MONTHLY REVIEW
of Credit and Business Conditions
Second Federal Reserve District

Federal Reserve Agent — *Federal Reserve Bank, New York* — *February 1, 1933*

Money Market in January

In the early part of January there was a renewed accumulation of reserves in member banks in excess of their present reserve requirements. The crest of the seasonal demand for funds incident to autumn and holiday trade had passed and was followed by the usual return flow of currency to the banks, and in addition there was a substantial inflow of gold from foreign countries.

A considerable part of the gold inflow resulted from continued weakness in the exchanges of some of the gold standard countries, but there were also shipments from other countries such as England, China, Japan, and India. Part of the shipments reflected the transfer to this country of gold earmarked for the Federal Reserve Bank of New York in London in connection with the December payment on Great Britain's debt to the United States Government; these shipments increased the gold reserves of the Federal Reserve Banks, but did not affect the reserve position of member banks. In the latter part of the month, the gold inflow continued from a number of countries, but at a somewhat reduced rate, and was about offset by a moderate increase in the amount of gold earmarked for foreign account in this country.

The return flow of currency between Christmas and the second week of January was about in keeping with the increase in currency circulation during the period of the holiday trade. Both the outflow before Christmas and the return flow were about half the volume in years of more active business. Nevertheless, the net return flow by the middle of January exceeded $100,000,000. Thereafter the seasonal return flow was offset by some additional currency demands in several sections of the country. As a result of the return flow of currency, together with the inflow of gold, excess reserves for all member banks rose well above $600,000,000. Most of the increase in excess reserves was soon concentrated in New York banks which already had a large amount of funds above their reserve requirements, due to the fact that surplus funds of banks in other parts of the country were deposited with their New York correspondents.

A partial offset to this accumulation of funds in member banks occurred during the three weeks ended January 25, through a reduction of $88,000,000 in the Government security holdings of the Federal Reserve Banks. This reduction was effected by replacing only in part the maturing Treasury bills in Reserve Bank holdings. It followed a meeting of the Open Market Policy Conference of the Federal Reserve System held in Washington on January 4 and 5, at the conclusion of which the following statement of policy was issued:

> The Open Market Policy Conference of the Federal Reserve System, with representatives from all of the 12 Federal reserve banks in attendance, concluded its meetings with the Federal Reserve Board today. The sessions of the conference were devoted to a review of economic, business, financial, and banking conditions in each of the 12 Federal reserve districts and to the economic and financial situation in the country as a whole. Particular reference was made in the discussions to the workings and effects of the open-market policy thus far pursued by the Federal reserve system during the course of the economic depression. Consideration was also given to the attitude of the system in adjusting its operations to conditions and needs as they may change and develop.
>
> The first and immediate objective of the open-market policy was to contribute factors of safety and stability in meeting the forces of deflation. The larger objectives of the system's open-market policy, to assist and accelerate the forces of economic recovery, are now assuming importance.
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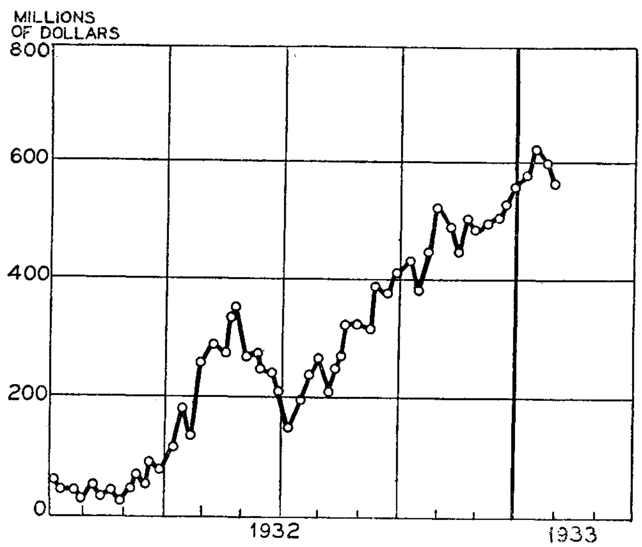
> With this purpose in mind, the conference has decided that there should be no change in the system's policy intended to



Estimated Amount of Reserves Held by All Member Banks in Excess of Legal Reserve Requirements

maintain a substantial amount of excess member bank reserves, the continuance of which is deemed desirable in present conditions. Adjustments in the system's holdings in the open-market account will be in accordance with this policy.

The reduction in the System's holdings of Government securities was less than the return flow of currency to the banks since Christmas, and proceeded more slowly after the flow of funds into the banks diminished. The reductions by weeks amounted to $39,000,000 in the week ended January 11, $34,000,000 in the week ended January 18, and $15,000,000 in the week ended January 25. After these operations, member banks were still in possession of well over $500,000,000 of excess reserves, and continued to hold at least that amount at the close of the month.

Money Rates

With the New York banks continuously in possession of a large amount of surplus funds, money rates remained at very low levels. Effective January 25, the rate of interest paid by the New York Clearing House banks on demand deposits was reduced from ½ per cent to ¼ per cent, and rates paid on other deposits were also reduced. This reduction was followed by some withdrawals of funds by out-of-town banks, and a very active demand for high-grade short term investments developed. Yields on short term Government securities, which had risen somewhat around the middle of the month, again declined to extremely low levels, and rates on bankers acceptances were reduced ⅛ per cent further.

