

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

July 1, 1933

#### Money Market in June

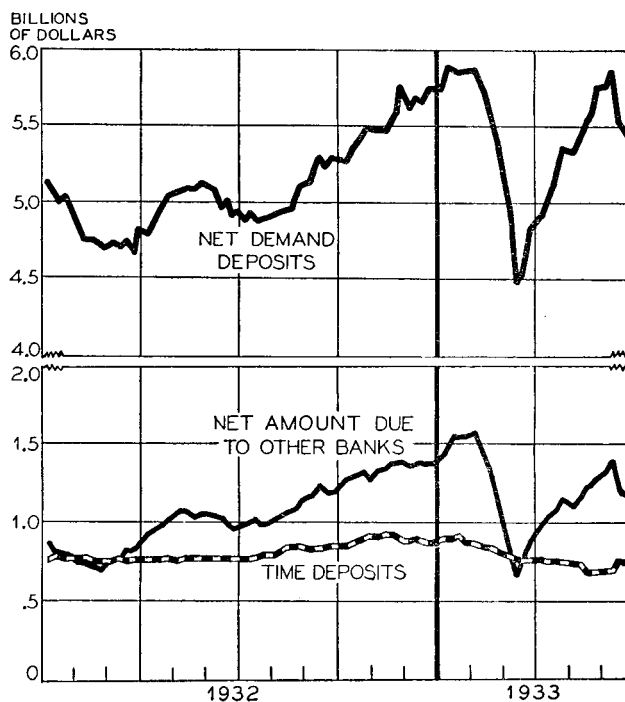
The passage by Congress of the Banking Act of 1933 in the closing days of the special session was probably the most important influence upon the money market during June. Other important factors were Treasury operations, which caused large movements of funds on and after the quarterly tax date, and open market purchases of Government securities by the Reserve Banks on a moderate scale.

The provision of the Banking Act of 1933 which had the most immediate effect on New York City banks was that which prohibits the payment of interest on demand deposits. The enactment of this provision was followed by a considerable shifting of funds by owners of demand deposits. In the week ended June 21, the week in which the Banking Act was signed, the net demand deposits of the principal New York banks declined nearly \$350,000,000, and in the following week there was a further decline of nearly \$100,000,000. As the accompanying diagram shows, a large part of this reduction was in the New York balances of out of town banks, but there was some reduction also in other demand deposits. Income tax collections and other Treasury operations during the quarterly tax period undoubtedly caused some decline in demand deposits, but the magnitude of the reduction was too great to be attributed to that cause alone. Coincident with the reduction in demand deposits in the week ended June 21, there was a moderate increase in the time deposits of the New York banks, which during the past few months had tended to decline gradually. This transfer of funds from demand to time deposits appears to have been checked in the following week, however, by a reduction in the rate of interest on time deposits payable in less than six months from  $\frac{1}{2}$  to  $\frac{1}{4}$  per cent, which became effective on June 22.

Some indication of the employment of funds which previously had been carried in demand deposit accounts was given by the changes in Government security holdings of the New York banks. For the week ended June 21 these holdings increased only \$86,000,000, whereas allotments of new Treasury securities to the New York banks on June 15 were about \$300,000,000 in excess of maturing securities held by these banks; this would appear to indicate that more than \$200,000,000 of the new securities allotted to the New York banks were resold almost immediately to depositors. In addition large corporations were reported to be purchasers of bankers

acceptances which previously had been held in the portfolios of the New York banks or carried by bill dealers on loans from the banks. Thus, one effect of the elimination of interest on demand deposits was to transfer some of the earning assets of the New York banks to depositors and at the same time to reduce the deposit liability of the banks.

To the extent that funds withdrawn from demand deposit accounts in the New York banks were invested in the New York market, no movement of funds away from New York resulted. There were, however, substantial withdrawals of funds from New York during the latter half of June. On June 15 and the few days immediately following, a part of this movement undoubtedly was related to income tax collections and Government financing operations, which are discussed on the following page. The withdrawal of funds from banks throughout the country by the Treasury through tax collections and cash sales of new securities was accompanied as usual by the withdrawal by out of town banks of a part of their New York balances, and there was some additional movement



Deposits of Weekly Reporting Member Banks in New York City

of funds from New York to other districts on account of purchases by New York dealers of new Government securities which had been allotted to banks in other localities. The outflow of funds from New York continued, however, beyond the period in which these transactions occurred, with no apparent cause other than the withdrawal of deposits which had ceased to produce any income.

