

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

December 1, 1932

Money Market in November

The movements of the early autumn in banking as in business lost momentum in November, but a large part of the autumn gains were held. The gold gains through imports and releases from earmark continued, but at a less rapid rate until the latter part of the month. Return of currency from hoarding was less rapid than during the preceding three months and currency movements were largely dominated in November by seasonal influences. As a consequence the amount of bank reserves after rising substantially from the latter part of July to the end of October showed little change during November. The volume of member bank credit also was maintained at a level close to that of late October. The market for securities was irregular, but in general the prices of high grade bonds held near the highest levels of the year.

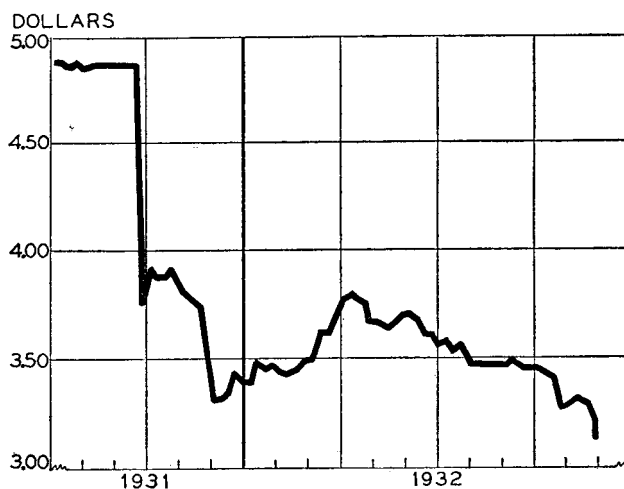
The renewal of discussions of payments upon foreign debts to the United States Government was accompanied by a general weakening of foreign exchanges. Sterling exchange, after a slight recovery from the October decline during early November, again dropped rapidly to a new low level which was under even the lowest point reached after the war, and other European currencies showed some weakening relative to the dollar.

The weakening of European exchanges in the latter part of November was accompanied by a renewed increase in the gold holdings of the United States, chiefly as a result of the release and sale to the Reserve Bank of gold previously earmarked for foreign account. Releases of earmarked gold amounted in November to \$49,000,000, and these releases, together with imports of \$20,000,000 and a smaller amount of domestic production, resulted in a total increase of \$76,000,000 in the monetary gold stock of the United States during November. Since the middle of June the country's gold stock has increased approximately \$430,000,000, and the net loss of gold since the beginning of the year has been reduced to about \$120,000,000. The gain of gold by the United States since June has resulted from a

generally favorable balance of payments on the various merchandise and other transactions with other countries, rather than from a new accumulation of foreign short time funds in this market.

By the beginning of November the total amount of member bank reserves had been restored to a level approximating that which was maintained for some time previous to the heavy currency withdrawals and gold outflow in the autumn of 1931. The factors in the restoration of member bank reserves to this level were gold imports and releases from earmark, the unseasonal reduction in currency outstanding since July, and the increase in National bank notes outstanding. During November there were moderate seasonal withdrawals of currency from the banks at the beginning of the month, and again just before the Election Day and Thanksgiving Day holidays. This currency demand, together with a small increase in member bank reserve requirements that accompanied a further growth of deposits, approximately offset the gain of gold during the month and a small amount of additional National bank note issues. As a result, member bank excess reserves for the country as a whole showed only minor fluctuations during the month.

In New York the reserves of member banks were re-



Course of Sterling Exchange Quotations at New York

duced approximately \$90,000,000 during the early part of November, due in part to seasonal currency demands, and more largely to an outflow of funds to other districts, which resulted partly from commercial transactions and partly from Treasury operations. Subsequently, however, the reserves of the New York banks were increased substantially by the proceeds of the gold movement, together with a return flow of funds from other districts, but the excess reserves of these banks did not regain the high level reached at the end of October.

The total loans and investments of the reporting member banks in New York City increased slightly further during November. Security loans and holdings of Government securities showed little change, but other loans and investments in other securities increased moderately. Outside of New York the total loans and investments of reporting banks declined somewhat in November, reductions occurring in all of the principal types of earning assets.

MONEY RATES

Money rates in New York declined slightly further during November. The principal changes were a further reduction of $\frac{1}{4}$ per cent in the rates on open market commercial paper, and a reduction of nearly $\frac{1}{2}$ per cent in the average rates charged by New York City banks on commercial loans made directly to their customers.

Money Rates at New York

	Nov. 30, 1931	Oct. 31, 1932	Nov. 30, 1932
Stock Exchange call loans.....	2½	1	1
Stock Exchange 90 day loans.....	*3-3½	*¾	*¾
Prime commercial paper.....	3¼-4	1¾-2	1½-1¾
Bills—90 day unindorsed.....	5	½	½
Customers' rates on commercial loans..	†4.50	†3.96	†3.54
Treasury securities			
Maturing March (yield).....	1.99	No yield	No yield
Maturing June (yield).....		0.19	No yield
Maturing September (yield).....	2.40	0.31	0.18
Federal Reserve Bank of New York 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

No developments of importance occurred in the bill market during November. Accepting and discounting banks in an effort to employ excess funds continued to retain virtually all the bills that came into their possession, and the dealers' portfolios of bills remained at a very low figure. Meanwhile, the investment demand for bills continued to surpass the available supply, and the proceeds of maturities from Federal Reserve holdings of bills for foreign correspondents were reinvested with difficulty. Dealers' quoted rates for prime bills were unchanged at the level established October 13.

During October, a seasonal increase of \$15,000,000 occurred in the volume of bankers bills outstanding. Bills arising from domestic warehouse credits increased \$9,000,000 further and import bills rose \$8,000,000. Accompanying the rise in outstandings, the accepting

banks and bankers increased their portfolios of bills \$32,000,000 to \$605,000,000, or 87 per cent of the \$699,000,000 of bills outstanding at the end of October.

