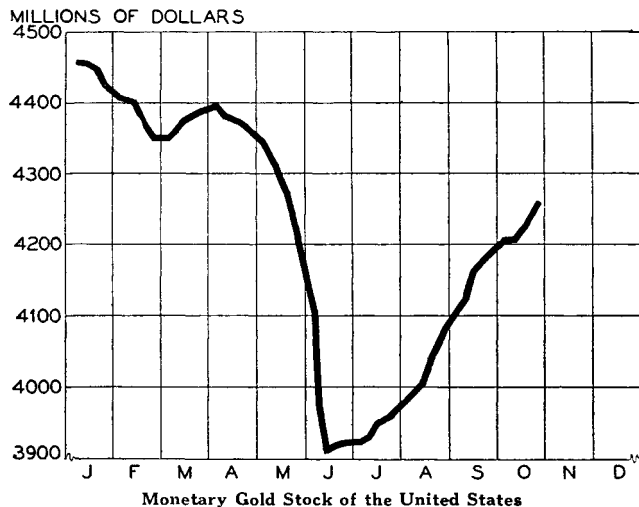
United States Government financing in October was less than in September, which is one of the quarterly financing periods of the Treasury. An issue of \$508,000,000 of $4\frac{1}{2}$ year 3 per cent Treasury notes was floated on October 15, however, to provide for the redemption of \$333,000,000 of Treasury certificates of indebtedness and for \$155,000,000 of interest payments on the public debt which were due on that date. Subscriptions to this issue were very heavy, and, as \$318,000,000 of the maturing certificates which had been given preferred allotment for the new issue were tendered in exchange, the allotments on cash subscriptions were very small and the issue quickly sold up to a premium of 1 point. Other financing by the Treasury during October included three sales of 91 and 92 day Treasury bills, aggregating \$231,000,000, which were issued to replace maturities of Treasury bills. The October sales of bills were made at average rates of 0.14 to 0.20 of one per cent, the lowest rates ever obtained on this type of issue.

Central Bank Rate Changes

A downward movement of central bank rates continued during October with five reductions reported. On October 7 the South African Reserve Bank reduced its rate from 6 to 5 per cent. On the 12th the National Bank in Copenhagen (Denmark) lowered its rate from 4 to $3\frac{1}{2}$ per cent, and on the 18th the rate of the National Bank of Hungary was lowered to $4\frac{1}{2}$ per cent from the 5 per cent rate which had been in effect since July 1. The Bank of Poland reduced its rate from $7\frac{1}{2}$ to 6 per cent on October 21, and on the 22nd, according to press reports, the rate of the Bank of Spain was reduced from $6\frac{1}{2}$ to 6 per cent.

Gold Movement

The monetary gold stock of the United States continued to increase in October, a total of about \$70,000,000 being added during the month. As shown in the following diagram, there has been a rise in the gold stock of about \$355,000,000 from the low point of mid-June, representing a recovery of approximately two-thirds of the preceding loss since the beginning of the year. Re-



leases from earmarked holdings for foreign central banks, exclusive of gold released for export, have accounted for \$236,000,000 of this gain, and imports of gold for most of the balance.

During October, gold released from earmark by foreign central banks amounted to some \$46,000,000, the proceeds of these releases being paid out in the New York money market. Imports of gold at the Port of New York totaled about \$10,500,000, of which \$6,000,000 came from India, \$2,000,000 from Holland, \$1,250,000 from England, and \$800,000 from Mexico. At San Francisco, \$3,600,000 was imported from China, \$3,350,000 from Japan, and \$580,000 from Australia. Exports continued to be negligible.

Foreign Trade

The foreign merchandise trade of this country showed more than the usual seasonal increase in September. Exports, amounting to \$132,000,000, were 27 per cent less than a year ago, the smallest year-to-year decline since August 1930. Imports, valued at \$98,000,000, were 43 per cent below September 1931, but this also represents a somewhat smaller decline than in the two previous months.

