

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

*Federal Reserve Agent*

*Federal Reserve Bank, New York*

*January 1, 1933*

#### Money Market in December

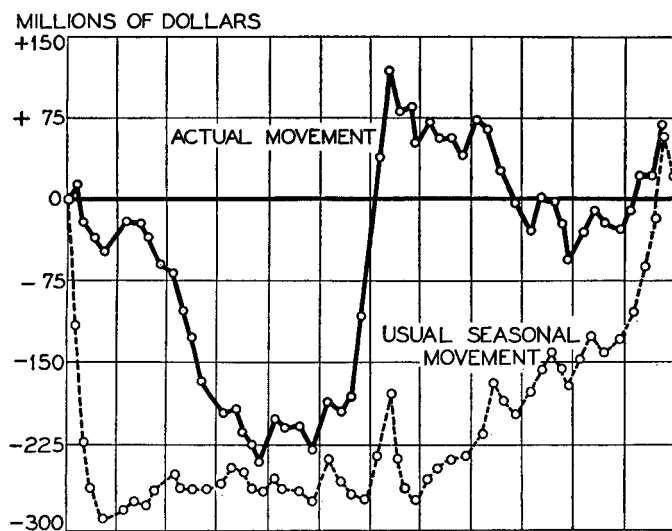
The culmination of seasonal demands on the banks, which occurs each year in December, has been met this year with unusual ease. This was due partly to the fact that member banks entered the period with a large amount of reserves in excess of legal requirements, partly to unusually small currency withdrawals for the holiday trade, and partly to a large gain of funds through gold transactions during the month. The banks with excess reserves continued to hold approximately the same aggregate amount as at the end of November, and borrowings by other member banks from the Reserve Banks were reduced further, whereas ordinarily December is a month of increased bank indebtedness.

The first of the accompany diagrams shows the actual changes in the amount of currency outstanding during the past year in comparison with the usual seasonal movement, and the second diagram shows the deviations in the amount of money in circulation from the usual seasonal movements. These indicate that the December withdrawals of currency from the banks were not more than half as large as usual. The actual amount of currency outstanding, instead of reaching the highest point of the year just before Christmas, remained below the level of early July, and did not differ greatly from that

of a year ago, whereas a few months ago currency circulation figures were showing an increase of about a billion dollars over a year previous.

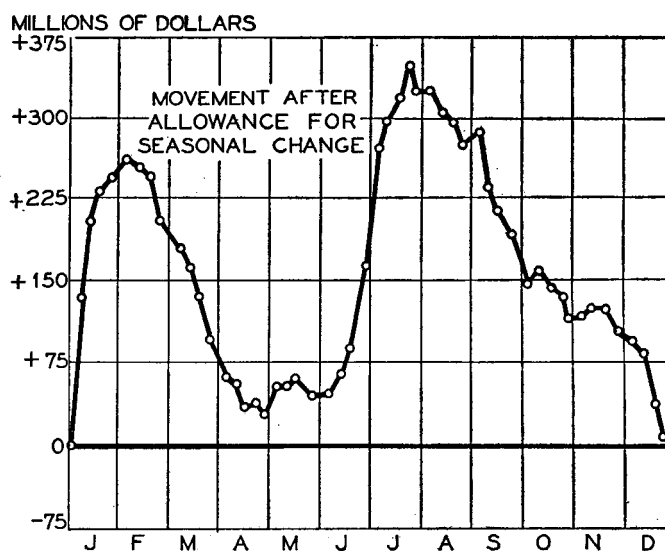
It is not clear whether the small currency demands of December were due to a corresponding reduction in the actual use of currency, or whether money previously withdrawn from the banks was used in considerable amount in making holiday purchases. In any event, after seasonal adjustment, the amount of currency outstanding at the end of December reached the lowest point of the year. Thus, as the second diagram shows, the two great waves of currency hoarding which occurred in January and around the middle of the year had been entirely offset by redeposits and less than seasonal withdrawals of money by the end of the year. The amount of currency outstanding, however, is still far above the volume that would normally be required with business and prices at their present levels.

The other principal influence on the position of the banks during December was the increase in the monetary gold stock of the country, which amounted for the month to \$175,000,000, the largest gain for any month in recent years. The major factor in this increase in the gold stock was the payment by the British Government of \$95,550,000 in gold on its debt to the United States Govern-



Changes in Actual Amount of Money Outstanding, Compared with Usual Seasonal Variations in Currency Circulation

(Weekly averages of daily figures, cumulative from average for week ended January 2, 1932)



Changes in Amount of Money Outstanding after Allowance for Usual Seasonal Movements

ment. To facilitate this payment the Federal Reserve Bank of New York at the request of the Bank of England placed at the disposal of that bank on December 15 gold to the value of \$95,550,000 against an equivalent amount of gold earmarked for the Federal Reserve Bank of New York in London pending shipment to New York. The Bank of England then paid this gold to the United States Treasury. The Treasury immediately sold the gold received in New York back to the Federal Reserve Bank and used the proceeds to meet in part its large disbursements on December 15, which consisted principally of redemptions of maturing securities and interest payments on the public debt. The use of the British debt payment by the Treasury in this manner had the effect of making immediately available to commercial banks the proceeds of the debt payment.

In addition to this large receipt of British gold, there was also a substantial inflow of gold from a considerable number of foreign countries reflecting a continued weakness of most foreign exchanges. The French franc declined below the point at which it became profitable to ship gold to this country, so that near the end of December there were gold shipments from Paris to New York. Commercial shipments of gold were received also from Holland, England, Canada, India, Australia, Japan, and China.

The New York banks were the recipients in the first instance of the proceeds of most of the increase in the United States gold stock during December. Their reserve position, however, was not greatly changed during most of the month, as they sustained losses through moderate withdrawals of currency for the holiday trade and a fairly substantial seasonal outflow of funds to other parts of the country. For the country as a whole also the amount of excess reserves in member banks showed no material change during most of December. Member bank borrowings from the Reserve Bank, instead of showing the usual December increase, were reduced further, and at about \$270,000,000 in the latter part of the month reached a new low level for the year. This may be compared with member bank indebtedness of about \$525,000,000 in the latter part of July and \$1,000,000,000 in December 1931.

