

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

*Federal Reserve Agent*

*Federal Reserve Bank, New York*

*June 1, 1933*

#### Money Market In May

The supply of funds in the New York money market has remained moderately large during most of the past month, and a fairly substantial expansion in the loans and investments of the principal New York banks has occurred. Reports which have been made available recently by the Federal Reserve Board indicate that in other principal cities also there has been a small expansion of member bank credit since the bank holidays.

In the principal New York City banks the total volume of loans and investments showed little change from early March until after the third week of April, but since that time has shown a net increase of approximately \$350,000,000. Holdings of United States Government securities have increased \$148,000,000 further, security loans have increased \$125,000,000 following a considerable decline in the preceding month, and other loans have shown a further rise of \$89,000,000. Loans of New York banks to security brokers and dealers, which include dealers in Government securities as well as stock brokers and other security dealers, increased \$177,000,000 between April 19 and May 24, a considerably larger increase than occurred in their total security loans. This appears to indicate some further repayment of borrowings against securities by other customers. A considerable part of the increase in other loans of these banks probably represents an increase in holdings of bankers acceptances and loans against acceptances held by dealers, accompanying a decline in Federal Reserve holdings of acceptances. The increase in the Government security holdings of New York member banks occurred largely at the time the new Treasury note issue was sold on May 2.

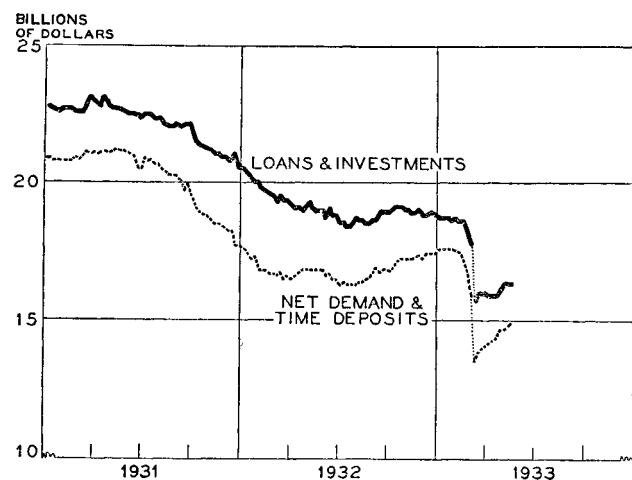
The data which have been made available recently for member banks in 89 cities outside of New York indicate a moderate increase in the total loans and investments of those banks since the early part of March, which is in contrast to the decline during the preceding four months. Most of the increase, however, occurred immediately after the reopening of the banks and there has been only a small increase since the middle of March. The security loans of these banks have declined further during the past two months, but investments in Government securities have increased considerably. Changes in the loans and investments of weekly reporting banks since March 8 are summarized in the following table.

(In millions of dollars)

	N. Y. City	Other Cities	Total
<b>Loans</b>			
On securities .....	— 5	—106	—111
All other .....	+171	— 18	+153
<b>Total .....</b>	<b>+166</b>	<b>—124</b>	<b>+ 42</b>
<b>Investments</b>			
U. S. Government securities .....	+198	+338	+536
Other securities .....	+ 10	+ 13	+ 23
<b>Total .....</b>	<b>+208</b>	<b>+351</b>	<b>+559</b>
<b>Total loans and investments....</b>	<b>+374</b>	<b>+227</b>	<b>+601</b>

The recent increase in member bank credit is shown in the accompanying diagram in relation to the movement preceding the bank holidays. The generally lower level since the bank holidays is due to a considerable reduction in the number of banks represented by the data. As the diagram also shows, the increase in deposits since the early part of March has been much more rapid than the increase in loans and investments. This is due to the rapid return flow of currency to the banks, the proceeds of which have been used largely to retire Federal Reserve credit which was called into use during the banking crisis.

The return flow of currency to the banks has continued during the past month, though at a somewhat diminished rate. In the four weeks ended May 24 the reduction in



Loans and Investments and Net Demand and Time Deposits of Weekly Reporting Member Banks in Leading Cities (Data beginning March 8, 1933 are for 90 cities as compared with 101 cities previously; consequently are not directly comparable with previous data)

the amount of currency outstanding was approximately \$200,000,000. The retirement of Federal Reserve credit during that period was of approximately the same amount, so that the growth of member bank reserves which had been in progress from early March to the third week of April was checked for a time. An additional \$73,000,000 of Reserve Bank loans to member banks was repaid, and the amount of loans outstanding was reduced to a little over \$300,000,000, as compared with a high point of more than \$1,400,000,000 early in March. In addition, Federal Reserve Bank holdings of acceptances were reduced \$135,000,000 through maturities.

The retirement of Federal Reserve credit proceeded faster than the return of currency for a short time, and in addition some funds were taken out of the money market through Treasury operations, and the reserve requirements of member banks increased considerably as a result of the increase in deposits. Consequently, excess reserves of member banks, which in the third week of April rose above \$400,000,000, declined early in May to around \$300,000,000. Subsequently there was little change until the latter part of May, when a rise to above \$375,000,000 occurred. At that time the decline in the amount of Federal Reserve credit outstanding was more than offset by the further return flow of currency and Treasury expenditures. The bill holdings and discounts of the Reserve Banks continued to decline, but holdings of Government securities were increased \$25,000,000 through new purchases. In the last few days of the month a moderate shrinkage again occurred, due to currency requirements for the month-end and the Memorial Day holiday.

#### MONEY RATES

For a short time from the early part of May until around the middle of the month funds were not quite as plentiful in the New York money market as in the latter part of April, but during most of the month a moderate surplus of funds was available. Excess reserves of the principal New York banks, which in the latter part of April had risen to around \$200,000,000, were nearly eliminated for a few days, and for the first three weeks of May remained below \$100,000,000. There was practically no change in money rates, except for a brief rise in yields on short term Government securities, but the demand for short term paper such as bankers acceptances was less active for a time. Near the close of the month conditions were easier accompanying a further accumulation of funds which carried excess reserves in New York to around \$150,000,000, and yields on short term Government securities showed some decline as compared with a month previous. Open market commercial paper rates and average rates charged by the large New York banks on prime commercial loans to customers declined slightly further during May. Effective May 26 the discount rate of the Federal Reserve Bank of New York was reduced from 3 to 2½ per cent.