In their effect on bank reserves these losses of funds by New York banks during the last half of the month were offset in part by a reduction in reserve requirements which accompanied the drop in deposits, and near the end of the month by the gradual disbursement of the large balances which were accumulated in the Reserve Banks by the Treasury during the tax period. In addition, purchases of Government securities by the Reserve Banks were continued, and there was also some further return flow of currency to the banks. In the four weeks ended June 28 the Reserve Banks purchased an aggregate of \$86,000,000 of Government securities, largely in the New York market. The return flow of currency in the same period amounted to \$137,000,000 for the country as a whole, and to perhaps \$40,000,000 in the New York district alone. This represents a somewhat smaller return flow than in the previous month, but the diminished rate may have been due at least in part to an increase in the requirements for currency incident to the expansion of industrial payrolls and the rise in commodity prices.

Funds received from the open market operations of the Reserve Banks and the return flow of currency were used by member banks to effect a further reduction of \$111,000,000 in their borrowings from the Reserve Banks during the four weeks ended June 28. Most of the bankers acceptances in the Reserve Banks' portfolios were also retired upon maturity. As a result, the total volume of Federal Reserve credit outstanding showed a small reduction during the four weeks. Excess reserves of member banks outside of New York City showed a large increase, however, and notwithstanding some reduction in New York, there was an increase of at least \$100,000,000 in the total excess reserves of all member banks.

#### MONEY RATES

Although the supply of funds in the New York money market was considerably smaller in the latter part of June than in the early part of the month, there was no evidence of any shortage of funds; in fact, open market money rates declined somewhat further. As a result, the general level of money rates near the end of the month was close to the lowest reached during recent years.

Money Rates at New York

	June 30, 1932	May 31, 1933	June 30, 1933
Stock Exchange call loans.....	2½	1	1
Stock Exchange 90 day loans.....	*1½	*¾-1	*1½-¾
Prime commercial paper.....	2½-2¾	2	1½-1¾
Bills—90 day undorsored.....	¾	½	¾
Customers' rates on commercial loans..	14.21	†3.55	†3.42
Treasury securities			
Maturing September (yield).....	0.09	0.16	no yield
Maturing December (yield).....	0.32	0.18	0.04
Federal Reserve Bank of New York discount rate.....	2½	2½	2½
Federal Reserve Bank of New York buying rate for 90 day indorsed bills.	1	2	1

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

#### MEMBER BANK CREDIT

During the four weeks ended June 21 the total loans and investments of reporting member banks in New York City increased approximately \$250,000,000 further to the highest level since February 15. Of this amount \$100,000,000 was in Government security holdings and most of the remainder was in security loans. The net demand and time deposits of these banks continued to increase until the middle of June, reaching the highest levels since early February, but the abrupt decline in the last two weeks of June following the elimination of interest payments on demand deposits, which is discussed on the previous page, more than canceled the increase of the preceding three weeks. This decline in deposits was followed in the last week of the month by a reduction of \$126,000,000 in total loans and investments.

Reporting member banks in other localities throughout the country showed little change in the volume of their loans and investments until the week ended June 21, when there was an increase of approximately \$240,000,000, due almost entirely to purchases of new Government securities. The deposits of these banks increased steadily until the third week of June, and in that week showed only a slight reduction, which was probably due at least in part to income tax collections.

#### JUNE TREASURY FINANCING OPERATIONS

On June 15 the United States Government sold \$623,000,000 of 27/8 per cent 5 year Treasury notes and \$460,000,000 of ¾ per cent 9 month Treasury certificates of indebtedness. The issues were largely oversubscribed and were quoted immediately in the market at substantial premiums.