COMMERCIAL PAPER MARKET

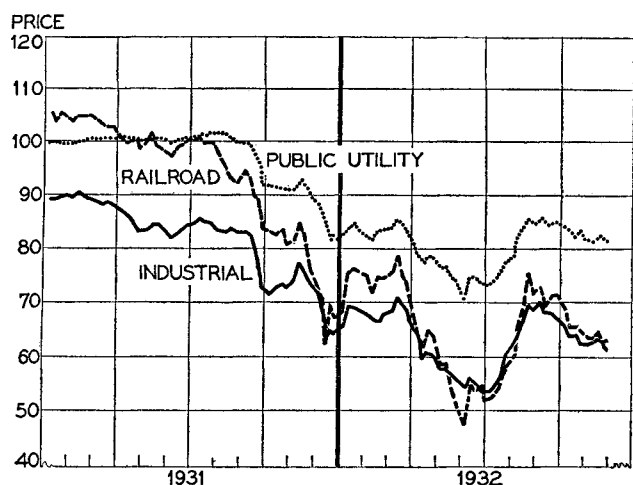
Continuing the downward tendency noticeable in October, open market commercial paper rates were reduced further during the first week of November to a range of $1\frac{1}{2}$ - $1\frac{3}{4}$ per cent. Shortly after this general reduction in the rate for the usual grade of prime paper, some high class paper of the ordinary 4 to 6 month maturity began to be offered and sold at $1\frac{1}{4}$ per cent, and some sales of choice paper of less than 90 day maturity were negotiated at 1 per cent. As for many months past, the investment demand from the banks for high grade commercial paper greatly exceeded the amount of this type of paper which the dealers were able to obtain from the class of commercial and industrial concern using the open market, and consequently the total turnover in the market remained of limited proportions.

During October, an increase of about 3 per cent in the outstanding volume of commercial paper was reported to this bank by the dealers. Outstandings of \$113,000,000 on October 31 compare with a revised figure of \$110,000,000 a month earlier, and with \$213,000,000 on October 31, 1931.

Security Markets

During November, there were irregular movements in stock prices which were confined within a range of less than 20 per cent from the low to the high of the month, for even the most volatile issues. Following declines in the opening days, trading became more active and an advance began which continued through November 12. In the succeeding weeks, however, the turnover of shares reverted to small proportions and the price trend was downward with only one day of advance in the ten trading periods through November 25, at which time the general level of prices was about the same as at the opening of the month. Mixed movements occurred in the closing days of the month.

Bond prices, like stock prices, fluctuated irregularly during November. The high grade investment issues were well maintained during the period, United States Government bonds closing the month with an average advance of about $\frac{1}{8}$ of a point, and the best domestic corporation bonds holding at the September-October level, which was the highest so far this year. In the less high grade issues, however, movements tended to be in accord with changes in stock prices. All of the currently available bond averages, which include some high grade and some lower grade issues, registered net recessions for the month, as declines during the first few days of November and again in the second half of the month somewhat exceeded the intervening upswing. The larger declines in the general corporation bond market were in



Movements of Domestic Corporation Bond Prices (Standard Statistics Company daily indexes)

railroad issues, which, as the accompanying diagram indicates, have declined considerably more from the crest of their early autumn recovery than either industrial or public utility issues. Foreign bonds held rather steady until the latter part of November, at which time they declined about 1½ points, according to a representative average.

New Financing

New security issues publicly announced during November continued to be small, both in number and in dollar amount. The only sizable offerings were \$21,500,000 of short term financing for the City of New York and an issue of \$27,500,000 of Toledo Edison Company 30 year bonds, yielding 5.30 per cent, which was largely of a refunding nature. It appears from the weekly data now available that the total volume of security issues during November was even below the small total of the previous month. During October, public offerings of new securities amounted to \$121,000,000, the smallest figure since February. Excluding refunding issues, domestic corporation flotations accounted for \$49,000,000, and State, municipal, and farm loan issues for \$45,000,000.

As there was no certificate or note maturity falling due in November, United States Treasury financing during the past month was limited to four issues of Treasury bills to replace bills maturing. These issues of 91 and 92 day bills, aggregating \$311,000,000, were largely oversubscribed and were sold at average rates of 0.13 to 0.22 of one per cent.

Foreign Exchange

During November the principal characteristic of the foreign exchange market was a weakening of nearly all currencies in terms of dollars, especially in the latter part of the month. Sterling, after holding at around \$3.30 through the 16th, declined to \$3.27 on the 21st and then dropped precipitately to \$3.14½ on November 29,

which is a lower quotation than was reached in the post war period. Sterling recovered somewhat late on the 29th and on the 30th to close the month at \$3.19¾. French and Swiss francs and belgas receded fairly steadily throughout the month, but guilders firmed after touching \$0.4014 on the 18th. Lire and pesetas weakened principally after the middle of the month, and the Scandinavians, with the exception of Swedish crowns, moved with sterling. Reichsmarks fluctuated irregularly.

Japanese yen reached a new low at \$0.20 on the 29th, and closed the month near that level. The silver currencies declined, and the discount on Canadian dollars widened persistently during the month. The Argentine, Brazilian, and Uruguayan currencies were quoted at fixed rates throughout November.