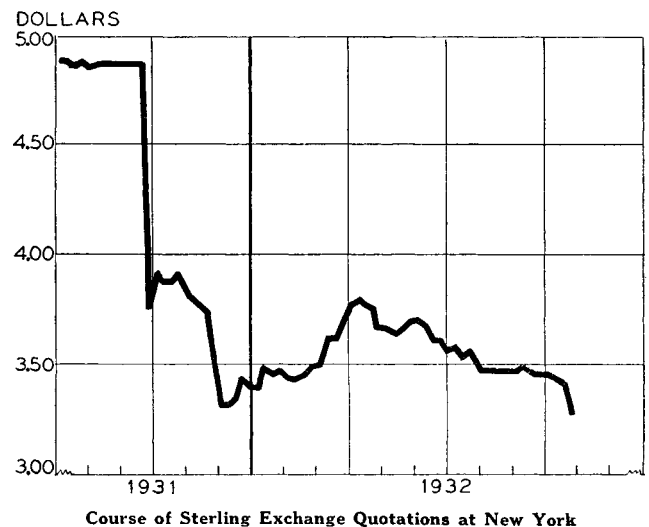
Exports of crude materials in September again showed an increase over a year ago, constituting 37 per cent of the value of all exports compared with 25 per cent a year ago, and becoming the most important of the major export groups. The gain in this group of exports is more than accounted for by a continued substantial foreign demand for American cotton, especially by European countries. All other groups of exports remained well below last year's figures, crude foodstuffs and finished manufactures showing about the same percentage reductions as in August. In the case of exports of semi-manufactures and manufactured foodstuffs, however, the declines from a year ago were considerably less than in the previous month.

Among the imports, the value of crude and manufactured foodstuffs and of crude materials showed smaller reductions from a year ago than in August. Imports of crude foodstuffs were only 7 per cent less in value, due in part to the higher prices that prevailed for coffee as compared with a year ago. Raw silk imports were considerably larger in quantity than in September 1931, but the volume of crude rubber imports continued to show a heavy reduction from a year ago. Imports of wholly and partly finished goods showed larger year-to-year declines than in the previous month, and were less than half the September 1931 value.

Foreign Exchange

During October most of the European gold currencies strengthened against the dollar on two separate occasions. On October 5 a reversal in the previous downward trend began which carried French francs, Swiss francs, belgas, and guilders well above parity. A renewed decline in these exchanges developed after October 8, however, which continued through the 18th. On that day sterling fell from \$3.44½ to \$3.40½, beginning a decline which carried the pound down to \$3.27½ on the 26th, or close to the low level of last December, as is indicated in the accompanying diagram. Coincident with the progressive decline in sterling, the principal European gold currencies again strengthened, though they lost some of their gains toward the end of the month. There were no significant changes in reichsmarks, lire, or Spanish pesetas. The Scandinavian exchanges moved in sympathy with sterling.

In the South American list exchange rates continued to be held within a narrow range. Japanese yen weakened steadily throughout the month, going to new low levels, and the silver currencies declined during the last few days. Canadian dollars were strong around the middle of October, touching \$.9387, but dropped toward the end of the month to \$.9038.