Money Rates at New York

	Jan. 29, 1932	Dec. 30, 1932	Jan. 31, 1933
Stock Exchange call loans	2½	1	1
Stock Exchange 90 day loans	*3½–3¾	*½	*½
Prime commercial paper	3¾–4	1¼–1½	1¼–1½
Bills—90 day unindorsed	2¾	⅜	¼
Customers' rates on commercial loans	†4.44	†3.63	†3.38
Treasury securities			
Maturing March (yield)	1.71	No yield	No yield
Maturing June (yield)	2.65	No yield	No yield
Maturing September (yield)	3.14	0.08	0.13
Federal Reserve Bank of New York rediscount rate	3½	2½	2½
Federal Reserve Bank of New York buying rate for 90 day indorsed bills	‡3	1	1

* Nominal † Average rate of leading banks at middle of month
‡ 1–45 days 2¾ per cent

Member Bank Credit

The total loans and investments of reporting New York City member banks showed a renewed increase during January, which in the four weeks ended January 25 amounted to $112,000,000. This increase was due to a further increase of $150,000,000 in the Government security holdings of these banks during the four weeks. There was also a small increase in holdings of other securities. The security loans of these banks showed a net reduction of $50,000,000 during this period, but other loans were practically unchanged. Net demand and time deposits showed an accompanying increase of $131,000,000, which brought the total of such deposits to a level approximately $1,300,000,000 above the low point of last March.

The total loans and investments of reporting member banks in principal cities elsewhere throughout the country showed a further reduction of nearly $300,000,000 during the four week period. Most of this reduction was in loans, although the investments of these banks also showed some decline. Net demand and time deposits of these banks remained practically unchanged.

Bill Market

In the last few days of December there was a moderate increase in dealers' portfolios of bills, due to year-end selling of bills by a few banks, but these were quickly drawn down by the investment demand for prime bills that developed after the turn of the year. Consequently dealers soon were again in the position of having practically no prime bills to offer, other than the small amounts that could be acquired from day to day.

On January 23 a general reduction of ⅛ per cent became effective in dealers' rates, following the announcement of a reduction of interest rates to be paid on deposits in the banks belonging to the New York Clearing House. These rates for bankers bills, which are the lowest in the history of the American acceptance market, were not particularly attractive to the New York City banks, with the result that the supply of bills in the discount market increased slightly, though it still remained of very limited proportions.

Reflecting chiefly declines of about $5,000,000 each in bills arising from domestic warehouse credits and in bills based on goods stored in or shipped between foreign countries, the total volume of acceptances outstanding declined $10,000,000 during December to $710,000,000. The accepting banks and bankers held 84 per cent of the amount of bills then outstanding, a slightly smaller proportion than a month earlier, reflecting principally the temporary decreases in the portfolios of a few banks at the year-end.

Commercial Paper Market

Investment demand for open market commercial paper increased after the turn of the year, and, as in previous months, continued to be in excess of the available supply of prime names. The highest grade paper sold on occasions during the first part of January as low as 1 and 1⅛ per cent, but for the usual grade of 4 to 6 month paper the prevailing rate remained at 1¼-1½ per cent. Later in the month few transactions were reported below the prevailing range because of the inability of the dealers to secure the kind of paper that would command an especially low rate.

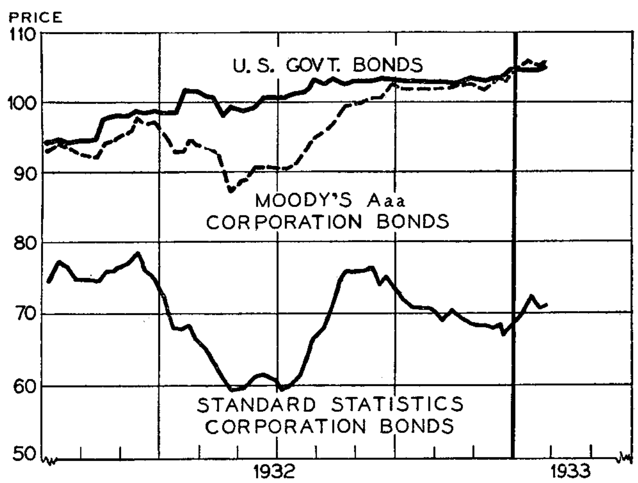
Indicative of the exceedingly small supplies of paper available in the open market, the dealers reported to this bank that there was outstanding on December 31 a total of only $81,000,000 of commercial paper, an amount 26 per cent below the November 30 outstandings and 32 per cent less than a year previous. December generally shows a substantial seasonal reduction in commercial paper outstanding, followed by a partial upturn in January.

Security Markets

Following a rapid advance in the closing days of December, bond prices rose considerably further during the first ten days of January, and Stock Exchange trading in bonds was the most active since last August. After a reaction around the middle of the month, the highest grade bonds resumed the advance and at the close of January reached higher prices than were attained in the upswing during the early part of the month.

The accompanying diagram indicates the sustained strength during recent months in high grade bonds, as represented by the average prices of United States Government bonds and Moody's index of Aaa domestic corporation bonds. In United States Government bonds, a further average rise of ½ point in the first part of January was followed by a reaction of about ¾ of a point around the middle of the month, but there was a renewed advance which averaged about ⅞ of a point in the latter part of the month, so that prices at the close of January reached the highest levels since September 1931. Prices of the best grade domestic corporation bonds, likewise, rose rather steadily to levels close to those which prevailed during the summer of 1931.

In the less high grade bonds, represented in the diagram by the third line which is based on the Standard Statistics Company daily index of 60 corporate bonds, there was also an advance during the last week in December and the first ten days of January that raised prices some 5 points on the average. This was followed by a decline of about 1½ points, which was not fully regained before the end of the month. The rise in these bonds followed a generally downward movement between the middle of September and the latter part of December, and left prices somewhat below the levels of early September. Foreign bonds also rose considerably during late December and the first part of January, but a moderate reaction occurred subsequently.