Money Rates at New York

	May 31, 1932	Apr. 28, 1933	May 31, 1933
Stock Exchange call loans.....	2½	1	1
Stock Exchange 90 day loans.....	*1½	*1	*¾-1
Prime commercial paper.....	2¾-3	2-2½	2
Bills—90 day undorsed.....	½	½	½
Customers' rates on commercial loans..	†4.10	†3.88	†3.55
Treasury securities			
Maturing September (yield).....	0.10	0.32	0.16
Maturing December (yield).....	0.28	0.52	0.18
Federal Reserve Bank of New York re- discount rate.....	3	3	2½
Federal Reserve Bank of New York buying rate for 90 day indorsed bills.	2½	2	2

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

#### BILL MARKET

During the first half of May the bank investment demand for bills was not as large as the supply that came into dealers' hands, reflecting the reduction in excess reserves of the New York City banks to a small amount early in the month. Despite the increase in their portfolios, however, bill dealers made no change in the rates which had been established on April 25. In the second half of the month, there was a renewed accumulation of excess reserves in the City banks, and coincidentally bank buying of bills increased and offerings to the discount market declined, with the result that the amount of bills held in dealers' portfolios was reduced considerably. Open market rates remained the same toward the close of May as at the opening, 90 day undorsed bills being offered at ½ per cent.

Maturities of bills reduced Federal Reserve holdings by an additional \$135,000,000 in the period from April 26 to May 24, and it is probable that the holdings of the accepting banks and bankers showed a considerable net increase over the \$404,000,000 of bills held at the end of April, due to the retention or purchase of new bills.

The volume of bankers bills outstanding on April 30 amounted to \$697,000,000, an increase of about 4 per cent over a month earlier, whereas there is usually a seasonal decrease during April in the amount outstanding. The rise in April of this year reflected increases in all classifications of acceptance transactions.

#### COMMERCIAL PAPER MARKET

Early in May open market rates for prime commercial paper declined somewhat further to a prevailing range of 2-2¼ per cent. Subsequently some choice paper of short maturity appeared in the market priced at 1¾ per cent and was reported to have been absorbed readily. By the middle of the month the bulk of the usual grade of paper was moving at 2 per cent, with other transactions in 4 to 6 month maturities at 2¼ per cent and some sales of choice short paper continuing to be made at 1¾ per cent. Throughout the month the market was very quiet due to the fact that dealers were not able to obtain sufficient new paper from potential borrowers to meet the existing good investment demand coming from the banks.

The narrow limits of the commercial paper market are reflected in the total volume of paper outstanding, which had shrunk to \$64,000,000 on April 30, the latest date available. This amount was 11 per cent less than a month earlier and 42 per cent less than in April 1932.

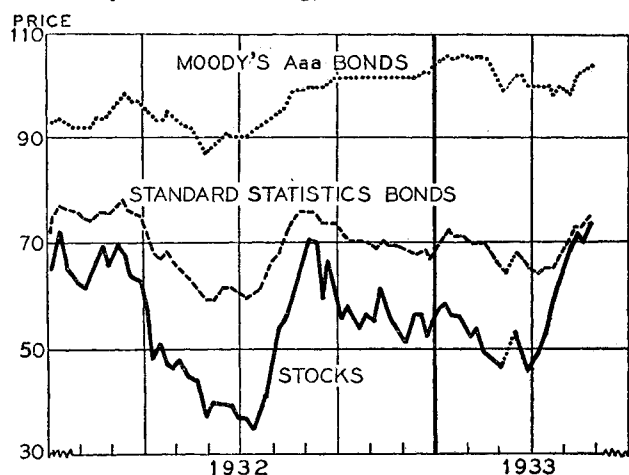
## Security Markets

During May the general trend of stock prices continued upward, although the extent of the rise was less than in April. The advance was by no means continuous, but each period of decline extending for a few days was followed by a period of rise which carried the stock price averages to levels equaling or exceeding the previous high point. The volume of trading was even larger than in the second half of April, and the average daily turnover on the New York Stock Exchange was over 4 million shares, which is three or four times the average volume in several months previous to April.

The net rise for the month of May as a whole was about 18 per cent, which brought the total recovery in stock prices from the February low to about 77 per cent. As a result, the general level of stock prices around the close of May was somewhat higher than at the culmination of the July to September rise last year. In the industrial and railroad groups of stocks the recovery has been of such extent as to raise average quotations about 10 per cent above the highest levels of last September, but the recovery in public utility shares has been considerably less, and prices in that group have not regained the level of January 1933.

Prices of domestic bonds advanced steadily during May, showing greater increases than in April and moving more consistently upward than stock prices, as the accompanying diagram indicates. The lower grade corporation issues showed the largest advances, and the currently available daily bond averages, which include some of these issues as well as some high grade issues, rose about 8 points and broke through the previous highs of the year reached in January. The extent of the rise from the March lows averaged around 16 per cent, and ran as high as 33 per cent or more in the low grade issues. Nevertheless, the commonly used averages, such as the Standard Statistics Company daily index of 60 bonds shown in the diagram, remained slightly below the peak of the rise in the summer of 1932.

Highest grade domestic corporation issues were also consistently firm to strong, but as the top line in the



Movement of Stock and Bond Prices (Standard Statistics Company indexes of 90 stocks and 60 bonds, and Moody's Investors Service average of Aaa bonds)

diagram indicates, these issues remained about two points on the average below the level reached in January and early February. United States Government bonds, after showing very little net change in April, rose considerably in May, reaching the highest level since mid-February. Liberty Loan issues advanced about 1 point and the long term Treasury bonds about  $2\frac{1}{4}$  points.

Foreign bonds rose somewhat further in the first part of May, declined during the middle of the month, and then resumed the advance. A sharp decline in German issues around the middle of May was only partly recovered by the close of the month.

## New Financing

Offerings of new securities continued in very small volume during May. State and municipal flotations showed a tendency to increase over the two previous months, but as there was a complete absence of corporate financing, the total of new security offerings was about the same as in April.