#### MEMBER BANK CREDIT

The total loans and investments of the leading New York City member banks showed practically no net change during the four weeks ended December 21. There was a small reduction in their investments, chiefly in Government securities, which was approximately counterbalanced by an increase in their loans on securities. Other loans showed little net change. Reporting banks in other principal cities throughout the country showed a small net reduction in their total loans and investments during this same period. Their loans on securities and holdings of Government securities increased slightly, but their other loans continued to decline gradually, and there was a small reduction also in their holdings of securities other than United States Government issues. The deposits of reporting banks showed a further moderate increase during December.

#### MONEY RATES

Open market money rates declined somewhat further during December. The principal changes were a further reduction of  $\frac{1}{4}$  per cent in commercial paper rates and of  $\frac{1}{8}$  per cent in rates on bankers acceptances.

Money Rates at New York

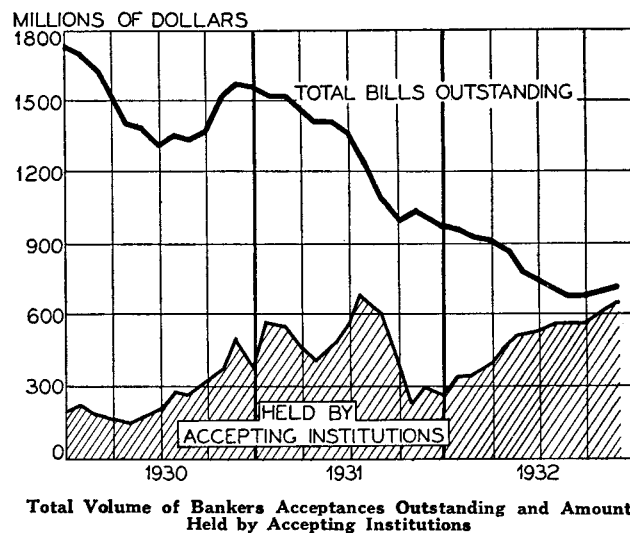
	Dec. 31, 1931	Nov. 30, 1932	Dec. 30, 1932
Stock Exchange call loans.....	*3-3½	1	1
Stock Exchange 90 day loans.....	3¾	**½	**½
Prime commercial paper.....	3¾-4	1½-1¾	1½-1¾
Bills—90 day unindorsed.....	3	½	½
Customers' rates on commercial loans..	†4.40	†3.54	†3.63
Treasury securities			
Maturing March (yield).....	2.30	No yield	No yield
Maturing June (yield).....	2.74	No yield	No yield
Maturing September (yield).....	3.67	0.18	0.08
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

\* Range for preceding week    \*\* Nominal  
† Average rate of leading banks at middle of month    ‡ 1-45 days, 3 per cent

#### BILL MARKET

As member banks continued to hold large excess reserves, no necessity existed during December for the banks to dispose of the large volume of bills in their possession. Their portfolios of bills at the end of November amounted to \$654,500,000, or 91 per cent of the \$720,000,000 of bills then outstanding, as is indicated in the accompanying diagram.

As a consequence, conditions in the discount market during December remained about as quiet as in immediately preceding months. A general reduction on December fifth of  $\frac{1}{8}$  per cent in dealers' rates, making the offering rate for 90 day unindorsed bills  $\frac{3}{8}$  per cent, a new low in the history of the American acceptance market, had no marked effect on the supply of bills available in the market, as the limited additional purchases by the dealers were quickly absorbed by the active investment demand. Dealers' portfolios of bills remained light throughout the month.



## COMMERCIAL PAPER MARKET

Investment demand for prime commercial paper during December exceeded the supply of such paper coming into dealers' portfolios, and in this respect conditions in the open market were unchanged from the situation that has prevailed for some months. During the first part of December rates for prime names showed a further easing tendency which developed around mid-month into the establishment of a  $1\frac{1}{4}$  -  $1\frac{1}{2}$  per cent prevailing range, as compared with  $1\frac{1}{2}$  -  $1\frac{3}{4}$  per cent at the end of November. Some transactions in short term paper were subsequently reported at slight concessions from this lower level, but no further change in the general rate structure of the paper market was made during the balance of the month.

Commercial paper outstanding through dealers reporting to this bank amounted to \$109,500,000 on November 30. This was a decline of 3 per cent from the previous month, in accordance with the usual seasonal tendency, and a decrease of 38 per cent from the outstandings in November 1931.

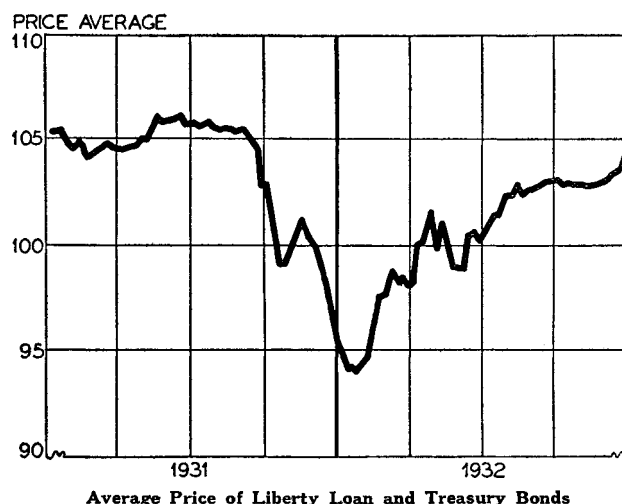
## Security Markets

Stock prices continued to move irregularly in December, with the amplitude of fluctuations even narrower than in November. A decline during the first few days of the month was followed by an advancing movement which persisted nearly to the middle of the period, after which prices in general receded to about the level prevailing at the end of November. In the last week of December, however, the market showed an advancing tendency. Industrial and railroad stock averages generally showed little net change for the month, while the public utility indexes advanced somewhat. Turnover on the New York Stock Exchange averaged about 1,000,000 shares daily, or about the same small volume as in the previous month.

In the bond market, the tendencies in December were much the same as in other recent months. High grade investment issues advanced further to the highest levels of the year, while the lower grade issues again showed a net loss for the month.