Closing Cable Rates at New York

Exchange on	Par of Exchange	Nov. 30, 1931	Oct. 31, 1932	Nov. 29, 1932
Belgium.....	\$.1390	\$.1387	\$.1390	\$.1385
Denmark.....	.2680	.1900	.1717	.1648
England.....	4.8666	3.3950	3.2869	3.1550
France.....	.0392	.0391	.03928	.03909
Germany.....	.2382	.2375	.2377	.2377
Holland.....	.4020	.4015	.4021	.4019
Italy.....	.0526	.0516	.0512	.0508
Norway.....	.2680	.1900	.1680	.1640
Spain.....	.1930	.0841	.0819	.0816
Sweden.....	.2680	.1887	.1725	.1734
Switzerland.....	.1930	.1942	.1928	.1923
Canada.....	1.0000	.8650	.9044	.8413
Argentina.....	.9648	.5882	.5865	.5865
Brazil.....	.1196	.0625	.0763	.0763
Uruguay.....	1.0342	.4500	.4785	.4775
Japan.....	.4985	.4963	.2113	.2000
India.....	.3650	.2588	.2490	.2395
Shanghai.....3200	.2975	.2825

Gold Movement

During the month of November the monetary gold stock of the United States rose about \$76,000,000 further, or slightly more than the October increase. From the mid-June low point there has been a gain of about \$430,000,000 to this country's gold stock, representing a recovery of approximately three-quarters of the loss during the first part of this year, and of about 40 per cent of the decline between September 1931 and June 1932.

Gold released from earmark accounts of foreign central banks contributed the larger part of the gain during November; about \$48,600,000 was so released and most of the proceeds were paid out in the New York money market. In addition, imports of gold at New York totaled \$16,600,000, of which \$5,200,000 came from Canada, \$4,900,000 from India, \$2,400,000 from England, \$1,500,000 from Holland, \$990,000 from Newfoundland, \$625,000 from Mexico, and \$350,000 from Uruguay. At San Francisco, \$2,900,000 was imported from China and \$490,000 from Australia.

Central Bank Rate Changes

No changes in foreign central bank discount rates were made during November. Reports were received during the month, however, of two changes effected earlier but not previously reported. The Banco Central

del Ecuador reduced its rate for banks from 7 to 6 per cent and the rate for the public from 10 to 8 per cent, and extended eligible maturities from 90 to 180 days, effective September 23. The Banco de Espana lowered its rate from 6½ to 6 per cent during October.

Business Profits

Third quarter earnings reports now available for 300 industrial and mercantile concerns indicate that operations during the three months from July to September resulted in an aggregate deficit. This is the first quarterly period in which expenses and fixed charges have exceeded gross earnings during this depression. The heavy deficits of the automobile and steel industries, resulting from the low levels of their operations during the third quarter were more than sufficient to account for the entire net loss for all reporting concerns during this period; several other industries were able to show at least a small net profit.

By far the best showing was made by the oil companies which more than doubled their small profits of the third quarter of 1931. Other comparatively favorably situated groups were the food, tobacco, and chemical companies whose profits declined less than one-half from 1931. Additional groups which although suffering large reductions still retained some net profits were the mining and smelting group exclusive of coal and copper companies,

and the office equipment, electrical equipment, and railroad equipment companies. All other groups of companies sustained deficits.

Owing to the poor third quarter returns, these same 300 companies had an aggregate deficit for the nine month period ended with September. The companies which did relatively well in the third quarter were in general the ones that reported the best returns for the nine month period.

Net operating income of telephone companies in the third quarter was about 23 per cent less than a year ago, a somewhat larger decline than in preceding quarterly periods, and the decrease for the elapsed portion of the year was raised to 18 per cent. Net earnings of other public utility companies showed a decline of 20 per cent in third quarter earnings and a drop of 13 per cent for the elapsed part of the year. As for the railroads, net operating income of 167 Class I roads for the third quarter was 47 per cent below 1931, as compared with a decline of more than 65 per cent for the second quarter and an average decline of 51 per cent for the nine months; this is after payment of all expenses but before the payment of fixed charges. After payment of interest and other fixed charges a substantial deficit was sustained by the railroads, as compared with some net profit last year.

Employment and Wages

The third successive monthly increase in factory employment and payrolls was reported for the period from the middle of September to the middle of October. After allowance for the usual seasonal changes, the rise in factory working forces for the country as a whole, as measured by the index of the Federal Reserve Board, amounted to 1 per cent, and was the result of gains in all of the major industrial groups except the food, automobile, and petroleum industries. Wage payments showed an increase of 3 per cent, which is more than the usual seasonal rise.

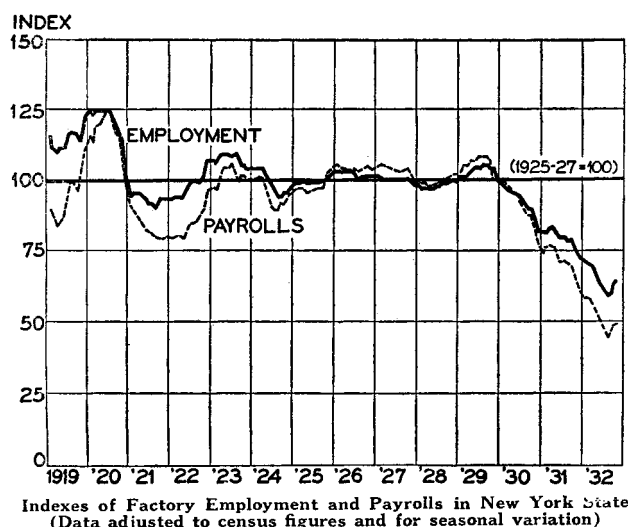
In New York State, factory employment and payrolls rose approximately 3 per cent from September to October. Here also the gains in working forces and total wage payments exceeded the usual proportions, but were smaller than the exceptional increases recorded in September. Although the improvement was quite general among the various industrial groups, the largest increase, as in the two previous months, occurred in the textile industries.