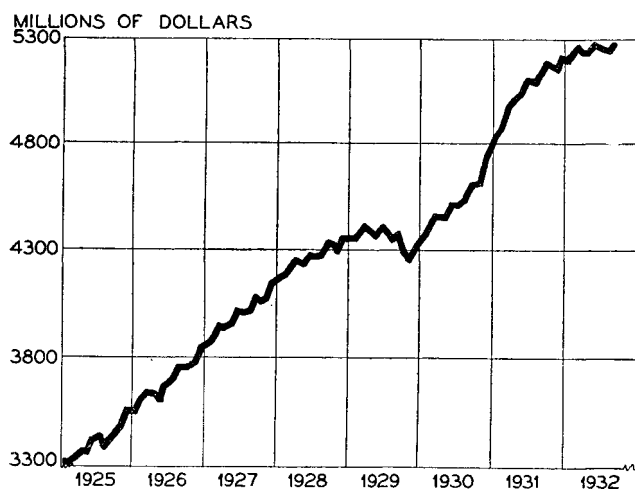
Closing Cable Rates at New York

Exchange on	Par of Exchange	Oct. 31, 1931	Sept. 30, 1932	Oct. 28, 1932
Belgium.....	\$.1390	\$.1393	\$.1388	\$.1391
Denmark.....	.2680	.2180	.1795	.1710
England.....	4.8666	3.8300	3.4588	3.2800
France.....	.0392	.0393	.03918	.03929
Germany.....	.2382	.2365	.2379	.2377
Holland.....	.4020	.4029	.4016	.4024
Italy.....	.0526	.0516	.0513	.0512
Norway.....	.2680	.2140	.1745	.1675
Spain.....	.1930	.0888	.0818	.0820
Sweden.....	.2680	.2240	.1775	.1715
Switzerland.....	.1930	.1949	.1928	.1930
Canada.....	1.0000	.8988	.9063	.9038
Argentina.....	.9648	.5319	.5865	.5865
Brazil.....	.1196	.0625	.0763	.0763
Uruguay.....	1.0342	.4050	.4750	.4785
Japan.....	.4985	.4895	.2425	.2213
India.....	.3650	.2925	.2622	.2487
Shanghai.....3250	.3038	.2975

Savings Bank Deposits

Although deposits in New York State savings banks are being maintained at a higher level than in any previous year, the rate of growth of savings deposits in recent months has become much less rapid, as is indicated in the accompanying diagram which is based on figures compiled by the Savings Bank Association of the State of New York. The reason for this decline in the rate of growth is to be found in the excess of withdrawals over deposits which has been reported by the savings banks for most of the months during the past year, and which has absorbed a large part of the amount added to deposit accounts through the crediting of interest. In addition, the number of open accounts on the books of the savings banks has shown no net increase since March, as compared with a steady rise in preceding years.

The retarding of deposit growth and the failure of the number of savings accounts to continue to increase doubtless reflects the accumulative effects of the depression. After two years of almost continuous decline in employment, a number of people apparently have been forced recently to draw on their accumulated savings to provide for necessities. Accompanying some improvement in the



Deposits in New York State Savings Banks (Data compiled by the Savings Bank Association of the State of New York)

employment situation in September, the excess of withdrawals over deposits was comparatively small.

Employment and Wages

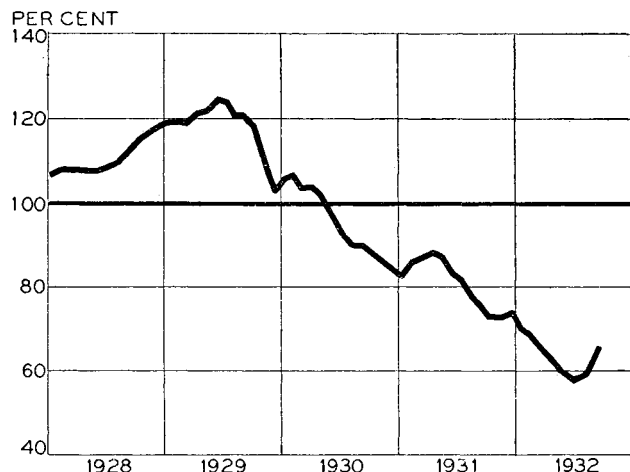
Following moderate improvement in the preceding month, employment in manufacturing industries showed a larger increase from August to September. After allowance for the usual seasonal expansion, factory employment for the country as a whole, as measured by the index of the Federal Reserve Board, rose nearly 3 per cent, the largest percentage increase for any month since 1922. Although the most notable advance again occurred in the textile industries, increases of moderate proportions were more prevalent among the other industrial lines than in the preceding month. According to an estimate of the American Federation of Labor, the number of workers without employment was reduced during September from 11,460,000 to 10,900,000. More than half of the increase in employment resulted from additions to factory working forces. Factory payrolls showed an increase of 5 per cent from August to September, which is considerably in excess of the customary seasonal expansion.

On the basis of returns compiled by the State Department of Labor, factory employment and payrolls in New York State showed increases of 6 per cent and 9 per cent, respectively, from August to September. These gains are the largest for any month since the compilation of the data was begun in 1914. Although the increases in the aggregate figures reflect chiefly the large expansion which was reported by the textile, clothing, and food industries, smaller increases occurred also in most of the other industrial groups. The State Department of Labor reports a decline in employment in the building industry during September, but a small increase in the number of workers engaged in highway construction.