Representative of the high grade investment market, United States Government securities were uniformly strong during December, and, as the accompanying diagram indicates, the average price of the 11 Liberty Loan and Treasury bond issues now outstanding rose about  $1\frac{1}{4}$  points to a new high for the year 1932. At the December high, the average price of United States Government bonds was within about 2 points of the 1931 high level. The largest advances occurred in the Treasury bond issues although the Liberty Loan issues, which are callable within the next few years, also showed a sizable average rise.

The best grade domestic corporation bonds also reached new high levels for the year around the middle of the month, and subsequently receded only slightly. Compared with the 1931 peak, however, the average price of the highest grade domestic corporate issues at the best levels attained in December was still some 4 points below. The less high grade domestic corporate issues fared not



as well as the best investment issues, for an advancing tendency around the middle of the month was followed by a renewed decline that was only partly offset by an advance in the closing days of the month. Railroad bond averages showed some net decline for December, while industrial and public utility averages were slightly higher at the close of the month than at the end of November.

Foreign bonds on the whole showed an advancing tendency until after the middle of the month when some recession occurred, and the Baker-Kellogg Company price average of 40 foreign bonds closed the month with a net gain of about  $\frac{3}{4}$  of a point. German issues were strong, the German Government  $5\frac{1}{2}$ 's and 7's advancing about 9 points to the highest prices of the year.

## New Financing

On December 15, \$615,000,000 of new securities were issued by the United States Treasury, an amount only slightly in excess of the Treasury notes maturing on the same date, of which there were \$600,000,000. This Treasury financing took the form of an issue of \$361,000,000 of  $2\frac{3}{4}$  per cent 4 year notes and an issue of \$254,000,000 of  $\frac{3}{4}$  per cent 1 year certificates of indebtedness. The  $\frac{3}{4}$  per cent rate on the certificate issue is the lowest coupon that any certificate has ever carried, and only one note issue, the  $2\frac{1}{8}$  per cent 2 year offering of last August, has carried a lower coupon rate than the  $2\frac{3}{4}$  per cent rate on the latest note issue. These issues were largely and quickly oversubscribed, and prices in the market immediately advanced to premiums, which by the close of the month had been increased to  $\frac{1}{2}$  point in the case of the certificate issue, and in the case of the notes to  $1\frac{1}{2}$  points. At these prices the certificates yielded only about .25 per cent and the notes 2.35 per cent.

Unlike other recent Treasury issues, subscriptions tendering securities of the maturing issue in payment were not given full preferred allotment under the terms of the December Treasury offering, but such subscriptions were allotted to the extent of \$151,000,000 on the certificate issue and \$213,000,000 on the note issue, or about

60 per cent of the issues. In addition to the December 15 financing, the Treasury on December 28 sold \$100,000,000 of 91 day Treasury bills to replace a maturity of a corresponding amount of Treasury bills. The average rate at which this issue was sold was 0.09 per cent, a new low rate for Treasury bills.

New security issues other than United States Government financing were in the neighborhood of \$100,000,000, an amount slightly larger than in November, but somewhat below the December 1931 total. Offerings during the past month were composed principally of several State and municipal issues and a \$13,000,000 refunding issue of Federal Intermediate Credit Bank debentures. The most important State issues were \$30,400,000 of serial bonds of the State of New York, which were sold at an average interest cost to the State of 3.027 per cent, the lowest in many years, and subsequently offered in the market at 0.75 to 3.15 per cent, depending on maturity. In addition, \$20,000,000 of State of Illinois serial bonds were offered in the market at prices yielding from 3.00 to 4.15 per cent.

### Foreign Exchange

The foreign exchange market in December was dominated by two counter movements—a recovery in sterling and weakness in French francs. The British currency, after establishing the low quotation of \$3.14½ on November 29, improved irregularly during the first week in December and then began a rise which carried the rate upward without interruption to \$3.34⅞ on the 21st; the rate then steadied slightly below this level. French francs, on the other hand, which were quoted below parity at the beginning of December, showed persistent weakness during the first half of the month, dropping below the approximate gold import point to the United States, and gold shipments ensued. During the remainder of the month there was no appreciable change in franc exchange. The belga approached for a time the level at which gold imports appeared to be possible, going as low as \$0.1384. Guilders and Swiss francs, though not rising above parity, did not touch the calculated points at which the shipment of gold to the United States

would be profitable. In the remainder of the European list gains predominated, varying from substantial rises among the Scandinavians, under the influence of sterling, to a smaller advance in the quotation for Italian lire.

Japanese yen rose irregularly during the month, while the silver currencies registered a net loss, accompanying lower prices for silver. The discount on Canadian dollars narrowed in December, and the major South American currencies continued to be quoted at fixed rates.