Price Movements of United States Government Bonds, Highest Grade Domestic Corporation Bonds, and Less High Grade Corporation Bonds

Movements of stock prices during January were again within the same narrow limits which have prevailed since October. Little definite trend was evident in the irregular fluctuations of the month, but the general level of prices at the close of the month was slightly higher than at the end of December. Industrial and railroad stocks were up somewhat, while public utility shares were steady or down slightly. The turnover of stocks on the New York Stock Exchange continued at a daily average of about 1 million shares during the first half of the month, but subsequently was reduced to between 600,000 and 700,000 shares.

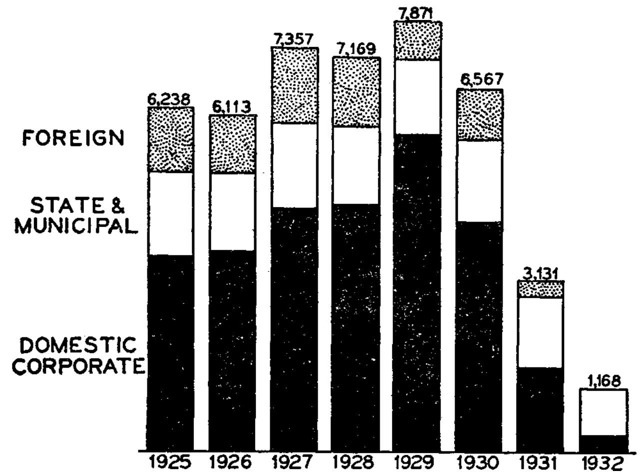
New Financing

During January, about $40,000,000 of public utility security issues were offered for subscription. The total was composed of seven issues, and while not large was considerably in excess of new flotations of this type during December. There were also some $30,000,000 of State and municipal issues and a $9,000,000 Federal Intermediate Credit Bank issue publicly offered during the month. In addition, the State of New York floated a $50,000,000 issue of 1 year 1 per cent notes, but these were allotted to a number of banking institutions and very little of this issue was subsequently reoffered for public subscription.

United States Government financing during January included three issues of 91 day Treasury bills, totaling $230,000,000, which were put out to replace corresponding maturities of Treasury bills. The average rate on these issues was from 0.18 to 0.24 of one per cent, a moderate rise from the low figure of 0.09 of one per cent at which the December 28 bill issue was sold. On January 23, the Treasury also announced an issue of $250,000,000 of 2⅝ per cent 5 year notes dated February 1, partly to provide for maturities of $145,000,000 of Treasury certificates of indebtedness and $13,000,000 of interest payments on that date. Subscriptions in payment of which the maturing certificates were tendered were given preferred allotment on the new issue up to a total of about $75,000,000.

Cash subscriptions to the new issue were many times larger than the amount offered, and, although the subsequent rise in market quotations indicated that some part of this represented a legitimate investment demand for the new issue, much of the large oversubscription represented padding of subscriptions. Accompanying the announcement of subscriptions to this issue, Secretary Ogden L. Mills made the following statement:

> The large oversubscriptions for recent Treasury offerings should not be regarded as an indication that idle funds are available in an amount even remotely approaching the total subscribed for. This great volume of subscriptions is due in large measure to the fact that many subscribers are deliberately applying for amounts far in excess of their requirements, expecting that under the Treasury's percentage allotment they will receive a reduced amount approximating their actual needs. This practice of padding has steadily increased until it has now reached such proportions that the department must consider measures to deal with it in the interest both of subscribers and of the Treasury.



New Security Offerings (Commercial and Financial Chronicle figures for domestic issues and Federal Reserve Bank of New York data for foreign flotations; in millions of dollars)

A compilation of new security offerings during the year 1932 places the total at $1,168,000,000, a drop of 63 per cent from 1931 and of 82 per cent from 1929. The accompanying diagram, which is based on data that exclude United States Government issues, investment trust financing, and all refunding issues, indicates the declines that have occurred in the principal classes of new capital issues during the last three years. Bond financing by States and municipalities which had been at a comparatively high figure during 1931 was reduced more than one-third in 1932, reflecting economy measures adopted in many localities. Domestic corporate security issues were only about one-fifth of the small 1931 volume, and were insignificant compared with the average for the four years prior to 1929. There was a virtual stoppage of foreign financing in this market.

Coincident with the falling off in corporation and municipal security borrowings, the outstanding debt of the United States Government rose $2,900,000,000 further during the calendar year 1932, of which about $1,200,000,000 represented disbursements for account of the Reconstruction Finance Corporation. A substantial part of the Reconstruction Finance Corporation advances was for loans which in more normal circumstances would have been obtained directly by the borrowers through flotation of new securities, and would have been included in the figures for public security offerings. This is true especially of the loans to railroads and to State governments.

Foreign Exchange

Movements in the foreign exchange market were irregular during January; a few important currencies showed net advances against the dollar for the month, while others remained at comparatively low levels. Sterling continued its December advance, although at a slower rate, until the beginning of the third week, when the quotation rose from $3.35⅞ on January 21 to $3.39⅞ on the 24th. Despite subsequent irregularity, the pound was quoted toward the close of the month at $3.39½. Swiss francs and belgas also registered sizable advances, each currency making most of the gain recorded in the table during the latter part of January. French francs fluctuated considerably, but on the whole remained close to the gold import point, although no gold left France for the United States in the latter part of January. Reichsmarks were irregular, as were guilders, and neither currency showed any marked change for the month. The Scandinavians tended to follow sterling, except the Danish crown, which declined to $0.1562, a new low for a number of years.

In the Far Eastern list yen turned upward during the latter part of the month, and the silver currencies also advanced. South American exchanges continued to be quoted at fixed rates. The discount on the Canadian dollar widened substantially, the net decline for the month being about 3 cents.