Aside from the Treasury note issue dated May 2, which was offered on April 24, Treasury financing during May included 5 issues of 91 day Treasury bills, totaling \$370,000,000, as against 4 maturing issues aggregating \$310,000,000. The average rate on sales of Treasury bills declined slightly further, the issue dated May 31 going at 0.32 per cent, compared with 0.51 per cent on the last issue of April.

## Gold Movement

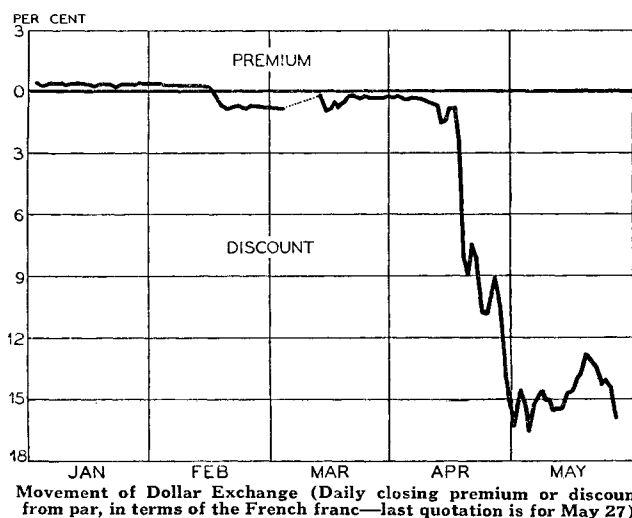
During the month of May there was an increase of about \$2,000,000 in the monetary gold stock of the United States, due principally to receipts of bullion from domestic sources.

Imports of gold were negligible and releases of \$22,100,000 of gold from earmark for foreign account were without effect on the gold stock since this gold was exported, \$15,000,000 going to England, \$6,100,000 to Norway, \$900,000 to Uruguay, and \$100,000 to France.

Although there was little change in the monetary gold stock of the country, the gold reserves of the Federal Reserve Banks increased \$103,000,000 further between the reporting dates April 26 and May 24. This increase reflected a substantial return flow of gold coin and gold certificates to the Reserve System during the week ended May 3, some further coin and certificate deposits in the subsequent weeks, and also deposits of gold by the Treasury in the Reserve Banks. These deposits by the Treasury represented gold which had been freed by the substitution of other forms of money for gold which had previously been held against Treasury liabilities. This substitution was made possible by a clause of the farm bill making all United States currency legal tender.

## Foreign Exchange

The rise in foreign currencies, which began on April 18, continued generally until May 5 when the dollar was quoted at a discount of 16.6 per cent in terms of the French franc. As the following diagram shows, this movement was followed by an abrupt reversal and the



dollar recovered by May 19 to a discount of 12.8 per cent. Subsequently, however, the principal foreign currencies turned strong again, and by May 29 the closing quotation for the dollar had declined to a new low at 17.1 per cent discount. Although all of the principal European currencies did not move in exact concordance with the French franc, their fluctuations were closely similar.

Closing Cable Rates at New York

Exchange on	Par of Exchange	May 31, 1932	Apr. 29, 1933	May 29, 1933
Belgium.....	\$ .1390	\$ .1400	\$ .1610	\$ .1665
Denmark.....	.2680	.2025	.1720	.1790
England.....	4.8666	3.6888	3.8650	3.9900
France.....	.0392	.03949	.04543	.04725
Germany.....	.2382	.2365	.2650	.2782
Holland.....	.4020	.4057	.4635	.4845
Italy.....	.0526	.0514	.0596	.0622
Norway.....	.2680	.1852	.1980	.2035
Spain.....	.1930	.0825	.0975	.1022
Sweden.....	.2680	.1805	.2010	.2050
Switzerland.....	.1930	.1959	.2230	.2320
Canada.....	1.0000	.8788	.8769	.8863
Argentina.....	.9648	.5865	.6579	.6920
Brazil.....	.1196	.0760	.0800	.0764
Uruguay.....	1.0342	.4775	.5300	.5300
Japan.....	.4985	.3240	.2400	.2456
India.....	.3650	.2765	.2912	.3020
Shanghai.....	.....	.3100	.2425	.2488

### Central Bank Rate Changes

On May 12 the discount rate of the Netherlands Bank was raised from  $2\frac{1}{2}$  to  $3\frac{1}{2}$  per cent, following an outflow of gold. Rates were lowered from 4 to 3 per cent by the Bank of Danzig on May 6, and from 4 to  $3\frac{1}{2}$  per cent by the South African Reserve Bank on the 15th and by the Bank of Norway on the 24th.

### Balance of Payments of the United States

The estimate of the balance of international payments of the United States for 1932, recently published by the Department of Commerce, indicates a continuation of the tendencies which were apparent in the previous year. These tendencies were associated on the one hand with the further decline in world prices and trade, and on the other hand with the repatriation of foreign central bank funds.

The decline in world prices and trade was reflected in a continued falling off in income from private investments abroad and a further reduction in this country's surplus of merchandise exports. Moreover, war debt receipts were reduced further as a result of the failure of some European debtors to meet their December instalments. These declines were largely counterbalanced by a reduction in expenditures of American tourists abroad, in immigrant and charitable remittances, and in net payments to foreign countries on account of other current transactions, such as shipping charges. As a result, this country's surplus of receipts on current account in 1932, estimated at \$131,000,000, was not greatly below the previous year's figure.

In addition to the surplus of receipts on current account, this country is estimated to have received \$217,000,000 through a net inflow of long term capital. This was due principally to the repatriation by foreigners of outstanding dollar obligations, sinking fund and redemption payments, and the virtually complete suspension of new foreign security issues in this country.

The combined receipts by this country on current and long term capital accounts are estimated at \$348,000,000. The payments due on these transactions were offset by an outflow of short term capital, representing chiefly the withdrawal of foreign balances during the spring of 1932. It appears therefore that the forces associated with the world depression tended to promote a movement of gold to this country, while the repatriation of foreign funds tended to produce an outflow of gold. That these two forces were of approximately equal magnitude is indicated by the fact that heavy gold losses during the first half of the year were offset by equally substantial receipts of gold in the latter half.