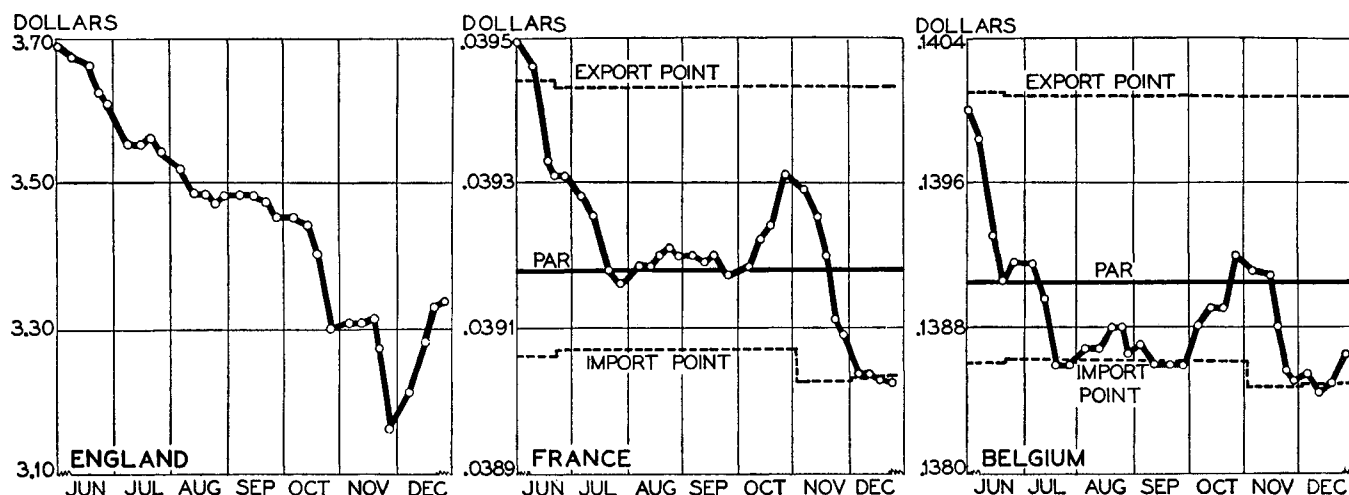
Closing Cable Rates at New York

Exchange on	Par of Exchange	Dec. 31, 1931	Nov. 30, 1932	Dec. 30, 1932
Belgium.....	\$ .1390	\$.1390	\$.1385	\$.1386
Denmark.....	.2680	.1885	.1665	.1713
England.....	4.8666	3.3975	3.1975	3.3113
France.....	.0392	.03926	.03908	.03903
Germany.....	.2382	.2380	.2377	.2381
Holland.....	.4020	.4010	.4019	.4018
Italy.....	.0526	.0508	.0508	.0512
Norway.....	.2680	.1875	.1647	.1713
Spain.....	.1930	.0845	.0816	.0816
Sweden.....	.2680	.1900	.1746	.1813
Switzerland.....	.1930	.1953	.1923	.1924
Canada.....	1.0000	.8325	.8500	.8825
Argentina.....	.9648	.5865	.5865	.5865
Brazil.....	.1196	.0625	.0763	.0763
Uruguay.....	1.0342	.4488	.4775	.4750
Japan.....	.4985	.3500	.2005	.2065
India.....	.3650	.2575	.2426	.2515
Shanghai.....	.....	.3338	.2825	.2725

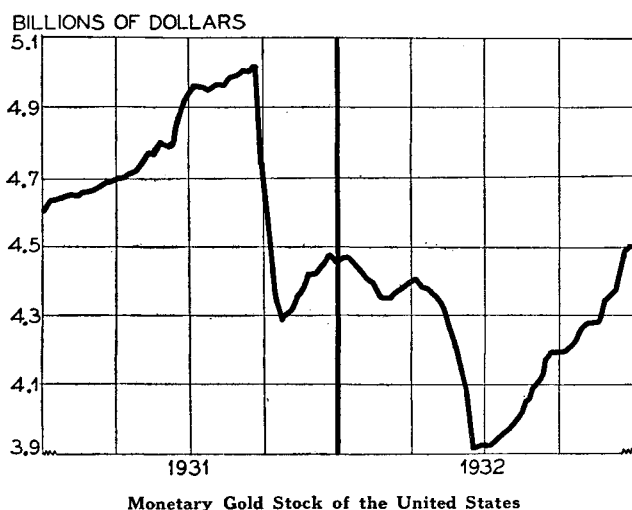
### Gold Movement

During the month of December the monetary gold stock of the United States rose by approximately \$175,000,000, of which \$95,550,000 reflects the payment of the December 15 instalment of the British war debt to the United States Government. As reported on another page of this Review, this gold payment was set aside under earmark by the Bank of England for account of the Federal Reserve Bank of New York on December 15 and arrangements were made for the progressive shipment of the gold to the United States. Consignments totaling \$22,912,000 have thus far been received and a balance of \$72,638,000 is held abroad or in transit.

Other imports of gold at New York during December totaled \$66,000,000, of which approximately \$31,500,000



Course of Sterling, Franc, and Belga Exchange Rates at New York



came from England, \$14,500,000 from France, \$7,400,000 from Holland, \$7,200,000 from Canada, \$3,500,000 from India, \$985,000 from Chile, \$209,000 from Mexico, and \$114,000 from Peru. Including gold shipped from the stock earmarked in London, actual receipts of gold at New York amounted to \$88,900,000. Receipts of \$8,600,000 at San Francisco in December were reported as follows: from China, \$4,900,000; from Japan, \$3,100,000; from Australia, \$600,000. No gold was exported from the United States on monetary account during December, but there was a loss to this country of \$1,600,000 as a result of a net increase in the amount of gold held at this Bank under earmark for foreign account.

Reflecting the large December increase and the gains in other months since June, the monetary gold stock of the United States at the end of 1932 was about \$55,000,000 larger than at the end of 1931, and only \$80,000,000 less than at the close of 1930, as is indicated in the accompanying diagram. The large outflow of gold between September 1931 and June 1932 was very largely offset by the increase in the gold stock in the first part of 1931 and by the renewed inflow in the second half of 1932. Thus for the two year period, monetary gold holdings of this country showed comparatively little net change, despite what was probably the largest shifting of gold in the history of any country.

### Central Bank Rate Changes

On December 3 the discount rate of the Bank of Greece was lowered from 10 to 9 per cent. The higher rate had been in force since August 8, 1932. No other changes in central bank rates were reported during December.

### Foreign Trade

Merchandise exports, which in September and October had shown increases of considerably more than the usual seasonal proportions, declined contrary to the seasonal tendency in November, but average daily imports of merchandise continued to increase both before and after seasonal adjustment. As compared with the level of a year previous, exports showed a decline of 28 per cent, and at \$139,000,000 were the smallest for any November

since 1902. The decline in imports was 30 per cent, the smallest year to year reduction since February.

The most substantial decline in exports from a year ago, 46 per cent, was in manufactured foodstuffs. A reduction of 37 per cent occurred in crude foodstuffs, while finished and semi-finished manufactures were down 30 per cent and 29 per cent, respectively, and crude materials showed a decrease of 19 per cent. In imports the decline from a year ago in crude and manufactured foodstuffs amounted only to 2 per cent and 5 per cent, respectively, while the declines in the other major groups ranged from 32 per cent to 42 per cent. The volume of cotton exports showed little change from October to November and was not far below the high level of a year previous. The volume of imports of silk, rubber, and coffee continued below the level of a year previous.