Closing Cable Rates at New York

Exchange on	Par of Exchange	Jan. 30, 1932	Dec. 31, 1932	Jan. 30, 1933
Belgium	$ .1390	$ .1396	$ .1385	$ .1391
Denmark	.2680	.1905	.1726	.1562
England	4.8666	3.4525	3.3300	3.3950
France	.0392	.03937	.03903	.03904
Germany	.2382	.2369	.2381	.2376
Holland	.4020	.4025	.4018	.4020
Italy	.0526	.0501	.0512	.0511
Norway	.2680	.1880	.1715	.1738
Spain	.1930	.0821	.0816	.0820
Sweden	.2680	.1935	.1815	.1836
Switzerland	.1930	.1952	.1924	.1935
Canada	1.0000	.8638	.8838	.8531
Argentina	.9648	.5865	.5865	.5865
Brazil	.1196	.0625	.0763	.0763
Uruguay	1.0342	.4650	.4750	.4750
Japan	.4985	.3500	.2063	.2113
India	.3650	.2620	.2528	.2569
Shanghai	....	.3275	.2725	.2863

Gold Movement

The monetary gold stock of the United States continued to increase during January, a total of about $38,000,000 being added during the month, including a small amount of gold from domestic sources, as well as gold received from abroad.

Imports at New York totaled $116,000,000, of which about $40,500,000 represented receipts of gold that was earmarked in London for the account of the Federal Reserve Bank of New York in December. The chief sources of the balance of the imports were as follows: $31,100,000 from France, $17,300,000 from Holland, $14,400,000 from India, $7,300,000 from England, and $5,000,000 from Canada. At San Francisco, approximately $5,600,000 was received from China, $3,700,000 from Japan, and $700,000 from Australia. Exports were negligible, but a net increase of $19,000,000 in the amount of gold held under earmark at this bank for foreign account, together with a decrease of $72,600,000 in gold held abroad for account of the New York Reserve Bank, reduced the net acquisition of gold from foreign transactions to approximately $34,000,000.

Central Bank Rate Changes

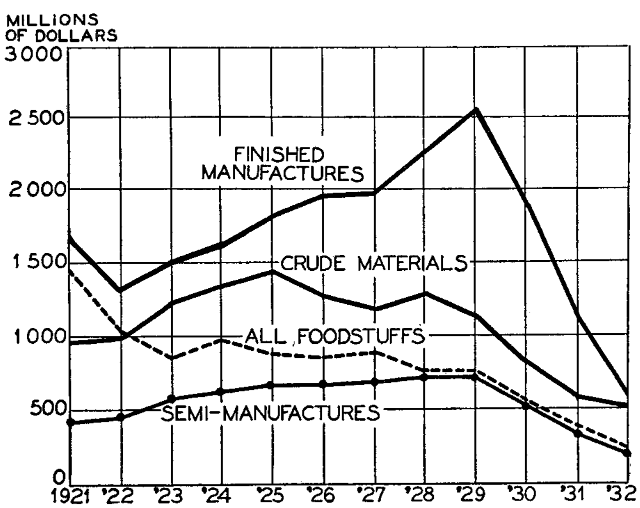
Three European banks of issue reduced their official discount rates in January to unusually low levels. On the 9th, the rate of the Banca d'Italia was reduced from 5 to 4 per cent, the lowest rate fixed by that bank since 1914. On the 25th, the National Bank of Czechoslovakia lowered its rate from 4½ to 3½ per cent, the lowest rate in that bank's history. The Bank of Latvia in reducing its rate to other banks from 6 to 5½ per cent on January 1, also established a record low. Its rate to the public was simultaneously reduced from 7 to 6 per cent. On the 31st the Bank of Finland reduced its rate from 6½ to 6 per cent, presumably effective February 1.

Foreign Trade

This country's foreign merchandise trade declined slightly further between November and December. In the case of exports the contraction was somewhat less than the usual seasonal decline, while in the case of imports the decrease was contrary to the usual seasonal movement. Exports of $136,000,000 were 26 per cent less than a year previous and imports valued at $97,000,000 were 37 per cent less.

For the calendar year 1932, exports amounted to $1,618,000,000 and imports to $1,323,000,000, the smallest annual totals since 1904 and 1908, respectively. Exports were one-third less than in 1931, a somewhat smaller drop than in the previous year, but imports showed a reduction of 37 per cent, or more than the preceding year's decline.

The value of exports of crude materials in 1932 was only 9 per cent smaller than in 1931, reflecting the influence of cotton exports which were 30 per cent larger in quantity and 6 per cent larger in value than in 1931. On the other hand, exports of finished manufactures were 44 per cent below the level of 1931. The accompanying diagram indicates the declines that have occurred during the past three years in the component groups of this country's export trade. Exports of finished manufactures, with a drop of 75 per cent from 1929,



Component Groups of the Export Trade of the United States

have shown the largest decline both proportionately and from the viewpoint of actual value, following a large expansion in the previous seven years. The next largest percentage declines have been 73 per cent in semi-manufactures and 68 per cent in foodstuffs. The smallest decrease has been in crude materials, for which the decline has been 55 per cent. Lower prices have been an important factor in these declines, especially in the case of basic commodities. As a result of these changes exports of finished manufactures in 1932 were reduced to $625,000,000, or only $110,000,000 more than crude material exports, whereas in 1929 finished manufactures exceeded crude materials by $1,400,000,000.

Employment and Payrolls

Factory employment in the United States, which during November had shown only about the average seasonal decline, was reduced 2 per cent in December, or slightly more than is usual at that time of the year. The seasonally adjusted index of the Federal Reserve Board remained 4 per cent above the low point of last July, however. Declines in the seasonally adjusted figures for various industries were rather general in December, appearing in all of the major industrial groups with the exception of automobiles and petroleum refining. Factory payrolls showed a decrease of about 2 per cent between the middle of November and the middle of December.