Production

Further expansion in the output of certain important industries during October has been indicated by the currently available weekly reports. Activity in the steel industry continued to increase, although no consistent seasonal movement from September to October is apparent in the data for past years, and in the latter part of the month the Iron Age weekly estimate of the ratio of operations to capacity was at 19 to 19½ per cent as compared with a low of 13 per cent in the early part of September. The increased activity of this industry was attributed chiefly to small orders received from miscellaneous consumers rather than to a substantial improvement in the demand from the leading steel consuming industries. The output of bituminous coal showed a further substantial rise during October, even after allowance for the usual seasonal expansion. Production of cotton goods expanded about as much as usually, and output of crude petroleum showed little change, either before or after seasonal adjustment. On the other hand, activity in the automobile industry was reported to have contracted.

In September, industrial production showed an in-



Index of Industrial Production (Computed by Federal Reserve Board; 1923-25 average=100 per cent)

crease substantially in excess of the usual proportions, and the seasonally adjusted index of production computed by the Federal Reserve Board advanced 10 per cent to the highest level since March, as is indicated in the accompanying diagram. In general, the largest increases in output from August to September were in those industries whose products are the object of consumer expenditure. Substantial increases in activity occurred in the textile, shoe, meat packing, sugar refining, and anthracite coal industries. Little change other than seasonal occurred in the production of tobacco products and wheat flour, however, and the output of passenger automobiles was somewhat further curtailed.

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

	1931		1932	
	Sept.	July	Aug.	Sept.
Metals				
Pig iron.....	40	19	17	20
Steel ingots.....	39	21	20	24
Lead.....	57	28	29	36
Zinc.....	43	29	25	26
Tin deliveries.....	76	41	36	
Automobiles				
Passenger cars.....	29	25	18	16
Motor trucks.....	54	32	24	32
Fuels				
Bituminous coal.....	73	49	54	60 _p
Anthracite coal.....	71	50	52	68 _p
Coke.....	55	36	35	37
Petroleum, crude.....	72	68	67	68 _p
Petroleum products.....	78	64	61	
Textiles and Leather Products				
Cotton consumption.....	79	54	68	83
Wool mill activity.....	84	60	78	87 _p
Silk consumption.....	94	82	88	100
Shoes.....	86	69	83 _p	91 _p
Foods and Tobacco Products				
Live stock slaughtered.....	99	84	92	106
Wheat flour.....	85	85	76	78
Sugar meltings, U. S. ports.....	80	64	62	74
Tobacco products.....	87	82	78	79
Miscellaneous				
Cement.....	77	48	47	50
Tires.....	51	55	41	
Lumber.....	40	30	27	28
Printing activity.....	79	65	63	
Newspaper.....	86	72	72	68

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Among the other industries, gains of more than seasonal proportions were shown in the output of pig iron, steel ingots, bituminous coal, and motor trucks.

Commodity Prices

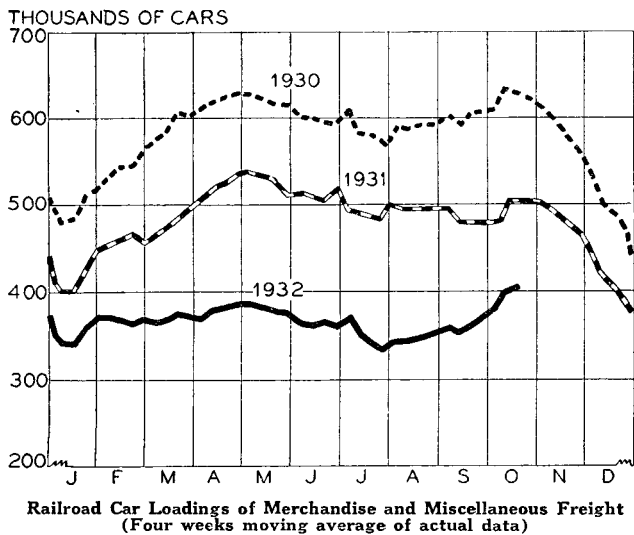
Following a rise of 3 per cent in the weekly wholesale commodity price index of the Bureau of Labor Statistics from the middle of June to the early part of September, this index lost approximately two-thirds of its advance during the succeeding six weeks. These movements of wholesale commodity prices during the past four months have been similar to the fluctuations which occurred following several former periods of prolonged price decline; the first recovery after a long downward movement of prices in the past frequently was followed by a reaction that canceled a large part of the gain.