A comparison of the declines since 1929 in the foreign trade of this country with the various continents indicates that the most substantial reduction in exports has been in shipments to South America, which are currently running at less than one-fifth of the 1929 value. Exports to Canada and to Latin North America have been showing somewhat smaller declines, while exports to Europe and to Asia are between one-third and one-half of their 1929 value. In regard to imports, however, the present level in each case appears to be approximately one-third of the 1929 value.

### Employment and Wages

Working forces in manufacturing industries showed little change other than the usual seasonal reduction from the middle of October to the middle of November, and the seasonally adjusted index of factory employment in the United States computed by the Federal Reserve Board remained in November at the previous month's level. Increases in employment both before and after seasonal allowance occurred in the iron and steel, machinery, automobile, and metal industries, which approximately offset declines in the food, textile, leather, and paper and printing groups. Factory payrolls declined 4 per cent from October to November, or by slightly more than the usual seasonal proportions.

Wage rate reductions have been much less numerous during the past several months than in the earlier months of 1932. During the three months from the middle of July to the middle of October the number of workers affected by wage rate reductions in factories reporting to the Bureau of Labor Statistics averaged 68,000 a month, as compared with a monthly average of 116,000 workers in the previous seven months.

In New York State, factory employment was reduced 1 per cent from October to November. This decline was of somewhat larger than seasonal proportions, but was less than the October to November contraction in the previous three years. Factory payrolls were reduced 4 per cent, which considerably exceeds the average reduction in this period of past years. Declines from October to November were most pronounced in the food and clothing industries, which were among the industries which had shown the largest gains during preceding months.

According to an annual study of the State Department

of Labor, the average weekly earnings of office workers in New York State factories, including technical and supervisory staffs as well as clerical workers, were \$31.86 in October 1932, or the lowest for any year since 1922. The decline in weekly earnings of office workers from October 1931 amounted to \$3.63, and followed a decline of \$1.99 during the previous year. The total decline of 15 per cent in the earnings of office workers from their peak in 1930 has been less than the decline in the earnings of factory operatives, but office workers' earnings did not rise as much in previous years and are generally slower in their movements.

### Commodity Prices

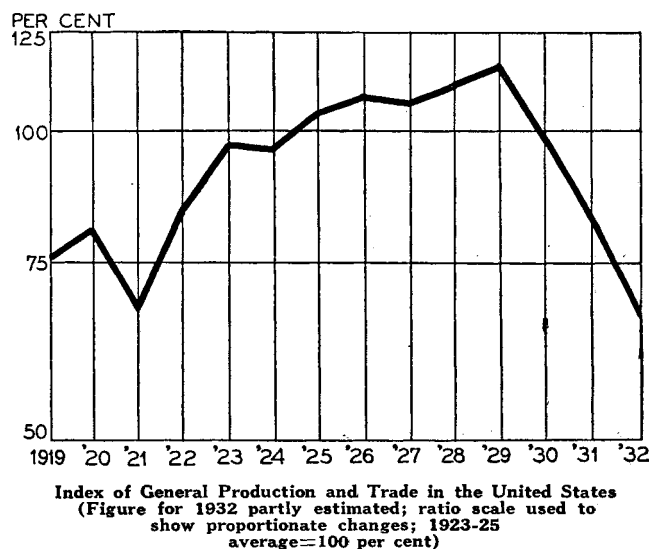
The average level of wholesale commodity prices continued to move lower during December. New lows for a number of years past were established in the prices of livestock, wheat, corn, copper, and silver, and sizable declines were shown also in hides, sugar, and rubber. On the other hand, iron and steel prices and raw cotton, silk, and wool quotations were fairly steady during December. A composite of crude petroleum quotations, which had remained fairly steady since the latter part of April, declined 18 cents to 83 cents a barrel, but remained well above the low of 57 cents established in 1931.

Despite the recent downturn, the general average of prices, according to the weekly index of the Bureau of Labor Statistics, has fluctuated within a narrower range since last June than in any similar period since late in 1929. This index for the week ended December 17 was 63.0 compared with 63.7 on June 18.

### Production and Trade in 1932

Reflecting the decline in general business during the first half of 1932, which was only partly counterbalanced by subsequent recovery in several important lines, a preliminary estimate made by this bank of the total volume of production and trade for the year 1932 indicates a decline of about 19 per cent from 1931 and of approximately 42 per cent from 1929. The estimated decline in aggregate production and trade during the past year was somewhat larger than the percentage decrease of either of the previous two years. The accompanying diagram, which is drawn on a ratio scale to indicate the year to year rate of increase or decrease, shows that as a result of three years of decline the estimated total volume of production and trade for 1932 was at about the same level as in 1921.

Two of the principal factors in the somewhat larger decline in aggregate production and trade during 1932 than in 1931 were a decrease of 9 per cent in agricultural production, as against an increase in the previous year, and a reduction of more than 50 per cent in building contracts awarded, or about double the percentage drop in construction activities in 1931. In addition, manufacturing output showed somewhat more of a decline than in 1931, as did a group of series representative of general trade. Production of minerals and metals underwent about the same proportionate curtailment as the drop from 1930 to 1931, and output of foods appears to have been reduced only to a small extent, as was the case in 1931 and 1930.



### World Production of Cotton and Wheat

As a result of a much smaller cotton crop in the United States than last year, offset in part by larger crops in India and China, the world production of cotton for the present crop year (August 1 to July 31), estimated by the Department of Agriculture at 24,000,000 bales, will be 3,500,000 bales below the 1931-32 harvest, and 2,100,000 bales smaller than the average production of the past five years. The current year's indicated crop approximately equals that of 1927-28, and with the exception of that year is the smallest since 1923-24. Owing to reduced activity in the cotton textile industry, and an unusually large domestic crop in 1931-32, the world carryover of all growths of cotton has increased during each of the past three years, and at the beginning of the present crop year the carryover was at the highest level ever recorded. Maintenance for duration of the crop year of the recent increase in mill consumption of raw cotton which has been apparent in all of the major consuming countries except England would probably be reflected in an interruption of the continuous growth of world stocks of raw cotton.