Among the non-manufacturing data tabulated by the Bureau of Labor Statistics, a seasonal gain of 17 per cent occurred during December in employment in the retail trade group, and smaller increases were reported in metalliferous mining, crude petroleum, and bituminous coal mining. On the other hand, there were declines in employment in all other non-manufacturing lines. Payrolls were lower than in November in all reported lines except retail trade, electric railroad operation, and anthracite mining.

In New York State also, factory employment and payrolls registered declines both before and after seasonal adjustment; the actual reduction in working forces amounted to 3 per cent and in wage payments to 4 per cent. Although this is the second successive month of decline, the number of workers employed remained 8 per cent above the low point reached in July, even after seasonal adjustment.

Production

No general change in productive activity during January was indicated by the currently available weekly data, but in the aggregate there appears to have been a slight decline after allowance for the usual seasonal changes. Activity in the steel industry increased gradually each week during the month, reaching 17 per cent of capacity toward the end of January as compared with 13 per cent a month previous, according to the Iron Age estimate, and production of automobiles was larger in January than in December. On the other hand, output of bituminous coal was reduced and production of cotton goods failed to show the customary expansion.

In December, diverse changes were shown in this bank's indexes of industrial production. The most pronounced movement was a sharp rise in the output of automobiles in connection with the production of new models. Moderate increases were reported also in the production of anthracite coal and zinc, and declines of less than seasonal proportions were shown by the wheat flour, silk, and tobacco products industries. In contrast to these favorable movements, larger than seasonal reductions occurred in the output of pig iron, lead, crude petroleum, bituminous coal, and cement, and in slaughterings of livestock and the activity of wool mills. Moreover, production of steel ingots and coke showed unseasonal declines. The Federal Reserve Board's seasonally adjusted index of industrial production rose one point from November to December, chiefly as a result of the increase in activity of the automobile industry. This index showed only minor fluctuations during the final quarter of 1932, following a sizable advance during the previous three months.

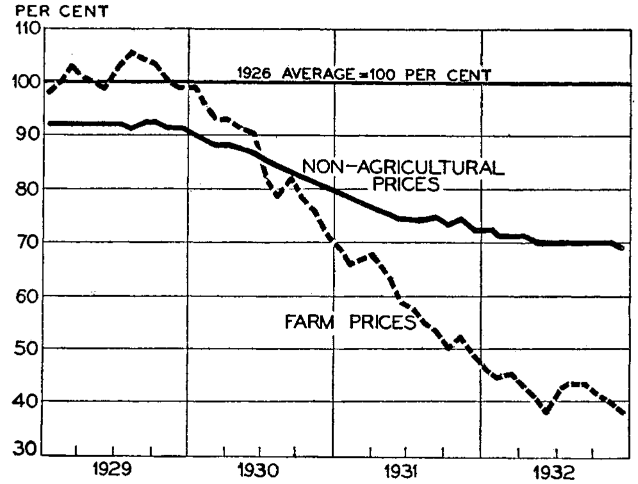
(Adjusted for seasonal variations and usual year to year growth)

	1931	1932		
	Dec.	Oct.	Nov.	Dec.
Metals				
Pig iron	34	21	22*r*	19
Steel ingots	36	27	29	23
Lead	56	33	39	35
Zinc	41	29	32	34
Tin deliveries	51	44	44	
Automobiles				
Passenger cars	36	9	14	31
Motor trucks	56	23	26	49
Fuels				
Bituminous coal	65	68	68	67*p*
Anthracite coal	75	80	70	83*p*
Coke	50	40	42	40
Petroleum, crude	82	66	66	64*p*
Petroleum products	71	61	61	
Textiles and Leather Products				
Cotton consumption	70	83	79	74
Wool mill activity	55	83	72	68*p*
Silk consumption	87	93	72	75
Shoes	87	96	94*p*	93*p*
Foods and Tobacco Products				
Livestock slaughtered	98	96	84	82
Wheat flour	87	86	90	94
Sugar meltings, U. S. ports	97	65	66	
Tobacco products	80	74	73	76
Miscellaneous				
Cement	55	48	45	38
Tires	45	41	39	
Lumber	29	29	25	25
Printing activity	75	59	60	
Newsprint paper	84	70	74	74

p Preliminary *r* Revised

Commodity Prices

The general level of commodity prices, as measured by the weekly wholesale price index of the Bureau of Labor Statistics, showed a small net decline during January, and among the important commodities, advances were somewhat less numerous than declines. For the month an average of crude petroleum prices was reduced further to 66 cents a barrel, raw silk declined 32 cents to \$1.18 a pound, and some recession was shown also in the quotations for sugar, steers, and rubber. Number 1 Northern wheat at Minneapolis, however, showed a net gain of 3¼ cents to 47¼ cents a bushel, a composite of hog prices rose 37 cents to \$3.25 a hundredweight, and the price of silver advanced 1⅝ cents to 26 cents an ounce.



Department of Agriculture Index of Farm Prices at the Farm and Bureau of Labor Statistics Index of Prices of All Commodities Except Farm Products and Foods

During 1932, and particularly in the second half of the year, the level of commodity prices showed a much greater degree of stability than in either of the two preceding years, as is indicated in the accompanying diagram. Although stability was most clearly apparent in the prices of non-agricultural commodities, prices received by farmers for their products showed practically no net change during the last six months of the year, and for the year 1932 as a whole fell less sharply than in either of the two previous years.

Indexes of Business Activity

Little change in general business activity and the distribution of goods occurred during the first half of January, as compared with the December level. Car loadings of merchandise and miscellaneous freight increased slightly even after seasonal adjustment, while the movement of bulk freight declined, reflecting chiefly reduced coal shipments. Department store sales in the Metropolitan area of New York during the first half of January showed approximately the same decline from a year previous as was reported in the two preceding months. Electric power production, however, was reduced somewhat from December to January although the average seasonal experience in recent years indicates no change between these two months.