Of the \$374,000,000 of Treasury certificates that matured on June 15, \$332,000,000 were tendered in exchange for the new certificate and note issues dated June 15, and in addition an unusually large amount of the new issues were paid for immediately in cash instead of by book credit. As a result of the small amount of maturing securities presented for redemption in cash, together with the substantial cash payments for new securities, there was an increase in Treasury credit balances at the Reserve Banks on the quarterly tax date, whereas in most tax periods Treasury disbursements for redemptions and interest exceed income tax collections and cash sales of new issues, so that the Treasury finds it necessary to sell special one day certificates to the Reserve Banks, pending the collection of income taxes in the few days after the 15th.

Income tax collections between June 16 and 19 caused a further increase in Treasury balances, and the Reserve Bank statement for June 21 showed \$130,000,000 of Government deposits, as compared with \$46,000,000 a week earlier, causing a corresponding reduction in member bank reserve balances. This decline was largely restored during the remaining part of June by the reduction of Treasury balances through expenditures. A maturity of \$100,000,000 of Treasury bills on June 28 was met only in part by a new \$75,000,000 Treasury bill issue, leaving a net redemption of \$25,000,000. The new issue was sold at an average yield of 0.27 per cent. In addition there were two other bill issues during the month, one on June 7 yielding 0.27 per cent and the

other on June 21 yielding 0.24 per cent. These two issues totaled \$176,000,000 and were in replacement of maturities of the same amount.

#### BILL MARKET

On the first day of June open market bill rates were reduced  $\frac{1}{8}$  per cent, and the offering quotation of  $\frac{3}{8}$  per cent for 90 day unindorsed bills established then remained unchanged for the balance of the month. The market was very quiet in the first half of June, but as the New York banks held moderate excess reserves, dealers' sales of bills exceeded their purchases and portfolios showed a progressive decline. At mid-month, the passing of the Banking Act of 1933 prohibiting the payment of interest on demand deposits in member banks was followed by a substantial increase in the volume of bill market operations. An active demand for bills from non-banking corporations and out of town banks developed, and, as offerings of bills in the discount market were rather scattering, dealers' portfolios underwent a further decline. Subsequently there were intermittent offerings of bills by a few City banks, reflecting the elimination of excess reserves in most of the banks during the second half of the month, but the demand by other investors continued to absorb the bills which became available until the closing days of the month.

At the month-end increased offerings of bills in the discount market resulted in a rise in the supply of bills in the hands of dealers who sold a moderate amount to the Reserve Bank under repurchase agreement. At that time, the Federal Reserve Bank of New York reduced its buying rate for 90 day bills from 2 to 1 per cent.

During May, holdings of bills by accepting banks and bankers rose \$101,000,000 further and at the close of the month amounted to \$505,000,000. This constituted 75 per cent of the \$669,000,000 of bills then outstanding.

#### COMMERCIAL PAPER MARKET

Open market rates for prime commercial paper continued to decline during June and by the close of the month the prevailing range of  $1\frac{1}{2}$ - $1\frac{3}{4}$  per cent was only  $\frac{1}{4}$  per cent above the lowest level of recent years which was maintained for two and a half months prior to the banking holiday. In the first part of June the rate receded from 2 per cent to  $1\frac{3}{4}$ -2 per cent, with some short paper appearing at  $1\frac{1}{2}$  per cent, and by the third week of the month the maturity of paper which could be sold at  $1\frac{1}{2}$  per cent was extended to include 4 months. Concurrently, the 2 per cent rate disappeared for high grade names.

There existed throughout the month an active investment inquiry for prime commercial paper, but dealers were able to satisfy only a part of this potential demand for paper because of the continuing small requirements for accommodation on the part of commercial and industrial concerns eligible to use the open market. At the end of May, the reporting dealers had \$60,100,000 of commercial paper outstanding, a decline of 6 per cent from a month previous and of 46 per cent from May 1932.