The production of wheat for the current year in forty-two countries which account for 95 per cent of world production, exclusive of China and Russia, is estimated at 3,700,000,000 bushels, or about the same as the aggregate production of these countries last year. The European, Canadian, and Southern Hemisphere crops are indicated to be somewhat larger than last year, but these increases are offset by a substantial decline in the United States harvest and some reduction in Asiatic production. The United States wheat crop, at 727,000,000 bushels, was 173,000,000 bushels below last year's crop, and the smallest for any year since 1925. Although no official figures are available for Russian output of wheat, it is generally reported that production in that country showed a large reduction from the 1931 crop.

Another small United States wheat crop in 1933 is suggested by the report of the Department of Agricul-

# FEDERAL RESERVE AGENT AT NEW YORK

ture covering the acreage sown and condition of winter wheat on December 1. The condition was the lowest reported for any December 1 since the reports were begun in 1863; acreage sown was 1.3 per cent less than sowings in the fall of 1931 and was the smallest since 1923.

## Production

During December no consistent change was apparent in the currently available data on the output of important industries. On the one hand, the volume of orders received by steel producers was reduced to an exceedingly low level, and the rate of operations in the latter part of the month was close to the low point reached in July. On the other hand, activity in the automobile industry continued to expand rapidly, reflecting work on new models, and the output of cotton goods and bituminous coal showed no important change either before or after seasonal adjustment.

The average level of industrial activity receded somewhat from October to November, principally as a result of a contraction in the output of several industrial lines which in preceding months had shown the largest improvement, namely, the textile, shoe, and meat packing industries. In addition, larger than seasonal declines were reported in the industries related to building construction. In contrast to these unfavorable records, the downward tendency in the automobile industry was sharply reversed, operations in the steel industry were maintained near the previous month's level despite a usual seasonal contraction, and increases were shown in the output of lead and zinc.

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

	1931	1932			
	Nov.	Sept.	Oct.	Nov.	
<b>Metals</b>					
Pig iron.....	38	20	21	21	
Steel ingots.....	48	24	27	29	
Lead.....	52	36	33	39	
Zinc.....	42	26	29	32	
Tin deliveries.....	62	40	44		
<b>Automobiles</b>					
Passenger cars.....	16	16	9	14 <sub>p</sub>	
Motor trucks.....	46	32	23	26 <sub>p</sub>	
<b>Fuels</b>					
Bituminous coal.....	68	60	68	68 <sub>p</sub>	
Anthracite coal.....	70	68	80	70 <sub>p</sub>	
Coke.....	54	37	40	42	
Petroleum, crude.....	82	68	66	66 <sub>p</sub>	
Petroleum products.....	75	59	61		
<b>Textiles and Leather Products</b>					
Cotton consumption.....	72	83	83	79	
Wool mill activity.....	57	86	83	71 <sub>p</sub>	
Silk consumption.....	96	100	93	72	
Shoes.....	73	91	96 <sub>p</sub>	94 <sub>p</sub>	
<b>Foodstuffs and Tobacco Products</b>					
Livestock slaughtered.....	93	106	96	84	
Wheat flour.....	96	78	86	90	
Sugar meltings, U. S. ports.....	73	74	65	66	
Tobacco products.....	84	79	74	73	
<b>Miscellaneous</b>					
Cement.....	59	50	48	45	
Tires.....	46	38	41		
Lumber.....	30	28	29	25	
Printing activity.....	76	62	59		
Newsprint paper.....	87	68	70		

p Preliminary

## Indexes of Business Activity

Data now available for December indicate that some decline in general business activity and trade occurred during the month. The movement of miscellaneous and less than carload freight over the railroads was reduced by somewhat more than the usual seasonal amount. The holiday trade in department stores in the New York Metropolitan area from December 1 to December 24 showed about the same decline from a year ago as the average for the previous 11 months, but apparently the increase over November was not quite as large as usual. On the other hand, the production of electric power increased about as usual from November to December, and the number of business failures showed little change other than the customary seasonal rise.

In November, moderate declines were indicated in most of this bank's indexes of the distribution of goods and general business activity, including the indexes representing movement of railroad freight, sales of department stores and chain stores, volume of check payments, and merchandise exports. Favorable movements were recorded, however, in the indexes of business failures, life insurance sales, and merchandise exports, and electric power production was unchanged from October to November.

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

	1931	1932			
	Nov.	Sept.	Oct.	Nov.	
<b>Primary Distribution</b>					
Car loadings, merchandise and misc.....	66	52	55	53	
Car loadings, other.....	60	48	53	53	
Exports.....	57	44	47	43 <sub>p</sub>	
Imports.....	75	50	54	56 <sub>p</sub>	
Waterways traffic.....	48	37	41	42	
Wholesale trade.....	84	86	76	75	
<b>Distribution to Consumer</b>					
Department store sales, 2nd Dist.....	89	75	76	72	
Chain grocery sales.....	80	70	68	64	
Other chain store sales.....	82	76	76	70	
Mail order house sales.....	69	69	67	62	
Advertising.....	70	57	55	54	
Gasoline consumption.....	79	69	67		
Passenger automobile registrations.....	41	29 <sub>p</sub>	23 <sub>p</sub>		
<b>General Business Activity</b>					
Bank debits, outside of New York City..	70	60	57	54	
Bank debits, New York City.....	56	62	53	42	
Velocity of bank deposits, outside of New York City.....	81	76	74	67	
Velocity of bank deposits, New York City	62	65	54	39	
Shares sold on N. Y. Stock Exchange....	94	179	71	53	
Life insurance paid for.....	100	82	80	82	
Electric power.....	79	68	67 <sub>p</sub>	67 <sub>p</sub>	
Employment in the United States.....	71	62	62	63	
Business failures.....	107	119	110	95	
Building contracts.....	41	28	25	30	
New corporations formed in N. Y. State.	85	94	78	79	
Real estate transfers.....	51	44	49	40	
General price level*.....	144	132	131	130	
Composite index of wages*.....	199	179	178 <sub>p</sub>	177 <sub>p</sub>	
Cost of living*.....	144	130	129	127	

p Preliminary \* 1913 average=100

## Building

Somewhat less than the usual seasonal reduction occurred in awards of building and engineering contracts during the month of November, and the total contract value reported for 37 States by the F. W. Dodge Corporation was only 2 per cent below the October figure. The slight improvement in construction volume was due en-



tirely to an increase in contracts for public buildings and the continuance of a comparatively large volume of public works. Contracts for public works were 26 per cent larger than in November 1931, the only major building category to show larger volume than a year ago.