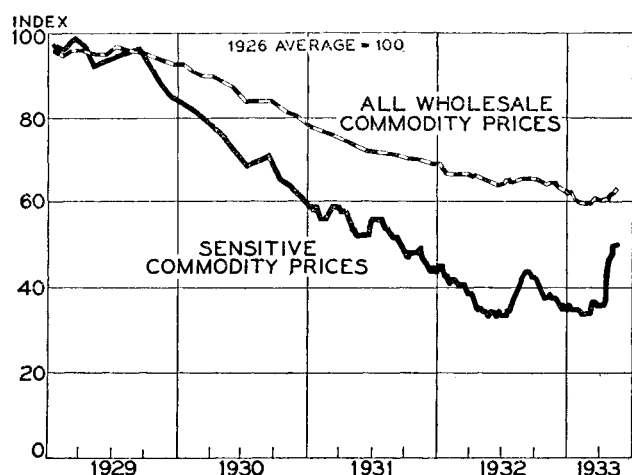
The principal items in the international balance of payments of the United States for 1932 and for 1931 are summarized in the following table.

In millions of dollars  
(+ represents cash claims against foreigners; — represents cash claims against U. S.)

	1931	1932
I. Current Account		
Merchandise.....	+284	+247
Tourist expenditures.....	—456	—375
Immigrant remittances and charitable contributions.....	—202	—163
Income from foreign investments.....	+536	+393
War debt receipts.....	+113	+99
Other current items.....	—115	—70
Total.....	+160	+131
II. Gold and Currency		
Gold shipments and earmarkings.....	+176	—11
Paper currency shipments.....	—10	—80
Total.....	+166	—91
III. Capital Account		
Short term capital movement.....	—709	—371
Long term capital movement.....	+218	+217
Total.....	—491	—154
IV. Errors and omissions.....	+165	+114

### Commodity Prices

Commodity prices showed a considerable further rise during May, mostly in the first half of the month. As in the previous two months, advances were much more pronounced in the quotations for basic raw products,



Bureau of Labor Statistics Index of General Wholesale Commodity Prices and Federal Reserve Bank of New York Price Index of Sensitive Basic Commodities

which are the subject of active trading, than in commodity prices as a whole. This is indicated in the accompanying diagram, which compares the movements of this bank's index of the prices of a small group of sensitive basic commodities with the general level of commodity prices as measured by the Bureau of Labor Statistics index based upon nearly 800 quotations. The index of basic commodity prices rose more than 50 per cent from the end of February to the latter part of May, while the increase in the general wholesale price index in this period was only 6 per cent. These increases compare with advances of 30 per cent for basic commodities and 3 per cent for all commodity prices during the temporary price rise from June to September last year. The larger recovery in basic commodity prices during the past few months has lessened the disparity occasioned by the more rapid fall of basic commodity prices than of general commodity prices from the latter part of 1929 to the middle of 1932.

Among the important individual commodities grains, hides, cotton, wool, rubber, scrap steel, and most of the non-ferrous metals showed continued increases in prices during May. In addition, livestock quotations, which had not participated in the general advance in agricultural prices during March and April, showed sizable gains in May. On the other hand, the price of silk was little changed, silver showed a moderate net decline for the month, and an average of crude petroleum quotations declined further.

## Production

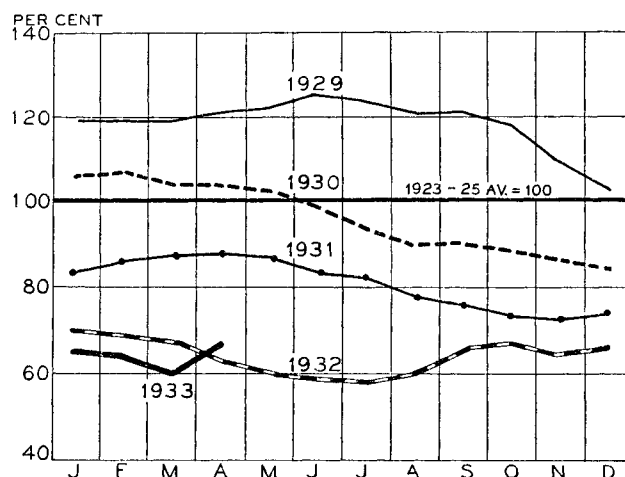
The recovery in productive activity which began during the second half of March continued through May, according to all reports and data available at this time. Steel mill operations advanced 16 points further during May to 41 per cent of capacity, a level considerably above that of the corresponding period a year ago; automobile production continued to rise moderately; and output of cotton goods appears to have been maintained at about the April level although the usual seasonal tendency in May is downward.

In April, production increased substantially in most of the leading industries, and the Federal Reserve Board's seasonally adjusted index of industrial output rose 7 points, or 12 per cent, to 67 per cent of the 1923-1925 average. At this level, the index was above that of the corresponding month of the previous year for the first time since 1929, as is indicated in the accompanying diagram. The largest increases in productive activity occurred in the meat packing, iron and steel, and automobile industries, with more moderate advances in the textile, shoe, bituminous coal, flour milling, tobacco products, and lumber industries. Partly offsetting these increases were declines in the output of anthracite coal, crude petroleum, and cement.

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

	1932	1933		
	April	Feb.	Mar.	April
<b>Metals</b>				
Pig iron.....	25	18	15	18
Steel ingots.....	26	20	18	29
Lead.....	40	35	39	39
Zinc.....	39	39	39	40
Tin deliveries.....	45	45	48	
<b>Automobiles</b>				
Passenger cars.....	24	25	19	30 <sub>p</sub>
Motor trucks.....	41	29	26	41 <sub>p</sub>
<b>Fuels</b>				
Bituminous coal.....	60	66	55	60 <sub>p</sub>
Anthracite coal.....	91	75	75	50 <sub>p</sub>
Coke.....	43	39	35	37
Petroleum, crude.....	75 <sub>r</sub>	69 <sub>r</sub>	75 <sub>r</sub>	71 <sub>r</sub>
Petroleum products.....	67	57	58	
<b>Textiles and Leather Products</b>				
Cotton consumption.....	61	77	76	82
Wool mill activity.....	42	86	57 <sub>r</sub>	64 <sub>p</sub>
Silk consumption.....	70	55	61	78
Shoes.....	85 <sub>r</sub>	92 <sub>r</sub>	84 <sub>r</sub>	90 <sub>r</sub>
<b>Foods and Tobacco Products</b>				
Livestock slaughtered.....	102 <sub>r</sub>	88 <sub>r</sub>	63 <sub>r</sub>	106 <sub>r</sub>
Wheat flour.....	88	88	100	116 <sub>p</sub>
Tobacco products.....	78	78	67	79
<b>Miscellaneous</b>				
Cement.....	41	37	37	30
Tires.....	48	33	25	
Lumber.....	32	23	25	27
Printing activity.....	71	61	53	
Newsprint paper.....	81	68	70	71

p Preliminary r Revised



Index of Industrial Production (Computed by Federal Reserve Board)