During the past four months the average prices of commodities other than farm products and foods have fluctuated around a fairly stable level, and the moderate movements which have occurred in the general index of wholesale prices have been chiefly the result of corresponding movements of much wider amplitude in the prices of agricultural commodities. The price of cotton, for example, which had advanced from a June low of 5 cents a pound to 9.20 cents in August, has subsequently reacted to around 6.20 cents in the latter part of October. Similarly a sharp rise in the price of hides from a low of 3¾ cents a pound in June to 8½ cents in September has been followed by a decline to 6½ cents a pound in October. Livestock prices also have declined rather continuously during the past two months, but have retained some portion of their previous gains. In contrast with these commodities, all of which have remained above their previously established lows, the price of cash wheat at Minneapolis, after advancing from its July low of 49⅝ cents a bushel to 59¾ cents in the early part of September, has since declined to 48⅜ cents, a new low point. Corn quotations have also established new lows during October.

Among the other important basic commodities, copper has declined ⅞ of a cent in October to 5⅜ cents a pound, scrap steel at Pittsburgh has receded 25 cents to \$9.50 a ton, and moderate recessions have occurred in zinc and tin. On October 20 the principal steel producers announced a reduction in the price of steel rails to \$40 a ton from the \$43 quotation which had been in effect since October 1922. Moderate declines have occurred also in the prices of raw sugar, silk, and wool.

Indexes of Business Activity

Further improvement in business activity during October is indicated by the data now available. The movement of merchandise and miscellaneous freight over the railroads continued to increase, although no consistent change between September and October is evident from the data for past years. As is shown in the accompanying diagram, loadings of these classes of freight have increased substantially since the end of July,



whereas last year no rise occurred during this period, and the proportionate advance in the corresponding period of 1930 has been considerably exceeded by the rise this year. Department store sales in the New York Metropolitan area during the first half of October were only 14 per cent smaller than in the corresponding period of last year, as compared with an average decline of 21 per cent in the first eight months of the year, indicating a continuation of the improvement that was reported for September. Moreover, the number of business failures was about the same as in the previous month, although a considerable increase in failures usually occurs in October.

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

	1931	1932		
	Sept.	July	Aug.	Sept.
<i>Primary Distribution</i>				
Car loadings, merchandise and misc.	67	51	51	52
Car loadings, other	62	41	43	48
Exports	56	43	40	44 _p
Imports	76	53	51	54 _p
Waterways traffic	56	31	33	37
Wholesale trade	85	77	87	86
<i>Distribution to Consumer</i>				
Department store sales, 2nd Dist.	85	73	69	75
Chain grocery sales	88	72	73	70
Other chain store sales	86	76	71	76
Mail order house sales	77	69	64	69
Advertising	74	55	54	57
Gasoline consumption	84	61	68	
Passenger automobile registrations	45	28 _p	27 _p	
<i>General Business Activity</i>				
Bank debits, outside of New York City	79	65	60	60
Bank debits, New York City	77	61	60	62
Velocity of bank deposits, outside of New York City	85	81	77	76
Velocity of bank deposits, New York City	84	61	65	65
Shares sold on N. Y. Stock Exchange	141	75	229	179
Life insurance paid for	88	74	76	82
Electric power	83	68	67 _p	68 _p
Employment in the United States	74	60	60	62
Business failures	108	133 _r	140	119
Building contracts	52	27	29	28
New corporations formed in N. Y. State	86	91	99	94
Real estate transfers	51	42	43	
General price level*	147	129	132	132
Composite index of wages*	202	179	179 _p	179 _p
Cost of living*	148	134	134	130

p Preliminary r Revised * 1913 average=100

During September, a preponderance of advances was shown by this bank's indexes of the distribution of goods and of general business activity. Increases of larger than seasonal proportions occurred in freight car loadings, foreign trade, and advertising, and in sales by department stores, mail order houses, and chain stores other than grocery chains. In addition, life insurance sales showed considerably less than the usual decline, and after adjustment for the usual seasonal variations the number of business failures was the smallest since February.