The total value of building and engineering contracts awarded in the first eleven months of 1932 was 57 per cent less than the figure for the corresponding period of 1931. Residential contracts showed the largest decline for the period—66 per cent—but the other major classes of construction were also reduced by more than one-half.

During the first three weeks of December, the value of contracts awarded declined substantially more than seasonally. All of the major construction groups dropped by more than the usual seasonal proportions, but the principal falling off was in contracts for public works and utilities.

In the Metropolitan area of New York and vicinity contracts were slightly smaller in November than in October, and continued to be considerably below a year ago. In the 11 month period of 1932 for which figures are available the total volume of building and engineering awards was only one-fourth as large as the total for the corresponding period of 1931.

### Department Store Trade

Reports from the leading department stores in New York City and vicinity on the holiday trade during the first 24 days in December showed a decline of 22 per cent in comparison with the same period in 1931, a slightly smaller decline than was indicated by sales during the first half of the month. Assuming that this decrease will prevail for the entire month of December, the total dollar sales of the reporting stores in this district for the year 1932 will be about 21 per cent below the level of 1931.

The total dollar value of sales of the reporting department stores in this district in November was 19 per cent below a year ago, a slightly smaller decline than in October, but after making allowance for one more shopping day this year than in 1931, average daily sales showed a somewhat larger decline than in the two preceding months. On an average daily basis, department store business in New York City, Buffalo, Syracuse, Bridgeport, Newark, Hudson River Valley District, and Westchester District compared less favorably with a year ago than in October. On the other hand, average daily sales of stores in Northern New York State, Southern New York State, and the Capital District showed smaller declines than in a number of months. November sales of the reporting apparel stores decreased by about the same amount compared with a year ago as department store sales, and the decline in average daily sales was somewhat larger for the apparel stores also than in the past two months.

Department store stocks of merchandise on hand November 30, at retail valuation, continued to show a substantial decrease from a year ago. Collections of accounts outstanding at the end of the previous month were about the same in November 1932 as in 1931 in most localities.

Locality	Percentage change from a year ago			Per cent of accounts outstanding October 31 collected in November	
	Net sales		Stock on hand end of month	1931	1932
	Nov.	Jan. to Nov.			
New York.....	-18.9	-20.8	-26.8	47.1	47.2
Buffalo.....	-17.7	-22.6	-29.8	42.2	41.2
Rochester.....	-16.5	-23.3	-24.9	44.1	42.9
Syracuse.....	-23.5	-28.0	-25.2	27.4	25.4
Newark.....	-17.8	-19.1	-23.1	40.5	40.3
Bridgeport.....	-23.1	-24.6	-13.3	36.5	34.3
Elsewhere.....	-15.3	-21.9	-17.2	31.6	32.2
Northern New York State.....	-16.4	.....	.....	.....	.....
Southern New York State.....	-12.4	.....	.....	.....	.....
Hudson River Valley District.....	-14.5	.....	.....	.....	.....
Capital District.....	-15.4	.....	.....	.....	.....
Westchester District.....	-19.8	.....	.....	.....	.....
All department stores.....	-18.6	-21.0	-25.7	42.8	42.5
Apparel stores.....	-18.1	-22.9	-29.4	44.1	44.6

### Wholesale Trade

November sales of the reporting wholesale firms averaged 16 per cent below a year previous, the smallest reduction to be reported in 1932. Sales of silk goods, reported on a yardage basis by the Silk Association of America, increased over the previous year for the fourth consecutive month, and sales of stationery, men's clothing, jewelry, and diamonds were reduced less than in any other month for more than a year. Moreover, machine tool orders, reported by the National Machine Tool Builders Association, and grocery and shoe sales showed the smallest declines in a number of months. In addition, hardware, paper, and cotton goods firms reported somewhat smaller decreases in sales than in October. Drug concerns, on the other hand, showed a large year to year decline, compared with only small decreases in the two previous months.

Stocks of merchandise on hand at the end of November continued to be considerably below a year previous in all reporting lines except groceries, which for the second consecutive month showed only a small reduction from a year previous.

The November ratio of collections to accounts outstanding averaged slightly higher than in 1931, as there were more lines reporting increases than there were reporting decreases from a year ago.

Commodity	Percentage change November 1932 compared with October 1932		Percentage change November 1932 compared with November 1931		Per cent of accounts outstanding October 31 collected in November	
	Net sales	Stock end of month	Net sales	Stock end of month	1931	1932
Groceries.....	-4.0	+2.1	-10.9	-3.9	70.8	76.3
Men's clothing.....	-48.9	.....	-11.7	.....	27.2	32.8
Cotton goods.....	6.5	.....	-27.5	.....	28.7	29.5
Silk goods.....	-0.4*	+4.7*	+12.5*	-20.3*	61.3	60.8
Shoes.....	-9.3	-14.1	-19.5	-35.2	37.2	42.9
Drugs.....	-49.3	-3.5	-36.9	-21.7	42.6	20.9
Hardware.....	-13.4	-2.8	-26.5	-16.4	41.6	44.4
Machine tools**.....	+16.8	.....	-37.0	.....	.....	.....
Stationery.....	+10.9	.....	-11.9	.....	63.8	53.4
Paper.....	-8.8	.....	-25.9	.....	47.5	41.3
Diamonds.....	-33.5	+5.6	-27.4	-22.2	13.8	15.7
Jewelry.....	-8.2	-3.0	-16.6	-23.5	.....	.....
Weighted average.....	-16.4	.....	-15.9	.....	46.8	48.4

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



# FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, JANUARY 1, 1933

## Business Conditions in the United States

(Summarized by the Federal Reserve Board)

**I**NDUSTRIAL activity declined in November by somewhat more than the usual seasonal amount. Changes in factory employment and payrolls, reported for the middle of the month, were largely seasonal in character. Prices in wholesale commodity markets were somewhat lower, on the average, in November than in October, and declined further during the first three weeks of December.