## Corporate Earnings In First Quarter of 1933

Continuing the aggregate deficits reported in the second half of 1932, earnings reports of 305 industrial and mercantile companies for the first quarter of 1933 showed a combined deficit of \$46,000,000 after payment of interest, taxes, and other expenses, as compared with net profits of \$25,000,000 in the corresponding period of last year and \$138,000,000 in 1931. A number of groups of companies, however, reported some net profits, including the mining and smelting (other than coal and copper), aviation, food products, chemical, office equipment, motion picture, printing and publishing, and tobacco groups, but in all these cases profits were smaller than a year ago. Other groups of companies for which an adequate number of reports are available showed aggregate deficits, of which the largest were those reported by the oil and steel groups. The electrical equipment and automobile groups had small deficits this year as compared with small net profits last year, and in most other groups the deficits were larger than those of last year.

Net operating income of telephone companies was 30 per cent less than in the first quarter of 1932, and net earnings of other public utilities were down 19 per cent—larger declines in both cases than occurred in the first quarter of 1932. Net operating income of the Class I railroads was reduced 48 per cent. Net operating income of only \$34,000,000 indicated that the railroads as a whole continued to show a substantial deficit in the first quarter of 1933 after payment of fixed charges.

(Net profits in millions of dollars)

Corporation group	No. of Cos.	First Quarter		
		1931	1932	1933
Mining and smelting (excl. coal, coke, and copper).....	11	5.2	2.6	2.2
Aviation.....	5	— 0.2	0.3	0.2
Food and food products.....	38	34.3	24.8	18.2
Chemical.....	20	19.0	12.7	9.2
Office equipment.....	6	2.5	1.7	1.0
Motion picture and amusement.....	4	5.1	4.0	1.7
Printing and publishing.....	3	5.0	3.1	0.9
Tobacco.....	6	1.3	0.6	0.1
Building supplies.....	10	0.2	— 2.2	— 1.7
Household equipment.....	6	0.3	— 1.2	— 1.2
Clothing and textiles.....	9	— 0.4	— 0.3	— 0.4
Steel.....	19	6.7	—28.8	—34.9
Machinery.....	12	1.8	— 2.8	— 3.4
Automobile parts and accessories (excl. tires).....	28	4.7	— 2.7	— 4.3
Copper.....	7	0.3	— 1.7	— 2.8
Coal and coke.....	8	0.7	— 0.5	— 1.2
Railroad equipment.....	10	2.7	— 1.2	— 2.9
Electrical equipment.....	7	8.0	2.5	— 2.1
Automobile.....	13	29.0	2.2	— 2.3
Oil.....	27	—11.6	— 1.2	—27.5
Paper.....	7	1.1	0	— 0.2
Miscellaneous.....	49	22.6	13.3	5.7
Total 22 groups.....	305	138.3	25.2	—45.7
Telephone (net operating income).....	103	69.3	58.7	41.4 <sup>p</sup>
Other public utilities (net earnings).....	59	93.9	83.3	67.6
Total public utilities.....	162	163.2	142.0	109.0
Class I Railroads (net operating income) ..	149	106.2	65.5	33.9

— Deficit    <sup>p</sup> Figures for March preliminary

## Employment and Payrolls

Sizable increases in factory working forces and wage payments during the period from the middle of March to the middle of April were reported by Federal and

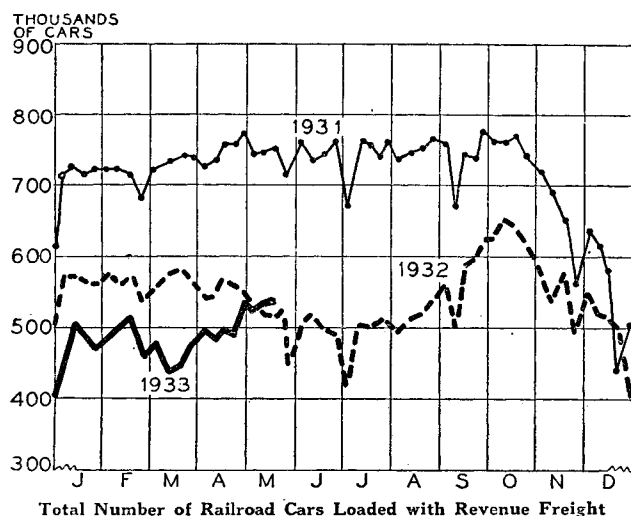
State Labor departments. The Federal Reserve Board's seasonally adjusted index of factory employment rose 2 per cent, and factory payrolls advanced over 5 per cent, after allowance for the usual March to April changes. These relatively large increases, however, were from the very low levels prevailing at the termination of the bank holiday, and represent a recovery of about half of the February to March decline. Increased employment from March to April was reported also in building construction, and in wholesale and retail trade, in accordance with the usual tendency of past years, while a seasonal falling off occurred in the coal mining industry. The total number of workers without employment in April was estimated by the American Federation of Labor at 12,730,000, which indicates a decline of about 600,000 from March, and is the smallest figure for any month since December 1932. This reduction in unemployment, however, was principally the result of an increase in farm activity in connection with spring planting. During May, the increases reported in many lines of production indicate a further rise in employment.