The course of factory employment and payrolls in New York State since 1919 is shown in the accompanying diagram. Following a decline in employment of 44 per cent from July 1929 to July 1932, which reduced working forces to the lowest level since the compilation of the State Department of Labor was begun in 1914, the actual number of employees reported increased 14 per cent from July to October, and the seasonally adjusted index advanced 8 per cent for this three month period. Factory

(Net profits in millions of dollars)

Corporation groups	Number of companies	Third quarter			First nine months		
		1930	1931	1932	1930	1931	1932
Oil.....	26	37.5	6.0	14.4	101.0	-28.6	33.1
Food and food products.....	35	43.2	34.3	21.7	127.9	109.9	77.1
Chemical.....	17	17.4	12.6	6.4	53.5	38.1	21.5
Tobacco.....	6	2.3	1.5	0.8	6.0	4.2	2.1
Mining and smelting (excl. copper, coal and coke).....	10	5.3	3.2	1.6	21.3	12.2	5.1
Printing and publishing.....	4	5.2	3.3	-0.1	20.9	12.3	4.9
Office equipment.....	5	2.9	2.0	0.2	11.1	7.4	2.6
Electrical equipment.....	9	16.7	9.6	0.9	55.7	29.2	1.7
Copper.....	7	1.9	-2.7	-2.8	9.8	-3.5	-6.3
Realty.....	5	1.6	0.6	-0.3	7.5	2.9	-0.5
Automobile.....	14	24.7	14.0	-19.1	147.1	106.3	-17.0
Railroad equipment.....	8	10.9	2.9	0.2	32.2	8.4	-1.6
Paper.....	7	1.2	0.2	-0.3	4.8	2.5	-0.6
Automobile parts and accessories (excl. tires).....	30	5.5	-0.2	-5.0	33.9	12.1	-9.3
Building supplies.....	8	3.3	1.4	-1.3	9.5	3.4	-4.9
Machinery.....	13	4.8	0.1	-2.0	20.4	4.1	-7.0
Motion picture.....	7	-1.9	-4.8	-5.5	6.3	-3.8	-19.9
Coal and coke.....	7	-0.2	-0.9	-1.8	1.8	-0.4	-4.0
Clothing and textiles.....	9	0	0.6	-0.1	1.1	-0.2	-2.7
Steel.....	18	32.8	-6.3	-38.4	151.8	8.6	-103.0
Household equipment.....	6	0.2	-0.3	-1.0	2.1	0.2	-3.5
Miscellaneous.....	49	26.5	19.4	7.6	80.7	61.5	24.9
Total 22 groups.....	300	241.8	96.5	-23.9	906.4	386.8	-7.3
Telephone (net operating income).....	103	65.0	66.9	51.8	202.7	208.2	169.7
Other public utilities (net earnings).....	52	75.6	67.1	53.8	255.2	232.5	203.5
Total public utilities.....	155	140.6	134.0	105.6	457.9	440.7	373.2
Class I railroads (net operating income)....	167	282.4	167.7	89.6	658.7	409.3	202.5

- Deficit



payrolls, which had shown a reduction of 59 per cent from the 1929 peak to July 1932, have since expanded 11 per cent, after seasonal adjustment. The July to October increase in employment and payrolls in New York State was relatively larger than the gain for the country as a whole, since several of the industries in which improvement was most substantial, particularly the textile and shoe industries, represent a larger share of industrial activity for this State than for the United States.

Indexes of Business Activity

During the first half of November, available data relating to the distribution of goods and general business activity indicated a slight decline from the October level. The movement of merchandise and miscellaneous freight over the railroads was reduced somewhat more than seasonally, and shipments of bulk materials declined in accordance with the usual tendency. Department store sales in the New York Metropolitan area showed a less favorable year to year comparison than in immediately preceding months, perhaps due in part to the prevalence of unfavorable weather conditions. On the other hand, business failures were less numerous than in the previous month, although in past years an increase has usually occurred from October to November. Production of electric power remained at approximately the October level.

An improvement in trade and general business activity from September to October is indicated by this bank's indexes. The movement of freight over the railroads rose more than usually in October, a moderate increase occurred in this country's foreign trade, and the number of business failures did not show the usual increase over September. In addition, department store sales, both in this district and for the country as a whole, expanded at least seasonally. On the other hand, declines occurred in this bank's indexes of the volume of check payments,

wholesale trade, life insurance sales, and sales of chain grocery stores.

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

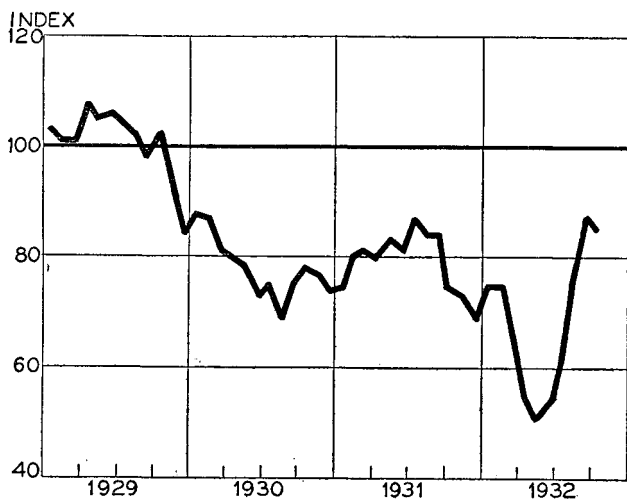
	1931	1932		
	Oct.	Aug.	Sept.	Oct.
<i>Primary Distribution</i>				
Car loadings, merchandise and misc.	67	51	52	55
Car loadings, other	63	43	48	53
Exports	56	40	44	47 ^p
Imports	74	51	50	52 ^p
Waterways traffic	55	33	37	41
Wholesale trade	80	87	86	76
<i>Distribution to Consumer</i>				
Department store sales, 2nd Dist.	91	69	75	76
Chain grocery sales	81	73	70	68
Other chain store sales	84	71	76	76
Mail order house sales	72	64	69	67
Advertising	72	54	57	55
Gasoline consumption	82	68	69	
Passenger automobile registrations	37	27 ^p	29 ^p	
<i>General Business Activity</i>				
Bank debits, outside of New York City..	77	60	60	57
Bank debits, New York City	74	60	62	53
Velocity of bank deposits, outside of New York City	88	77	76	74
Velocity of bank deposits, New York City	80	65	65	54
Shares sold on N. Y. Stock Exchange	115	229	179	71
Life insurance paid for	90	76	82	80
Electric power	79	67	68 ^p	67 ^p
Employment in the United States	72	60	62	62
Business failures	113	140	119	110
Building contracts	52	29	28	25
New corporations formed in N. Y. State	88	99	94	78
Real estate transfers	51	43		
General price level*	144	132	132	131
Composite index of wages*	199	179	179 ^p	177 ^p
Cost of living*	146	134	130	129