### PRODUCTION AND EMPLOYMENT

Volume of industrial production, as measured by the Board's seasonally adjusted index, declined from 66 per cent of the 1923-1925 average in October to 65 per cent in November, compared with a low level of 58 per cent in July. Output at woolen mills, silk mills, and shoe factories declined in November from the relatively high levels of the autumn, while cotton mills continued active. Lumber production declined by considerably more than the usual seasonal amount. Steel production decreased during November and the first three weeks of December, while automobile output increased considerably in connection with the introduction of new models.

The number employed at factories declined somewhat from October to November, reflecting in large part developments of a seasonal character. Working forces in the woolen, silk, shoe, and canning industries were reduced, while at car-building shops and at factories producing automobiles and agricultural implements there were increases in employment.

Construction contracts awarded up to December 15, as reported by the F. W. Dodge Corporation, indicate for the last three months of the year a decline from the third quarter of somewhat more than the usual seasonal amount, following a non-seasonal increase from the second to the third quarter.

Estimates of the Department of Agriculture, based on December 1 reports, indicate a cotton crop of 12,727,000 bales, about 800,000 bales larger than the estimate a month earlier, but 4,400,000 bales smaller than last year's unusually large crop. Wheat, tobacco, flaxseed, and other leading cash crops are also considerably smaller than a year ago, while feed crops are substantially larger. Acreage of winter wheat planted this fall was slightly smaller than a year ago, and condition of the crop on December 1 was unusually poor, according to the Department of Agriculture.

### DISTRIBUTION

Distribution of commodities by rail decreased seasonally from October to November, while the dollar volume of department store sales, which ordinarily expands at this season, showed a decline.

### WHOLESALE PRICES

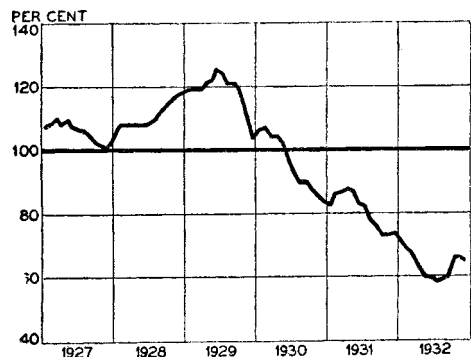
During early November the general level of wholesale commodity prices advanced somewhat, reflecting chiefly increases in prices of domestic agricultural products; in the latter part of the month, however, prices of livestock, cotton, and grains declined considerably; and, during the first three weeks of December, further declines in livestock prices were reported. By the third week of December prices of textiles, copper, and silver, as well as of livestock, were substantially lower than in the middle of November and the general average of wholesale prices was at a level slightly below that prevailing before the advance that occurred last summer.

### BANK CREDIT

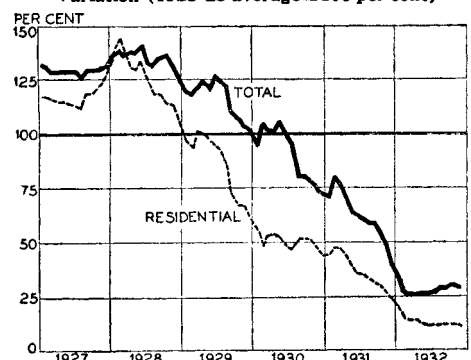
During the four weeks ended December 14 there was an addition of \$85,000,000 to the country's stock of monetary gold. The funds derived from this source were utilized in meeting an increase in the demand for currency, which was smaller than usual at this season, in further reducing by \$23,000,000 the indebtedness of member banks to the Reserve Banks, and in increasing by \$25,000,000 the volume of member bank reserve balances. On December 15 there was a further increase of \$95,550,000 in the stock of monetary gold in connection with the current payment by Great Britain on the war debt. This amount of gold was earmarked in London for account of the Federal Reserve Bank of New York, and an equivalent credit was given by that bank to the United States Treasury. This transaction together with other fiscal operations on December 15 resulted in a temporary addition of \$100,000,000 to the reserves of member banks, which were subsequently reduced by Christmas currency demands, and an increase in Treasury deposits with the Reserve Banks.

Loans and investments of reporting member banks declined by more than \$100,000,000 between November 16 and December 14, reflecting reductions in the banks' holdings of United States Government securities, and in loans other than security loans. Loans on securities increased, both at New York City and at other reporting member banks.

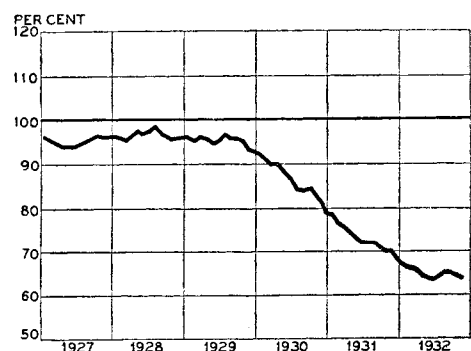
Money rates in the open market declined further, rates on 90-day bankers acceptances declining from  $\frac{1}{2}$  of 1 per cent to  $\frac{3}{8}$  of 1 per cent, and rates on prime commercial paper from a range of  $1\frac{1}{2}$ - $1\frac{3}{4}$  per cent to a range of  $1\frac{1}{4}$ - $1\frac{1}{2}$  per cent.



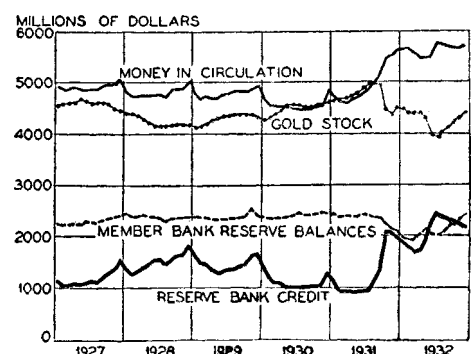
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



Index Numbers of Building Contracts Based on Three Month Moving Averages of F. W. Dodge Corporation Data for 37 States, Adjusted 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 December)