About an equal number of declines and advances from November to December occurred in this bank's seasonally adjusted indexes of general business activity. The volume of check transactions showed more than the usual increase, car loadings of bulk freight advanced in contrast to the usual reduction, and the movement of merchandise and miscellaneous freight showed little change other than seasonal. On the other hand, sales of department stores and chain stores other than grocery chains failed to rise as much as usual from November to December, and the number of business failures increased somewhat more than is usual. Electric power production and sales of chain grocery stores showed little change other than seasonal.

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

	1931	1932		
	Dec.	Oct.	Nov.	Dec.
Primary Distribution				
Car loadings, merchandise and misc.	65	55	53	53
Car loadings, other	61	53	53	58
Exports	56	47	43	45*p*
Imports	76	54	58	54*p*
Waterways traffic	47	41	42	40
Wholesale trade	91	76	75	85
Distribution to Consumer				
Department store sales, 2nd Dist.	85	76	72	68
Chain grocery sales	77	68	64	64
Other chain store sales	80	76	70	67
Mail order house sales	68	67	62	
Advertising	67	55	54	52
Gasoline consumption	80	67	70	
Passenger automobile registrations	52	23*p*	23*p*	29*p*
General Business Activity				
Bank debits, outside of New York City	73	57	54	58
Bank debits, New York City	68	53	42	53
Velocity of bank deposits, outside of New York City	83	74	67	70
Velocity of bank deposits, New York City	71	54	39	48
Shares sold on N. Y. Stock Exchange	126	71	53	57
Life insurance paid for	103	80	82	77
Electric power	78	67	68*p*	68*p*
Employment in the United States	71	62	63	62
Business failures	114	110	95	99
Building contracts	36	25	30	23
New corporations formed in N. Y. State	80	78	79	
Real estate transfers	54	49	40	
General price level*	140	131	130	128
Composite index of wages*	196	178	177*p*	175*p*
Cost of living**r*	146*r*	134*r*	132*r*	132*r*

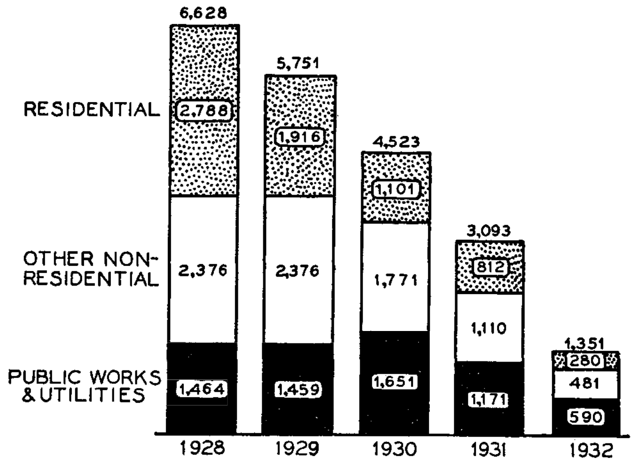
p Preliminary *r* Revised * 1913 average=100

Building

Total awards of building and engineering contracts in 37 States during December were 23 per cent smaller than in November, according to the F. W. Dodge Corporation report. This decline was somewhat in excess of the usual seasonal reduction; in fact, all of the major categories of building contracts underwent greater than seasonal reductions in December. The contract total for the last quarter of the year also showed a more than seasonal decline, following a slight unseasonal increase in the preceding three month period.

For the entire year 1932 the total value of building contracts was less than half as large as in 1931 and was only 20 per cent of the 1928 total, as the accompanying diagram indicates. Public works and utility projects during 1932 constituted 44 per cent of all contracts, and residential contracts 21 per cent, which represents a complete reversal of the relative importance of these groups since 1928 when residential building accounted for 42 per cent of the total and public works and utilities for only 22 per cent. Throughout the five year period contracts for other non-residential building including factories and commercial buildings constituted 35 to 40 per cent of total contracts.

For the first three weeks of January the daily average value of contracts awarded was somewhat above the



Building Contracts Awarded in 37 States (F. W. Dodge Corporation figures in millions of dollars)

December level, in contrast to a usual seasonal reduction between these two months. The moderate rise in the total reflected largely an increase in public works and utilities contracts, which resulted chiefly from contracts for a New Orleans bridge project, but contracts for residential and other non-residential contracts also showed some increase after seasonal allowance.

In Metropolitan New York and vicinity, 1932 contracts were only one-fourth of the 1931 total. Residential contracts showed a reduction of 79 per cent, public works and utilities 65 per cent, and other non-residential building 73 per cent.

Department Store Trade

Department stores in this district reported sales for December 23 per cent below the previous year, which represents about the same decline in average daily sales as in November. Total sales for the year 1932 were 21 per cent less than in 1931, a part of this decrease reflecting lower prices. December sales of the leading apparel stores in this district were 24 per cent below a year previous, and their total sales for 1932 were 23 per cent less than in 1931.

The New York City, Syracuse, and Westchester department stores reported about the same decline in average daily sales in December as in November, and in Bridgeport stores the December decrease was considerably smaller. In other localities the declines in average daily sales were larger than in November.

For the first half of January, sales of the reporting department stores in the Metropolitan area of New York continued to show a decline of about 23 per cent from the corresponding period a year previous.

Department store stocks of merchandise on hand December 31, at retail valuation, continued about one-fourth less than in 1931. Collections of accounts outstanding at the end of November were slightly slower in December 1932 than in 1931 in almost all localities.