^p Preliminary *1913 average=100

Production

Industrial activity appears to have been maintained during November at close to the October level, on the basis of the limited amount of data now available. Operations in the steel industry reached a seasonal peak in the early part of the month, although a contraction of output is usually under way by that time, but during the second half of the month activity showed the usual curtailment. The average level of operations in the cotton goods, bituminous coal, and crude petroleum industries was little changed from October to November, and increased activity was reported in the automobile industry in advance of the usual seasonal revival.

Following substantial gains during August and September, the output of industry in the aggregate showed little change from September to October, and the Federal Reserve Board's seasonally adjusted index of industrial production remained at 66 per cent of the 1923-1925 average. Activity in the textile industries receded moderately during October, following a sharp expansion in output during the previous four months, but remained fairly high, as is shown in the following diagram. Increased production of textiles had been one of the major factors in reversing the downward course of industrial



Index of Textile Production (Composite of indexes of cotton and silk consumption and wool mill activity, adjusted for seasonal variations and long term growth)

activity, but the moderate recession in this industry during October was offset by gains in several other industrial lines, including bituminous coal, steel, zinc, lumber, and wheat flour. Furthermore, production of shoes receded less than usually. There were declines after seasonal adjustment, however, in a few other manufacturing lines whose products are the object of consumer expenditure, namely the automobile, tobacco, sugar refining, and meat packing industries.

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

	1931	1932		
	Oct.	Aug.	Sept.	Oct.
<i>Metals</i>				
Pig iron.....	38	17	20	21
Steel ingots.....	39	20	24	27
Lead.....	59	29	36	33
Zinc.....	42	25	26	29
Tin deliveries.....	69	36	40	
<i>Automobiles</i>				
Passenger cars.....	15	18	16	9
Motor trucks.....	37	24	32	23
<i>Fuels</i>				
Bituminous coal.....	71	54	60	67 ^p
Anthracite coal.....	94	52	68	79 ^p
Coke.....	55	35	37	40
Petroleum, crude.....	80	67	68	67 ^p
Petroleum products.....	78	61	59	
<i>Textiles and Leather Products</i>				
Cotton consumption.....	74	68	83	83
Wool mill activity.....	62	78	86	83 ^p
Silk consumption.....	96	88	100	93
Shoes.....	71	83	91 ^p	95 ^p
<i>Foods and Tobacco Products</i>				
Livestock slaughtered.....	99	92	106	96
Wheat flour.....	86	76	78	86
Sugar meltings, U. S. ports.....	74	62	74	65
Tobacco products.....	83	78	79	74
<i>Miscellaneous</i>				
Cement.....	68	47	50	48
Tires.....	49	41	38	
Lumber.....	37	27	28	29
Printing activity.....	72	63	62	
Newsprint paper.....	84	72	68	

^p Preliminary

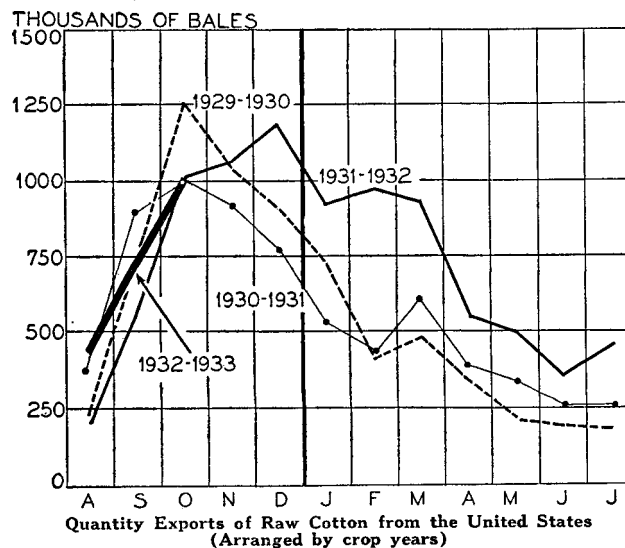
Foreign Trade

This country's foreign merchandise trade in October again showed somewhat more than the usual seasonal increase. After seasonal adjustment, exports were the largest since May, and imports the largest since June. The dollar value of exports at \$153,000,000 and imports at \$106,000,000, showed smaller percentage reductions from a year ago than in September.

All the major groups of exports shared to some extent in the increase over September. Compared with a year ago, there were substantially smaller declines in October than in September in exports of crude foodstuffs and in exports of partly and wholly finished manufactured goods. On the other hand, exports of manufactured foodstuffs showed a larger decline from last year than in the previous month, and there was a slight decrease in exports of crude materials, following increases in the previous two months.