Factory employment in New York State increased 3 per cent and payrolls rose 4 per cent from the middle of March to the middle of April. These advances, which were contrary to the seasonal movement of past years, accompanied the expansion of industrial operations which followed the termination of the bank holiday. The largest increases in working forces were shown in the textile, food, and metal and machinery industries. Small reductions in working forces were reported in five of the eleven industrial groups composing the index.

## Indexes of Business Activity

During the first half of May general trade and business activity continued to show a rising tendency. Railroad loadings of merchandise and less than carload freight rose more than seasonally, and shipments of bulk commodities increased in accordance with the usual seasonal movement. As the accompanying diagram indicates, total freight car loadings in the second and third weeks of May reached a higher level than in the corresponding period of the previous year; this was the first time since 1929 that railroad freight traffic exceeded the level of a year earlier, with one exception at the end of 1932, which was due to special circumstances. Production of electric power showed a considerable gain, and also rose above the previous year's level. The value of department store sales in the New York Metropolitan area for the first two weeks of May was only 5 per cent lower than in the corresponding period of the previous year. After taking into account the reduction in selling prices, it is likely that the quantity of goods sold was about as large as a year earlier. In addition, a continued rise in retail sales of automobiles was indicated by current reports.

In April the primary movement of goods and also retail trade showed large increases from the low levels of March, according to this bank's seasonally adjusted indexes. Substantial advances occurred in the movement of freight over the railroads and waterways, in sales of department stores, chain stores, wholesale concerns, and mail order houses, and in the output of electric



power. To a considerable extent the April increases represented recoveries from the declines in March, but some of the more important indexes more than regained the February levels.

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

	1932	1933		
	April	Feb.	Mar.	April
<b>Primary Distribution</b>				
Car loadings, merchandise and misc. ....	58	51	48	52
Car loadings, other .....	56	55	47	51
Exports .....	49	41	39	42 <sub>p</sub>
Imports .....	62	48	51	49 <sub>p</sub>
Waterways traffic .....	40	45	40	42
Wholesale trade .....	75	81 <sub>p</sub>	82 <sub>p</sub>	85 <sub>p</sub>
<b>Distribution to Consumer</b>				
Department store sales, 2nd Dist. ....	82	66	66	73
Chain grocery sales .....	73	61	59	60
Other chain store sales .....	83	73	65	75
Mail order house sales .....	83	68	53	72
Advertising .....	62	50	45	50
Gasoline consumption r .....	75 <sub>r</sub>	68 <sub>r</sub>	71 <sub>r</sub>	
Passenger automobile registrations .....	28	32 <sub>p</sub>	22 <sub>p</sub>	
<b>General Business Activity</b>				
Bank debits, outside of New York City ..	70	59	**	55
Bank debits, New York City .....	65	59	**	53
Velocity of bank deposits, outside of New York City .....	86	72	**	72
Velocity of bank deposits, New York City ..	67	51	**	52
Shares sold on N. Y. Stock Exchange ..	71	53	59	125
Life insurance paid for .....	75	75	62	67 <sub>p</sub>
Electric power .....	71 <sub>r</sub>	64 <sub>r</sub>	61 <sub>r</sub>	64 <sub>r</sub>
Employment in the United States .....	66	61	58	59
Business failures .....	124	101	77	85
Building contracts .....	24	17	12	11
New corporations formed in N. Y. State ..	83	81	64	71
Real estate transfers .....	48	49	35	37
General price level* .....	134	124	123 <sub>r</sub>	124
Composite index of wages* .....	187	172	169 <sub>p</sub>	170 <sub>p</sub>
Cost of living* .....	130	128	127	127

p Preliminary r Revised \* 1913 average=100 \*\* Data not available

## Building

Despite a more than seasonal increase in contracts for residential building, total building contracts awarded in 37 States during April were 6 per cent smaller than in March, according to the F. W. Dodge Corporation report. The principal reason for this reduction was that public works and utility contracts declined instead of rising seasonally, and in addition there was a small seasonal drop in other non-residential contracts. The aggregate value of building and engineering contracts awarded during the first four months of this year was

38 per cent less than in 1932; residential construction showed a reduction of nearly one-half from the low level of a year previous, public works and utility contracts a decline of about 30 per cent, and other non-residential building, including factory and commercial construction, a decrease of about 38 per cent.

Some rise in construction activity from the low level of the two previous months is indicated by data for the first three weeks of May. Usually contracts are smaller in May than in the preceding month, but this year the daily average amount of all types of contracts was considerably larger. The most pronounced increase was in public works and utilities.

## Foreign Trade

April exports from the United States were valued at \$105,000,000, which indicates less than the usual seasonal recession from March, while imports, amounting to \$88,000,000, declined somewhat more than seasonally. Compared with April 1932, the decrease in exports was 22 per cent and in imports 30 per cent.

Among the exports, all of the major divisions, except crude foodstuffs, showed smaller declines from a year ago than in March. Exports of crude materials were reduced only 16 per cent in value from a year ago, compared with reductions of about 40 per cent in the two previous months. The April decline was due chiefly to a 20 per cent reduction in exports of raw cotton, although there were increases in shipments of American cotton to Germany and the smaller European countries. In shipments of crude foodstuffs, of which wheat is the principal component, the decline from April 1932 in value amounted to about 75 per cent. This apparently was due to a small demand for grains by European countries because of their large stocks on hand.

All the leading import groups except crude foodstuffs, of which the principal item is coffee, showed larger declines from a year ago than in March. In this type of import, there was a decrease of only 14 per cent in value, while in imports of crude materials the drop amounted to 42 per cent. Quantity receipts of raw silk were about one-third larger than a year ago, but crude rubber imports were reduced nearly 50 per cent.

## Department Store Trade

Total April sales of the reporting department stores in this district were 10 per cent below a year ago, the smallest decrease since December 1931. While the late date of Easter contributed largely to the favorable showing in April, total sales for the whole period from the middle of March to the end of April showed a considerably smaller decrease than in previous months. Continued improvement in the first half of May is indicated by reports from department stores in the Metropolitan area of New York, which showed sales only 5 per cent below the corresponding period of 1932.

In April the New York City stores had the smallest decline in sales since December 1931, and in a number of other localities the stores reported the smallest reductions in over a year. Two groups of stores, those in Syracuse and the Southern New York State district, reported slight increases over a year ago, the first since



the spring of 1930. April sales of the leading apparel stores showed the smallest decline since July 1931, following a large decrease in March.