Locality	Percentage change from a year ago			Per cent of accounts outstanding November 30 collected in December	
	Net sales		Stock on hand end of month		
	Dec.	Jan. to Dec.		1931	1932
New York	—22.4	—21.0	—27.4	47.2	44.4
Buffalo	—23.5	—22.7	—32.0	42.4	40.7
Rochester	—26.7	—23.8	—31.6	39.4	37.8
Syracuse	—26.5	—27.8	—25.8	27.7	29.7
Newark	—24.3	—19.9	—25.8	33.8	32.1
Bridgeport	—20.6	—24.1	—14.1	36.4	34.9
Elsewhere	—22.9	—22.0	—17.6	36.8	34.0
Northern New York State	—29.2	—27.5	......	....	....
Southern New York State	—21.0	—22.2	......	....	....
Hudson River Valley District	—22.0	—19.8	......	....	....
Capital District	—24.9	—23.2	......	....	....
Westchester District	—22.1	—20.3	......	....	....
All department stores	—22.9	—21.2	—26.8	41.4	39.4
Apparel stores	—24.3	—23.0	—30.1	43.4	42.2

	Net sales percentage change December 1932 compared with December 1931	Stock on hand percentage change December 31, 1932 compared with December 31, 1931
Shoes	—10.4	—18.2
Toilet articles and drugs	—13.2	—10.8
Men's furnishings	—15.1	—18.8
Hosiery	—17.3	—30.2
Woolen goods	—18.6	—31.1
Men's and Boys' wear	—19.6	—30.6
Women's ready-to-wear accessories	—19.8	—31.9
Toys and sporting goods	—20.6	—16.8
Books and stationery	—22.5	—18.9
Linens and handkerchiefs	—24.2	—21.2
Luggage and other leather goods	—24.3	—30.3
Home furnishings	—26.9	—23.7
Cotton goods	—27.0	—22.1
Women's and Misses' ready-to-wear	—29.2	—32.4
Furniture	—30.6	—30.6
Silverware and jewelry	—30.8	—30.2
Silks and velvets	—31.0	—25.6
Musical instruments and radio	—48.7	—40.4
Miscellaneous	—22.7	—25.4

Wholesale Trade

December sales of the reporting wholesale firms in this district averaged 23½ per cent below a year previous, a decline somewhat larger than was shown in the three preceding months but not as large as declines that occurred in the spring and summer of 1932. Sales of hardware during December showed the smallest decline since February 1932, and the reductions in sales of drugs and groceries were the same as in November. The volume of silk goods sales, reported by the Silk Association of America, was slightly smaller than a year ago, following increases in the previous four months. All other lines of wholesale trade reported larger declines than in November. For the year 1932, the total dollar value of sales of the reporting wholesale firms was 25 per cent lower than in 1931, owing in part to lower prices.

Stocks of merchandise on hand at the end of December continued to be substantially below a year previous in all reporting lines except groceries, which for the third consecutive month showed only a small decrease. With respect to collections, the number of wholesale lines was about equally divided between increases and decreases as compared with a year previous.

Commodity	Percentage change December 1932 compared with December 1931		Per cent of accounts outstanding November 30 collected in December		Percentage change net sales	
	Net sales	Stock end of month	1931	1932	Dec. 1932 compared with Nov. 1932	Year 1932 compared with year 1931
Groceries	—11.8	— 3.8	77.6	79.4	+ 2.0	—13.7
Men's clothing	—24.6	......	37.4	37.3	—19.7	—36.1
Cotton goods	—30.5	......	35.9	35.4	+ 1.9	—28.2
Silk goods	— 0.7*	—16.6*	61.6	66.9	+10.4*	— 7.3*
Shoes	—40.0	—22.3	39.2	38.5	—12.0	—29.0
Drugs	—36.9	—17.5	27.8	22.7	—12.9	—11.0
Hardware	—22.2	—31.8	43.3	44.7	+17.9	—26.6
Machine tools**	—47.0	......	....	....	+11.9	—52.1
Stationery	—21.0	......	71.8	56.0	+ 3.5	—22.7
Paper	—32.1	......	46.8	45.3	— 8.4	—30.4
Diamonds	—39.7	—22.1	17.2	22.2	— 1.3	—49.3
Jewelry	—41.4	—16.4			—22.8	—37.4
Weighted average	—23.5	......	50.9	51.5	— 3.0	—24.8

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

Chain Store Trade

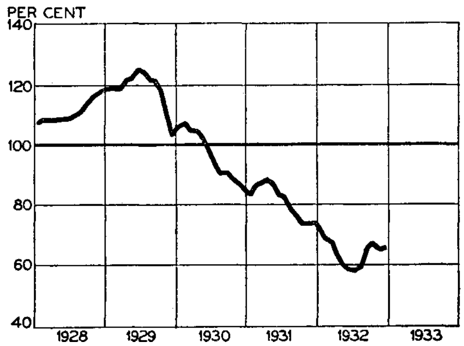
In December, total sales of the reporting chain store systems were 13 per cent below a year previous, which is about the same decline in average daily sales as occurred in November. Chain grocery sales showed the smallest decrease in more than a year, and drug and shoe chains reported somewhat smaller declines in sales than in the previous month. Total sales of variety, candy, and ten cent chains, however, compared less favorably with a year previous than in November. For the year 1932, total sales of the reporting chain systems were 11 per cent below the 1931 total.

The grocery, drug, and shoe concerns, which reduced the number of stores operated between December 1931 and December 1932, showed smaller reductions in sales per store than in total sales, while the other types of chains, which increased the number of their units, reported larger declines in sales per store than in aggregate sales.