Raw cotton shipments, the principal factor in exports of crude materials, have continued to compare favorably in quantity with those of previous years, as the accompanying diagram shows. An increased European demand for American cotton during the past few months has about offset a decrease in the demand from the Orient which in the 1931-1932 crop year was the principal factor in the unusually heavy exports of cotton.

In October, declines from a year ago were somewhat smaller than in the previous month for all the leading groups of imports. The value of imports of crude foodstuffs, chiefly coffee, was only 5 per cent less than in October 1931, but imports of crude materials, which include silk and rubber, were 48 per cent smaller in value. The quantities of raw silk, crude rubber, and coffee imported in October were seasonally larger than in the previous month, but considerably below a year ago.



Quantity Exports of Raw Cotton from the United States (Arranged by crop years)

Commodity Prices

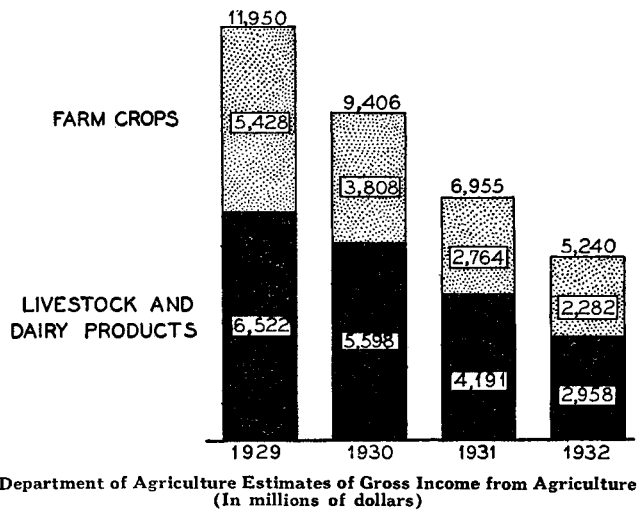
Although most commodity prices showed little change during November, prices of some of the important basic products did show sizable declines. A composite of steer prices was reduced \$1.04 during the month to a new low at \$6.00 a hundredweight, but subsequently showed a moderate recovery, and silver fell 1½ cents to a new all time low at 25⅜ cents an ounce. Moderate recessions occurred also in wheat, silk, rubber, scrap steel, and tin. On the other hand, corn, cotton, wool, hogs, hides, sugar, copper, lead, and zinc showed little or no change.

Currently available weekly indexes of wholesale commodity prices fluctuated irregularly during November, but toward the end of the month were in the vicinity of the low level reached last June. Consequently, it now appears that all of the June to September price recovery has been canceled, although there are notable exceptions in individual commodities, such as cotton.

Agricultural Income

The gross income from farm production in the United States for 1932 is estimated by the Department of Agriculture at \$5,240,000,000; income both from farm crops and from livestock and dairy products are included. This figure represents a decline of 25 per cent from the 1931 income, and a drop of 56 per cent from that of 1929. The persistent decline of agricultural income since 1929 is shown in the accompanying diagram. That the reduction in income during this period was related primarily to the sharp decline in agricultural prices is indicated by the fact that the average price of farm products at the farm for the first ten months of the current year was 28 per cent lower than the 1931 average and 58 per cent below 1929.

The estimated gross income from crops during 1932, at \$2,282,000,000, is 17 per cent less than in 1931, and 58 per cent less than in 1929. In the case of grains and cotton the declines from 1929 to 1932 amounted to 71 per cent, or considerably more than the reduction in income from crops as a whole. Income from livestock and dairy



products, amounting to \$2,958,000,000 in 1932, shows a decline from the previous year of 29 per cent, or more than the decline in income from crops during this period. As compared with 1929, however, the decline in income from livestock and dairy products, amounting to 55 per cent, closely approximates the reduction in crop income.

Building

The F. W. Dodge Corporation report placed the total value of building and engineering contracts awarded during October at a figure 16 per cent below the September total, a decline somewhat in excess of the usual seasonal reduction between these two months. An unseasonal decline occurred in residential building, and reductions of larger than seasonal proportions were reported in total contracts for public works and utilities, and in other non-residential contracts. Notwithstanding this decline, this bank's seasonally adjusted index of total building contracts awarded remained slightly above the low levels of several months in the first half of this year.

For the first ten months of 1932, the total value of building contracts was 59 per cent smaller than in 1931; residential building was reduced 66 per cent, public works and utilities 54 per cent, and other non-residential building 58 per cent. In the first three weeks of November, the daily average amount of total building and engineering contracts placed showed less than the usual seasonal reduction from October, due chiefly to the awarding of public works and utility contracts.

Following substantial increases in the two previous months, the value of contracts awarded in the Metropolitan area of New York declined 23 per cent in October. The volume of public works and utilities was maintained above the September level, but residential contracts declined somewhat and there was a substantial drop in other non-residential construction, including commercial buildings, factories, institutions, and public buildings. The contract total for the first ten months of 1932 in this area was only one-fourth as large as in the corresponding period of 1931.

Department Store Trade

The total dollar value of October sales of the reporting department stores in this district was 23 per cent below a year ago, but after making allowance for one less shopping day this year than in 1931, the percentage reduction from last year in average daily sales was only slightly more than in September and was less than in any previous month since January. In most localities in this district October department store business showed fairly uniform results compared with a year ago. The sales of reporting apparel stores declined slightly less compared with last year than did department store sales. The October decline was somewhat larger for the apparel stores than in September, but with this exception was the smallest so far this year.