Department store and apparel store stocks of merchandise on hand April 29, at retail valuation, showed a slightly smaller decline from a year ago than was reported in March. The average rate of collections during April of accounts outstanding at the end of March was nearly as large in 1933 as in 1932.

Locality	Percentage change April 1933 compared with April 1932		Per cent of accounts outstanding March 31 collected in April	
	Net sales	Stock end of month	1932	1933
New York.....	-9.7	-22.3	43.6	44.0
Buffalo.....	-11.7	-32.1	41.3	38.2
Rochester.....	-5.0	-23.9	44.0	40.1
Syracuse.....	+3.2	-28.4	24.5	25.6
Newark.....	-13.8	-20.0	39.1	37.9
Bridgeport.....	-8.8	-15.9	34.3	29.6
Elsewhere.....	-7.2	-18.1	29.9	26.0
Northern New York State.....	-7.9	.....	.....	.....
Southern New York State.....	+1.0	.....	.....	.....
Hudson River Valley District.....	-14.8	.....	.....	.....
Capital District.....	-3.6	.....	.....	.....
Westchester District.....	-17.6	.....	.....	.....
All department stores.....	-9.9	-22.5	40.4	39.7
Apparel stores.....	-5.7	-25.5	41.6	40.0

	Net sales percentage change April 1933 compared with April 1932	Stock on hand percentage change April 29, 1933 compared with April 30, 1932
Men's and Boys' wear.....	+17.6	-23.5
Shoes.....	+7.7	-24.5
Woolen goods.....	+5.1	-17.6
Luggage and other leather goods.....	-2.8	-30.9
Men's furnishings.....	-3.9	-21.7
Toys and sporting goods.....	-4.3	-17.6
Women's ready-to-wear accessories.....	-5.9	-19.4
Linens and handkerchiefs.....	-10.8	-19.2
Women's and Misses' ready-to-wear.....	-11.3	-17.4
Toilet articles and drugs.....	-11.7	-18.5
Furniture.....	-13.8	-34.4
Cotton goods.....	-14.9	-14.0
Books and stationery.....	-16.0	-27.6
Silverware and jewelry.....	-16.2	-31.6
Home furnishings.....	-18.6	-19.5
Hosiery.....	-19.7	-26.7
Silks and velvets.....	-25.4	-25.3
Musical instruments and radio.....	-26.0	-29.6
Miscellaneous.....	-12.7	-27.6

## Wholesale Trade

April sales of the reporting wholesale firms in this district averaged 9 per cent below a year previous, the smallest decline since June 1931. Most lines reported some improvement in sales. Grocery sales were equal to those of a year previous for the first time in three years; diamond and men's clothing firms showed the smallest reductions since the spring of 1931; and shoe, paper, cotton goods, and jewelry firms reported smaller declines than in immediately preceding months. In drug sales, the year to year increases which began in January, and which were interrupted in March, were resumed in April. Orders for machine tools and sales of hardware, however, declined by about the same percentages as in March, and the reduction in sales of stationery was greater in April than in March.

Stocks of merchandise on hand at the end of April remained substantially below a year ago in all reporting lines except groceries, which were virtually the same as a year ago. Collections in April of accounts outstanding at the end of March averaged a little higher in 1933 than in 1932.

Commodity	Percentage change April 1933 compared with March 1933		Percentage change April 1933 compared with April 1932		Per cent of accounts outstanding March 31 collected in April	
	Net sales	Stock end of month	Net sales	Stock end of month	1932	1933
Groceries.....	-5.2	+0.4	0	+0.1	82.4	85.6
Men's clothing.....	-26.7	.....	-6.6	.....	28.8	36.2
Cotton goods.....	+17.1	-2.6	-23.3	-39.1	33.4	27.4
Silk goods.....	+16.4*	-14.9*	+21.3*	-26.5*	56.1	64.4
Shoes.....	+7.0	.....	-22.7	.....	38.1	46.7
Drugs.....	+11.2	+4.2	+12.1	-25.1	27.8	20.1
Hardware.....	+17.4	+4.3	-18.0	-21.2	39.2	39.9
Machine tools**.....	+20.9	.....	-60.6	.....	.....	.....
Stationery.....	-21.4	.....	-25.4	.....	62.9	52.5
Paper.....	-7.6	.....	-28.3	.....	47.7	35.2
Diamonds.....	+46.5	+2.4	-10.4	-33.1	14.7	17.1
Jewelry.....	+15.7	-2.0	-31.7	-29.6		
Weighted average.....	+0.5	.....	-9.0	.....	49.0	51.8

\* Quantity not value. Reported by Silk Association of America

\*\* Reported by the National Machine Tool Builders Association

## Chain Store Trade

Total April sales of the reporting chain store systems were 6 per cent below a year ago, the smallest decline since March 1932. This relatively favorable comparison was due in considerable measure to the fact that Easter trade occurred this year in April and last year in March, but the decline for March and April combined was somewhat smaller than in most recent months.

Variety chain sales in April were slightly larger than a year ago, the first increase since February 1932; shoe chain sales showed the smallest reduction since June 1931; and ten cent store sales registered a much smaller decline than in a number of months. Sales of the candy chains were the most affected by the late date of Easter, showing a large increase over last year following a large decline in March. The grocery and drug chains seemed little affected by the date of Easter and sales continued to show a large reduction from a year ago.

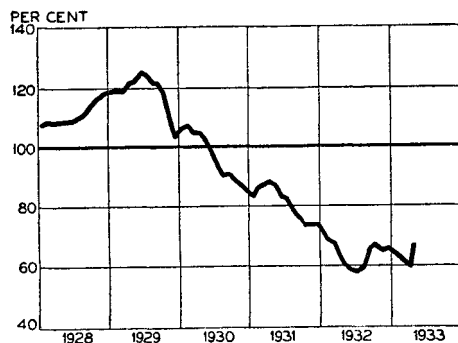
Candy chains during the past year have increased materially the number of stores operated, while drug and shoe chains have reported sizable decreases in the number of units. For all reporting chains, the average decline in sales per store between April 1933 and April 1932 was slightly smaller than the decline in total sales.