Building

The total volume of building and engineering contracts awarded during the month of September was 5 per cent less than in August, according to the F. W. Dodge Corporation report for 37 States. After allowing for the smaller number of days in September and the usual seasonal changes, however, this bank's index of building contracts was little changed at the low level which has prevailed since early summer. Residential building and public works and utility contracts, after seasonal adjustment, advanced slightly between the two months, while contracts for other non-residential construction declined. The total of contracts awarded during the third quarter of the year was slightly larger than the second quarter volume, although on the basis of seasonal factors alone, some decline would be expected. In the first three weeks of October, however, awards of contracts declined somewhat more than usually, reflecting an unseasonal decrease in residential construction and more than seasonal declines in non-residential contracts.

In the Metropolitan area of New York a further increase in building contracts was reported during September. The increase, which was fairly general, amounted to 27 per cent and followed a somewhat larger gain from July to August.

Crops

The October 1 report of the Department of Agriculture indicated that no important changes in the prospects for principal crops occurred during September. The estimated production of corn, oats, and cotton was slightly higher than on September 1, while small declines were indicated for spring wheat, tobacco, and apples. Diverse changes from 1931 are shown in the estimated production of crops for 1932. Among the principal crops, substantial declines as compared with last year's harvest are reported in cotton, wheat, tobacco, and apples, but increases are indicated for the major feed crops—corn, oats, and hay.

Department Store Trade

Reporting department stores in this district showed total September sales 18 per cent below 1931, which represented the smallest decline in the daily average rate of sales since January. In the case of the New York City, Newark, Buffalo, Rochester, Bridgeport, and Hudson River Valley reporting stores, the decreases in daily average sales compared with a year ago were the smallest since early this year, and in other localities the declines in average daily sales were somewhat smaller than in

recent months. Total September sales of the leading apparel stores in this district were only 12½ per cent below a year ago, as compared with a 22 per cent decline in August; this is the most favorable showing since September 1931.

For the first half of October, sales of department stores in the Metropolitan area were 14 per cent below a year ago, indicating a continuation of the improvement reported in September.

Department store stocks of merchandise on hand at the end of September, valued at retail prices, continued to show a progressive reduction from a year ago, while the reduction in apparel store stocks was about the same as in August. Charge account collections by department stores during September were slower than in 1931 in a majority of localities.

Locality	Percentage change from a year ago			Per cent of accounts outstanding August 31 collected in September	
	Net sales		Stock on hand end of month	1931	1932
	Sept.	Jan. to Sept.			
New York	-17.7	-20.8	-29.6	42.6	39.8
Buffalo	-18.5	-23.0	-30.4	40.5	41.0
Rochester	-18.6	-24.3	-26.0	34.8	36.8
Syracuse	-28.4	-28.6	-23.7	22.7	20.3
Newark	-17.5	-18.8	-22.1	35.8	30.9
Bridgeport	-18.0	-25.1	-15.7	33.3	29.6
Elsewhere	-16.5	-22.2	-18.6	31.0	27.2
Northern New York State	-28.7				
Southern New York State	-18.3				
Hudson River Valley District	-10.3				
Capital District	-19.8				
Westchester District	-15.9				
All department stores	-17.9	-21.0	-27.6	38.1	35.1
Apparel stores	-12.5	-23.8	-27.3	36.9	37.4

	Net sales percentage change September 1932 compared with September 1931	Stock on hand percentage change September 30, 1932 compared with September 30, 1931
Woolen goods	-1.7	-33.9
Toilet articles and drugs	-4.3	+0.7
Shoes	-10.5	-24.6
Women's ready-to-wear accessories	-10.9	-27.9
Home furnishings	-12.7	-25.9
Hosiery	-14.6	-37.7
Women's and Misses' ready-to-wear	-15.2	-37.7
Cotton goods	-15.4	-27.6
Men's and Boys' wear	-15.8	-32.5
Toys and sporting goods	-16.9	-19.0
Books and stationery	-17.9	-26.0
Men's furnishings	-19.1	-28.0
Luggage and other leather goods	-21.3	-30.9
Linens and handkerchiefs	-21.8	-24.2
Silks and velvets	-23.2	-23.3
Furniture	-24.0	-34.2
Silverware and jewelry	-25.3	-25.1
Musical instruments and radio	-47.8	-30.1
Miscellaneous	-6.7	-31.9

Wholesale Trade

September sales of the reporting wholesale firms averaged 19 per cent less than in 1931, the smallest reduction for any month this year. Sales of silk goods, reported in yardage by the Silk Association of America, showed an even larger year-to-year increase than was reported in August, and dollar sales of hardware, shoes, cotton goods, men's clothing, paper, and diamonds showed the smallest decreases in a number of months. Likewise, machine tool orders, reported by the National

Machine Tool Builders Association, made the best year-to-year comparison since last January. The declines reported in sales of groceries, stationery, and jewelry were not materially different from those reported in August, and drug sales in September were slightly lower than a year ago, following a substantial increase in August.