#### Security Markets

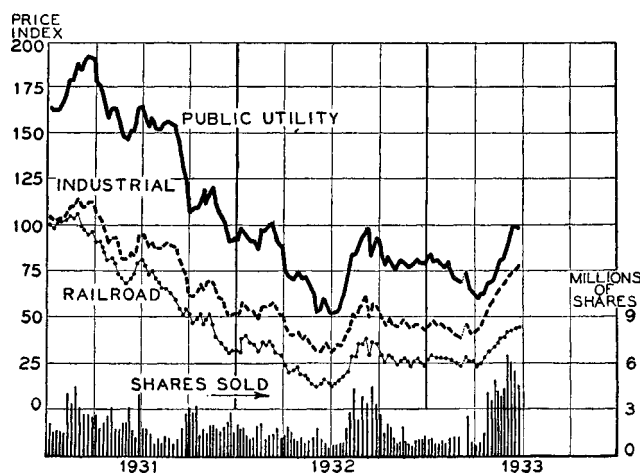
Stock prices advanced considerably further during the first 12 days of June, accompanying reports of sub-

stantial recovery in business and a further depreciation of dollar exchange. The additional rise of 13 per cent in this period advanced average share quotations to a level virtually double that prevailing at this year's low point, and the highest since November 1931. As the accompanying diagram indicates, industrial stocks reached a point 23 per cent above the peak of the recovery in September 1932 and railroads showed a net rise of 15 per cent above the September high, but public utility shares exceeded the high point of last autumn by only  $2\frac{1}{2}$  per cent. The rise in stock prices of nearly 100 per cent during the  $3\frac{1}{2}$  months ended June 12 compares with an average advance of a little over 50 per cent in the 1921-1923 recovery, a period of 19 months. The recovery this year has been from a considerably lower level than in 1921, however.

The price advance of early June occurred in an intensely active market, as is also indicated by the accompanying diagram. Beginning shortly after mid-April, stock trading was greatly stimulated, with daily turnover generally between 3,500,000 and 5,000,000 shares, and in the two week period through June 12, daily turnover advanced further to an average of 6,100,000 shares, a volume exceeding that of any previous rising market.

In that part of the month after the 12th, stock prices were subject to wide swings and the volume of trading tended to recede although still remaining comparatively large at 3,500,000 to 5,500,000 shares per day. A reaction of about 10 per cent around the mid-month was followed by a brisk recovery, but prices exhibited great irregularity thereafter and it was not until near the end of the month that average prices rose above the June 12 level.

Domestic corporation bond averages advanced 1 to 2 points further during the initial week of June, following the large upswing of May, and consequently reached new highs since the latter part of 1931, exceeding by a slight margin the highs reached on the upswing in the summer of 1932. A reaction of about 1 point ensued in the succeeding two weeks, but this was followed by a renewed rise in bond prices, so that toward the close of the month the currently available daily averages



Movement of Stock Prices and Average Daily Number of Shares Sold (Standard Statistics Company weekly price indexes)

advanced slightly above the level reached early in the month. The lower grade issues were responsible for the temporary dip in the averages, as the high grade corporate issues showed a continued advance.

The United States Government bond list was fairly steady. Long term Treasury bonds registered an average advance of about  $\frac{1}{2}$  point, and Liberty Loan issues were down fractionally for the month.

Foreign bond prices generally advanced during June, and the Baker-Kellogg Company average of 40 representative issues rose  $2\frac{1}{4}$  points for the month. The German Government  $5\frac{1}{2}$  per cent and 7 per cent issues, which in May showed net declines, rose 3 and 11 points respectively.

### New Financing

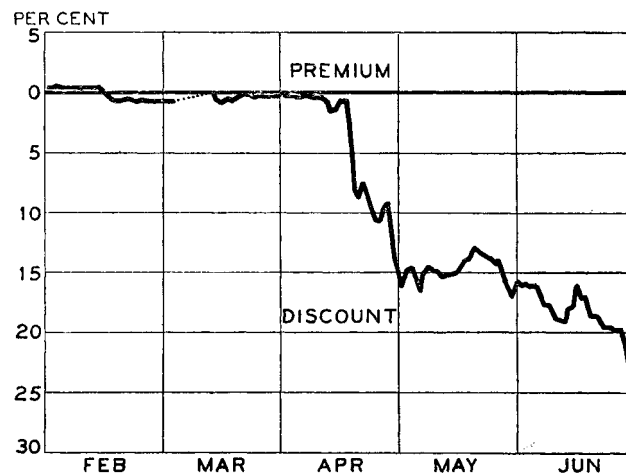
The number and aggregate amount of State and municipal bond issues increased somewhat further during June. The total for the month appears to have been about double that of May and the largest since last December. The principal offering was \$26,595,000 of State of New York serial bonds, floated to provide funds for unemployment relief, general improvements, and elimination of grade crossings. These bonds were sold at an interest cost to the State of 2.936 per cent, which compares with an issue put out last December at an interest cost of 3.0271 per cent. In addition to this offering, there were ten issues of \$2,000,000 to \$5,000,000 by other communities and numerous smaller flotations. Public security offerings by corporations, however, remained completely suspended.