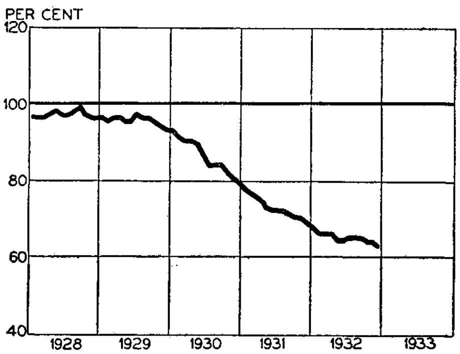
Type of store	Percentage change December 1932 compared with December 1931			Percentage change year 1932 from year 1931	
	Number of stores	Total sales	Sales per store	Total sales	Sales per store
Grocery	— 1.7	— 4.9	— 3.3	— 8.5	— 8.4
Ten cent	+ 1.3	—17.2	—18.3	—13.0	—14.3
Drug	— 0.7	—17.2	—16.6	—14.3	—14.7
Shoe	— 7.1	—28.6	—23.2	—27.2	—25.4
Variety	+ 3.2	— 9.2	—12.0	— 8.3	—11.3
Candy	+ 2.2	—11.9	—13.8	— 1.9	—12.8
Total	— 0.2	—13.4	—13.2	—11.0	—12.0

FEDERAL RESERVE BANK OF NEW YORK

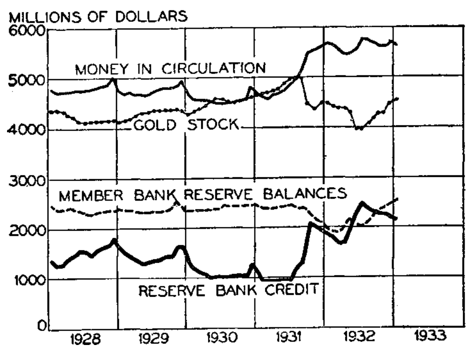
MONTHLY REVIEW, FEBRUARY 1, 1933



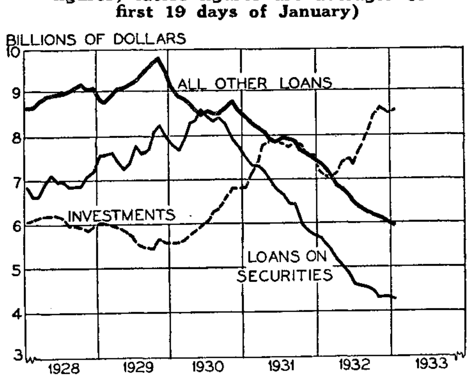
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



Wholesale Price Index of United States Bureau of Labor Statistics (1926 average=100 per cent)



Federal Reserve Credit and Principal Factors in Changes (Monthly averages of daily figures; latest figures are averages of first 19 days of January)



Monthly Averages of Weekly Figures for Reporting Member Banks in Leading Cities (Latest figures are averages of first two weeks of January)

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

VOLUME of industrial production declined in December by slightly less than the usual seasonal amount, while factory employment and payrolls showed a decrease somewhat larger than is usual at this season. The general level of wholesale commodity prices, after declining in December, showed relatively little change in the first half of January.

Production and Employment

In December the Board's seasonally adjusted index of industrial output showed an increase from 65 per cent of the 1923-1925 average to 66 per cent, the level prevailing in September and October. There was a substantial increase in output of automobiles in connection with the introduction of new models, and lumber production showed a less than seasonal decline. In the textile industries there were decreases in output in accordance with the seasonal tendency. Activity at steel mills showed a substantial decline in December, followed by a seasonal increase in the first three weeks of January.

Volume of employment in manufacturing industries decreased from the middle of November to the middle of December by somewhat more than the usual seasonal amount. Working forces were reduced in the clothing, leather, and building material industries, while at automobile factories there was a substantial increase in employment.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined by more than the usual seasonal amount in the fourth quarter, following a non-seasonal increase in the third quarter. Contracts awarded in the first half of January showed an increase, as measured by daily average figures, reflecting the award of large contracts in connection with construction of a bridge at New Orleans.

Distribution

Freight traffic decreased in December by an amount somewhat smaller than is usual at this season. Sales by department stores increased by somewhat less than the usual seasonal amount and were smaller than a year ago by 23 per cent, reflecting in part a decline in prices.

Foreign Trade

Value of exports in December was smaller than in December 1931 by about one-fourth. For the year as a whole the decline was about one-third, reflecting decreases ranging, in the first eleven months, from 8 per cent for crude materials to 45 per cent for finished manufactures. Value of imports into this country during 1932 was smaller than in 1931 by 37 per cent.

Wholesale Prices

Wholesale prices of many leading commodities, including nonagricultural as well as agricultural products, declined from November to December, and the monthly index of the Bureau of Labor Statistics showed a decrease from 63.9 per cent of the 1926 average to 62.6 per cent, as compared with 68.6 per cent a year ago. In the first half of January, wheat prices advanced from the low levels reached at the end of December and cotton prices also increased somewhat, while prices of silk, rubber, and gasoline declined considerably.

Bank Credit

In the four weeks from December 21 to January 18, the stock of monetary gold increased by $80,000,000 and there was a seasonal decline of $130,000,000 in the volume of money in circulation—a considerably smaller decline than usual, reflecting a smaller than usual increase for the holiday trade in December and some withdrawal of funds accompanying bank suspensions in the middle of January. The reserve funds arising from these two sources were absorbed in part by a reduction of member bank borrowings at the Federal Reserve Banks and through a decline of $73,000,000 between January 4 and January 18 in the Reserve Banks' holdings of United States Government securities. Member bank reserve balances, however, increased further during the four week period by about $100,000,000, to a level $575,000,000 higher than a year ago. Excess reserves of member banks, which have been in substantial volume for several months, also increased during the period.

Volume of member bank credit continued to decline during December and the first part of January. From the middle of December to January 11, total loans and investments of reporting member banks in leading cities declined by $165,000,000, to a level about $350,000,000 above the low point of last summer. The decline was entirely in the banks' loans, while investments showed relatively little change.

Money rates in the open market continued at low levels.