For the first half of November, sales of the reporting department stores in the Metropolitan area were 25 per cent smaller than in the same period of 1931. Unfavor-

able weather conditions probably were responsible at least in part for this rather large decline.

Department store stocks of merchandise on hand October 31, at retail valuation, showed a slightly smaller year to year decrease than in September, but remained substantially below a year ago. Collections of accounts outstanding at the end of the previous month were slower than in 1931 for all groups of department stores.

Locality	Percentage change from a year ago			Per cent of accounts outstanding September 30 collected in October	
	Net sales		Stock on hand end of month	1931	1932
	Oct.	Jan. to Oct.			
New York	-22.2	-21.0	-27.1	47.1	46.1
Buffalo	-23.9	-23.1	-31.1	42.9	34.8
Rochester	-24.2	-24.3	-25.0	48.7	43.3
Syracuse	-27.8	-28.5	-25.5	26.9	24.9
Newark	-22.9	-19.3	-21.8	41.6	38.8
Bridgeport	-22.5	-24.7	-13.8	38.7	35.4
Elsewhere	-25.2	-22.5	-16.2	36.9	32.0
Northern New York State	-28.8				
Southern New York State	-25.1				
Hudson River Valley District	-20.3				
Capital District	-29.2				
Westchester District	-21.2				
All department stores	-22.7	-21.2	-25.8	43.4	41.1
Apparel stores	-20.4	-23.4	-27.8	43.2	43.6

	Net sales percentage change October 1932 compared with October 1931	Stock on hand percentage change October 31, 1932 compared with October 31, 1931
Toilet articles and drugs	-8.5	-10.5
Woolen goods	-10.4	-35.8
Men's furnishings	-12.8	-25.4
Shoes	-15.9	-20.5
Men's and Boys' wear	-16.9	-30.5
Women's ready-to-wear accessories	-17.1	-24.7
Linens and handkerchiefs	-17.8	-24.2
Hosiery	-18.4	-32.5
Luggage and other leather goods	-19.4	-26.3
Home furnishings	-20.5	-23.4
Books and stationery	-21.2	-25.1
Cotton goods	-21.5	-24.7
Toys and sporting goods	-21.6	-20.2
Women's and Misses' ready-to-wear	-23.7	-26.0
Silverware and jewelry	-23.7	-24.2
Silks and velvets	-24.1	-23.1
Furniture	-28.5	-32.6
Musical instruments and radio	-44.5	-42.2
Miscellaneous	-15.1	-27.8

Wholesale Trade

Sales of the reporting wholesale firms in October averaged 19 per cent below 1931, the same reduction as was indicated in September. The sales of men's clothing and diamonds showed the smallest reductions in more than a year, and sales of jewelry were reduced by the smallest percentage since June 1932. Machine tool orders, reported by the National Machine Tool Builders Association, made the best year to year comparison since January, and sales of silk goods, reported on a yardage basis by the Silk Association of America, were larger than a year ago for the third consecutive month, although the October increase was only half as large as that reported in September. On the other hand, wholesale dealers in cotton goods, groceries, shoes, stationery, paper, and hardware reported larger decreases than in

September. Drug concerns continued to report sales only slightly below a year ago.

Stocks of merchandise on hand at the end of October remained substantially below a year previous in all reporting lines except groceries, for which the decline was the smallest in a year and a half.

The October ratio of collections to accounts outstanding averaged slightly lower than in 1931, but there were as many lines reporting increases as there were reporting decreases from a year ago.

Commodity	Percentage change October 1932 compared with September 1932		Percentage change October 1932 compared with October 1931		Per cent of accounts outstanding September 30 collected in October	
	Net sales	Stock end of month	Net sales	Stock end of month	1931	1932
Groceries	+1.6	+8.4	-20.2	-4.7	80.7	78.6
Men's clothing	-8.9		-15.6		31.1	37.6
Cotton goods	-3.3	-4.2	-33.9	-38.6	36.4	30.7
Silk goods	-28.0*	+3.4*	+12.2*	-22.2*	54.4	55.6
Shoes	-25.6	-11.4	-30.7	-38.1	50.8	37.8
Drugs	+18.8	-4.0	-3.4	-22.3	31.2	27.7
Hardware	+17.3	+1.2	-29.0	-21.6	46.7	47.8
Machine tools**	-6.8		-38.4			
Stationery	+1.9		-20.4		67.3	48.0
Paper	+5.6		-30.6		46.2	44.5
Diamonds	+29.6	-3.4	-28.9	-31.8	15.5	17.8
Jewelry	+21.8	+1.4	-34.1	-26.6		
Weighted average	-2.7		-19.4		51.2	49.9

* Quantity not value. Reported by Silk Association of America

** Reported by the National Machine Tool Builders Association

Chain Store Trade

Total October sales of the reporting chain store systems were 17 per cent less than in 1931, and after making allowance for one less business day than in October 1931, the decrease was still somewhat larger than in most other recent months. Shoe sales continued to show a large decrease from a year ago, candy sales were reduced by the largest percentage in more than a year, and ten cent chains reported a larger decline than had previously been reported to this bank. On the other hand, sales of drug and variety chains were down less from a year ago than in September, and grocery sales on a daily basis remained at about the same level as in the previous month.

As there was no net change between October 1931 and October 1932 in the aggregate number of stores operated by the reporting chains, sales per store showed the same percentage decline as total sales.

Type of store	Percentage change October 1932 compared with October 1931		
	Number of store	Total sales	Sales per store
Grocery	-1.5	-15.2	-13.9
Ten cent	+1.3	-23.5	-24.5
Drug	-0.5	-15.4	-15.0
Shoe	-5.1	-29.7	-25.9
Variety	+3.3	-6.6	-9.6
Candy	0	-16.6	-16.6
Total	0	-17.1	-17.1

FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, DECEMBER 1, 1932

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

VOLUME of industrial output, after increasing considerably during August and September, remained unchanged in October. Factory employment and payrolls reported for the middle of the month, showed a further increase. During October, as in the last three weeks of September, wholesale commodity prices declined, and in the first three weeks of November the general average was at the level of early summer.