The value of stocks on hand at the end of September was substantially below a year ago in all reporting lines. The ratio of collections to accounts outstanding averaged slightly higher than a year ago, but considerable irregularity existed between the various wholesale lines.

Commodity	Percentage change September 1932 compared with August 1932		Percentage change September 1932 compared with September 1931		Per cent of accounts outstanding August 31 collected in September	
	Net sales	Stock end of month	Net sales	Stock end of month	1931	1932
Groceries	+13.5	+5.6	-11.6	-13.2	76.7	79.4
Men's clothing	+127.1		-38.2		34.8	39.7
Cotton goods	+35.1	+6.8	-20.6	-39.7	35.2	29.9
Silk goods	+0.8*	-6.9*	+25.8*	-19.1*	54.1	62.4
Shoes	+19.7	-10.8	-25.8	-28.7	36.7	34.4
Drugs	+19.2	-1.7	-1.8	-11.2	32.8	27.6
Hardware	+19.4	-3.2	-26.2	-19.8	43.4	44.7
Machine tools**	+3.9		-47.5			
Stationery	+11.5		-19.3		63.4	53.6
Paper	+9.9		-25.3		47.2	36.7
Diamonds	+93.9	-6.5	-33.9	-32.8	14.8	14.6
Jewelry	+83.8	+2.7	-39.4	-32.0		
Weighted average	+40.6		-19.4		49.1	50.4

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

Chain Store Trade

Sales of the reporting chain store organizations in September averaged about 11½ per cent below the corresponding period of 1931, the smallest reduction since April. Although continuing substantially below a year ago, shoe sales in September showed the smallest decrease since January, and sales of the ten cent and variety chain systems made the most favorable showing compared with a year previous in a number of months. On the other hand, candy chains showed the first material decrease in sales since September of last year, and grocery chain organizations reported a somewhat larger reduction than in previous months. Drug concerns showed the same decrease as in August.

Sales per store showed about the same decline as total sales, due to the fact that in the aggregate there has been little change in the number of stores operated by the reporting chains.

Type of store	Percentage change September 1932 compared with September 1931		
	Number of stores	Total sales	Sales per store
Grocery	-1.2	-12.1	-11.1
Ten cent	+1.4	-12.1	-13.3
Drug	-0.4	-17.4	-17.1
Shoe	-4.0	-20.9	-17.6
Variety	+3.7	-7.1	-10.4
Candy	+1.1	-5.6	-6.6
Total	+0.3	-11.4	-11.6

FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, NOVEMBER 1, 1932

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL activity and shipments of commodities by rail increased from August to September by considerably more than the usual seasonal amount. There was also a more than seasonal increase in the volume of factory employment and payrolls. The general level of prices, after advancing for three months, showed a decline beginning in the early part of September.

PRODUCTION AND EMPLOYMENT

Volume of industrial production, as measured by the Board's seasonally adjusted index, based on the 1923-1925 average, increased from a low point of 58 in July to 60 in August and 66 in September. The advance in September reflected chiefly large increases in activity at textile mills, shoe factories, meatpacking establishments, and coal mines. In the steel industry, where activity had shown none of the usual seasonal increase in August, operations expanded considerably during September and the first three weeks of October to about 20 per cent of capacity. Daily average output of automobiles and lumber in September showed little change from recent low levels.

Factory employment increased from 58.8 per cent of the 1923-1925 average in August to 60.3 per cent in September, according to the Board's seasonally adjusted index. Considerable increases were reported in the cotton, woolen, silk, hosiery, and clothing industries, and smaller increases at car building shops, foundries, cement mills, and furniture factories. In the automobile, tire, and electrical machinery industries, employment declined.

During the three months ended with September value of building contracts awarded, as reported by the F. W. Dodge Corporation, was about the same as in the preceding three months, although awards are usually smaller in the third quarter. In the first half of October the daily average of contracts declined somewhat.