Type of store	Percentage change April 1933 compared with April 1932		
	Number of stores	Total sales	Sales per store
Grocery.....	-2.0	-15.5	-13.7
Ten cent.....	+0.3	-3.8	-4.1
Drug.....	-7.9	-26.7	-20.4
Shoe.....	-11.6	-9.6	+2.3
Variety.....	+2.6	+2.7	+0.1
Candy.....	+11.2	+61.7	+45.4
Total.....	-1.0	-6.4	-5.5

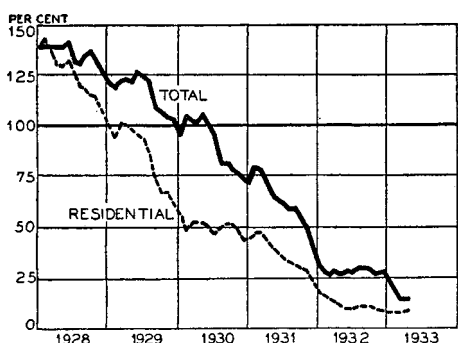


# FEDERAL RESERVE BANK OF NEW YORK

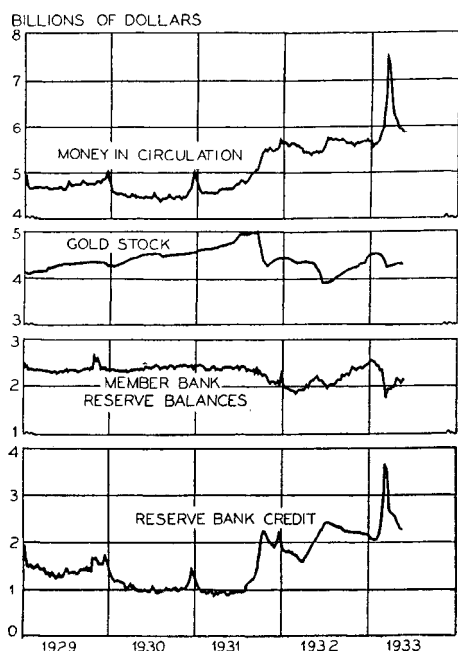
MONTHLY REVIEW, JUNE 1, 1933



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)



Federal Reserve Bank Credit and Principal Factors in Changes (Wednesday figures; latest date May 17)

## Business Conditions in the United States

(Summarized by the Federal Reserve Board)

**I**NDUSTRIAL activity increased considerably during April and the first three weeks of May and wholesale prices of many leading commodities advanced, particularly in the latter part of April and the early part of May. Following the imposition of an embargo on gold on April 20 the exchange value of the dollar declined and on May 20 was 87 per cent of its gold parity.

### PRODUCTION AND EMPLOYMENT

Volume of industrial production, as measured by the Board's seasonally adjusted index, increased from 60 per cent of the 1923-1925 average in March to 67 per cent in April, as compared with 63 per cent a year ago and a low of 58 per cent last July. Activity at steel mills increased from 15 per cent of capacity in March to 25 per cent in April and there was a further increase in the first three weeks of May. Increased activity in the steel industry reflected chiefly increased demand from automobile producers and from miscellaneous sources, while demand from the railroad and construction industries continued at low levels. At textile mills and shoe factories, production increased considerably during this period. Output of petroleum fluctuated widely, declining in the middle of April and subsequently increasing to a high level.

Volume of factory employment and payrolls increased between the middle of March and the middle of April by an amount somewhat smaller than the decrease in the preceding month.

Value of construction contracts, as reported by the F. W. Dodge Corporation, continued at previous low levels in April, but showed a considerable increase in the first half of May. Total value of awards in these six weeks was considerably smaller than in the corresponding period a year ago.

### DISTRIBUTION

Freight traffic, which was at a low level in March, increased during April and the first two weeks of May by more than the usual seasonal amount, reflecting chiefly large increases in shipments of miscellaneous products, grains, and livestock.

Department store sales increased sharply from March to April and the total for these two months showed slightly more than the usual seasonal increase over the volume of sales in January and February.

### WHOLESALE PRICES

During April, particularly in the latter part of the month, there were substantial increases in the wholesale prices of grains, flour, sugar, textile raw materials and finished products, hides, pig iron, nonferrous metals, and rubber. Prices of most of these commodities continued to advance rapidly in the first two weeks of May, and showed little change in the third week of the month. Prices of livestock, which did not advance in April, increased considerably in the first three weeks of May. Silver prices after advancing by a substantial amount in the latter part of April subsequently showed a decline, and petroleum prices also were reduced.

### FOREIGN EXCHANGE

During the four weeks following the imposition of the embargo on gold the exchange value of the dollar declined to 83 per cent of its gold parity on May 5, but subsequently rose to 87 per cent on May 20. The noon buying rate on cable transfers on the French franc rose from 3.98 cents on April 18 to 4.50 cents on May 20, and the rate on the English pound rose from \$3.49 to \$3.87.

### BANK CREDIT

During the four weeks ended May 17, about \$215,000,000 of additional currency was returned to the Reserve Banks, and on that date all but \$200,000,000 of the \$1,930,000,000 withdrawn by banks and individuals between February 1 and March 13 had been returned. Funds arising from the return of currency during the four-week period were used to reduce Reserve Bank holdings of acceptances by an additional \$130,000,000 and to liquidate \$85,000,000 of member bank indebtedness at the Reserve Banks. As the result of an addition of about \$100,000,000 to the Reserve Banks' holdings of gold, and a further reduction of Federal Reserve notes in circulation, the reserve ratio of the Reserve Banks rose considerably between April 19 and May 17. The decline in Federal Reserve notes reflected in part an increase of \$50,000,000 in Federal Reserve Bank notes in circulation.

Loans and investments of reporting member banks in New York City increased by about \$400,000,000 between the middle of April and the middle of May, reflecting chiefly a growth of \$200,000,000 in loans on securities, and of \$140,000,000 in investments in United States Government securities. Net demand deposits also increased by about \$400,000,000, of which about one-third represented a further growth of bankers' balances.

Money rates in the open market continued at low levels.