PRODUCTION AND EMPLOYMENT

Industrial production, as measured by the Board's seasonally adjusted index, continued in October at 66 per cent of the 1923-1925 average, as compared with a low level of 58 per cent in July. In the textile industries, which had shown a rapid expansion in August and September, there was a slight decrease in consumption of raw materials while output of finished products increased somewhat. Shoe production, which also had increased substantially in recent months, showed a seasonal decline. Operations at steel mills expanded from an average of 17 per cent of capacity in September to 19 per cent in October, contrary to seasonal tendency, and, according to trade reports, continued at about this rate through the first three weeks of November. Production of automobiles in October declined further to a new low level. At coal mines activity continued to increase rapidly until the middle of October, but since that time a reduction, largely seasonal in character, has been reported.

Employment in most manufacturing industries increased between the middle of September and the middle of October, and the Board's seasonally adjusted index of factory employment showed an advance from 60 per cent of the 1923-1925 average to 61 per cent. At textile mills working forces increased by considerably more than the usual seasonal amount, and substantial increases were also reported at steel mills, lumber mills, and carbuilding shops. In the canning and automobile industries there were decreases in employment.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, continued at low levels during October and the first half of November.

The Department of Agriculture estimate of the cotton crop, based on November 1 conditions, was 11,950,000 bales, about 525,000 bales larger than the estimate a month earlier.

DISTRIBUTION

From September to October volume of freight traffic increased by more than the usual seasonal amount; after the middle of October carloadings declined, reflecting chiefly seasonal developments. Dollar value of department store sales increased by the usual amount in October.

WHOLESALE PRICES

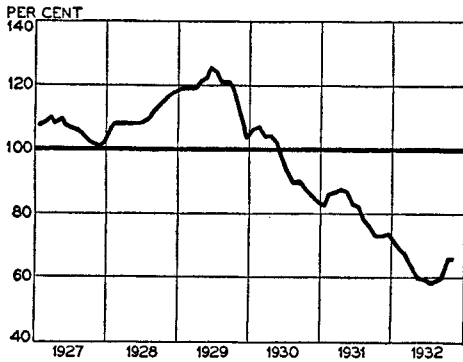
Wholesale commodity prices, as measured by the monthly index of the Bureau of Labor Statistics, declined from 65 per cent of the 1926 average in September to 64 per cent in October. Weekly figures show declines in the general average from early September through the first week in November, reflecting reductions in the prices of many domestic agricultural products and their manufactures, as well as in the prices of steel rails, copper, coffee, rubber, and silk. In the second week of November prices of many leading commodities, including grains, hogs, cotton, silk, zinc, lead, and tin advanced considerably, but later the prices of these commodities declined.

BANK CREDIT

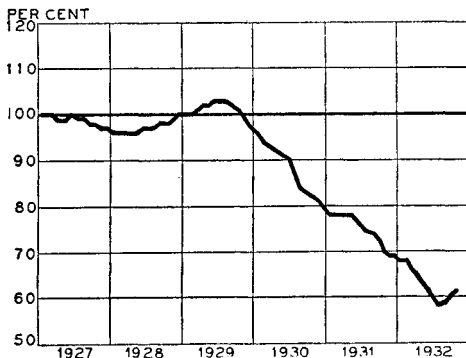
Volume of Reserve Bank credit showed little change for the four-week period ended November 16. Member bank balances at the Reserve Banks increased further by \$75,000,000, and in the middle of November were about \$475,000,000 in excess of legal reserve requirements. This growth in reserve balances reflected an increase of \$60,000,000 in the stock of gold and the issue of additional National bank notes. Demand for currency showed little change during the four-week period.

Loans and investments of reporting member banks in leading cities, outside New York City and Chicago, declined further between the middle of October and the middle of November, reflecting a further reduction of loans at these banks. In New York City the investments of member banks increased by an amount larger than the decrease in loans, so that total loans and investments of these banks showed a further increase.

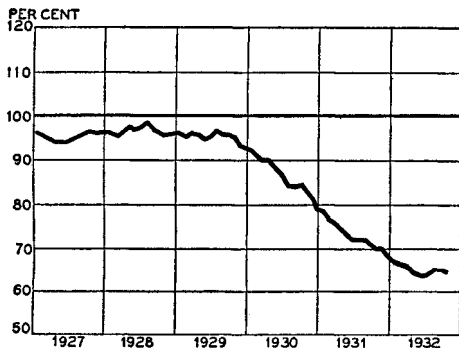
Money rates in the open market continued at low levels during October and the first half of November. Rates on 90-day bankers acceptances were unchanged at $\frac{1}{2}$ of 1 per cent, and rates on prime commercial paper declined from a range of $1\frac{1}{4}$ -2 to a range of $1\frac{1}{2}$ -1 $\frac{3}{4}$ per cent.



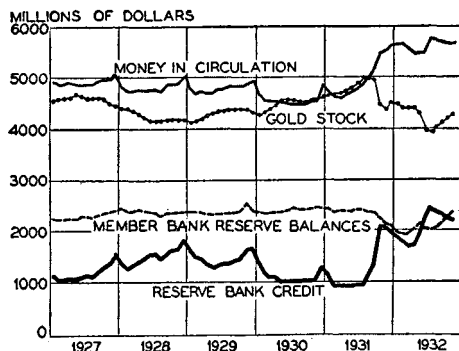
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



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 20 days of November)