DISTRIBUTION

Volume of freight car loadings increased by considerably more than the usual seasonal amount in September, reflecting chiefly larger shipments of coal and miscellaneous freight. Department store sales increased from the low level of August by somewhat more than the usual seasonal percentage.

WHOLESALE PRICES

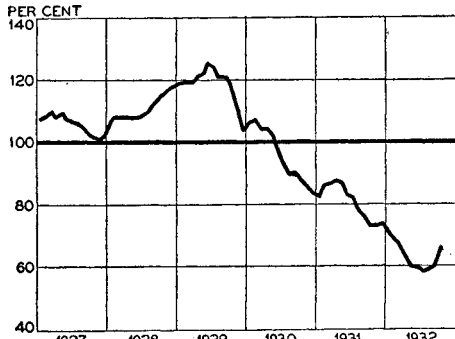
Wholesale commodity prices, as measured by the monthly index of the Bureau of Labor Statistics, showed little change from August to September. During August and early September there was a general advance in prices followed by a decline which continued through the first half of October, when the average was 2 per cent below the high point in early September and 1 per cent above the low point of early summer. Substantial decreases occurred after the beginning of September in the prices of many domestic agricultural commodities, including cotton, grains, and livestock, and also in prices of gasoline, nonferrous metals, and imported raw materials; while prices of wool, worsted yarns, coal, and lumber increased somewhat during this period.

BANK CREDIT

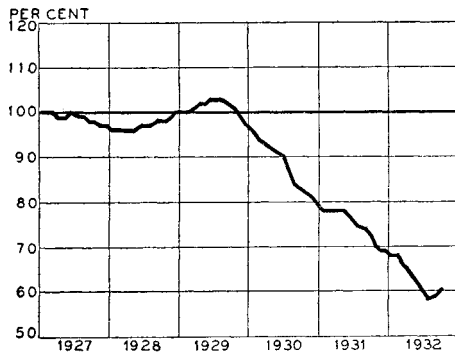
During September and the first three weeks of October there were further additions to the reserve funds of member banks, arising from increases in the country's stock of monetary gold, from an unseasonal return flow of currency, and from issues of additional National bank notes. Member bank indebtedness to the Reserve Banks declined by more than \$100,000,000 from September 7 to October 19 and their reserve balances increased by \$180,000,000.

During September and the first two weeks of October reporting member banks in leading cities showed a further growth in investment holdings, largely of United States Government securities, but to some extent of other investments. Loans of reporting banks declined further in September; in the early part of October loans at banks in New York City showed an increase. There was considerable growth in Government deposits and in bankers' balances during the period; time deposits also increased.

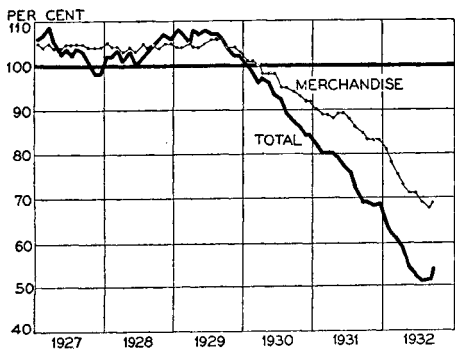
Money rates in the open market declined to lower levels during the first half of October, the rate on prime commercial paper being reduced from a range of 2-2¼ to a range of 1¾-2 per cent, and the rate on 90-day bankers acceptances from ¾ of one per cent to ½ of one per cent. Rates for call loans on stock exchange collateral declined from 2 per cent to 1 per cent.



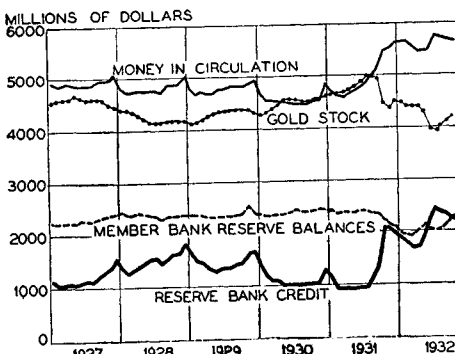
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25=100 per cent)



Index of Factory Employment with Adjustment 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)



Federal Reserve Bank Credit and Principal Factors in Changes (Monthly averages of daily figures; latest figures are averages of first 22 days of October)