The first piece of foreign financing this year was consummated during June. On the 29th, an offering was made of \$60,000,000 of Dominion of Canada 15 month 4 per cent notes at  $99\frac{3}{4}$ . The purpose of this issue is to provide funds to retire an equivalent amount of 4 per cent notes dated October 1, 1932 and due October 1 of this year, which are to be called for payment on August 1.

### Foreign Exchange

During June the exchange value of the dollar declined further, and the drop was considerably more than in the previous month. The dollar held fairly steady through June 5 at a discount of about 16 per cent, in terms of the French franc, but as the accompanying diagram indicates, weakness developed in the next week which carried the discount on the dollar as high as 19.3 per cent. A quick reversal in the foreign exchange market reduced the discount to 16.2 per cent by the 15th, but this recovery was of a temporary nature, and for the balance of the month the discount on the dollar increased rather continuously. By June 28 the dollar was quoted at a discount of 23.0 per cent, the largest depreciation in terms of gold standard currencies that has occurred so far, followed by a recovery to 21.2 per cent on the 29th.

As in the two previous months, the principal European currencies fluctuated in fairly close sympathy with the French franc, which advanced 32 points in June to 4.97 cents on the 29th. Sterling in the same period rose 28 cents to \$4.27. For a short time during the fourth week, however, certain currencies, notably the guilder and the



Movement of Dollar Exchange (Daily closing premium or discount from par, in terms of the French franc—last quotation is for June 28)

Swiss franc, declined somewhat in relation to the French franc.

Closing Cable Rates at New York

Exchange on	Par of Exchange	June 30, 1932	May 31, 1933	June 29, 1933
Belgium.....	\$ .1390	\$ .1391	\$ .1650	\$ .1765
Denmark.....	.2680	.1965	.1785	.1920
England.....	4.8666	3.5900	3.9888	4.2700
France.....	.0392	.03926	.01655	.04970
Germany.....	.2382	.2378	.2770	.3037
Holland.....	.4020	.4036	.4750	.5080
Italy.....	.0526	.0509	.0617	.0666
Norway.....	.2680	.1769	.2030	.2150
Spain.....	.1930	.0825	.1014	.1065
Sweden.....	.2680	.1845	.2040	.2200
Switzerland.....	.1930	.1948	.2260	.2432
Canada.....	1.0000	.8725	.8856	.9138
Argentina.....	.9648	.5878	.6920	.7301
Brazil.....	.1196	.0755	.0763	.0763
Uruguay.....	1.0342	.4775	.5663	.5300
Japan.....	.4985	.2738	.2450	.2680
India.....	.3650	.2700	.3005	.3225
Shanghai.....	.....	.2063	.2550	.2800

### Gold Movement

There was an increase of about \$3,000,000 in the monetary gold stock of the United States during June, which was due principally to receipts of bullion from domestic sources. Imports were negligible, and exports of \$1,400,000 to Germany and \$2,100,000 to England represented the release and shipment of gold previously earmarked, which had no effect on the gold stock of this country.

### Central Bank Rate Changes

Effective June 1 the State Bank of Sweden and the National Bank in Copenhagen, Denmark, both lowered their discount rates from  $3\frac{1}{2}$  to 3 per cent. On June 3 the rate of the Bank of Finland was reduced from 6 to  $5\frac{1}{2}$  per cent, and on the 6th the Bank of Greece rate was lowered from 9 to  $7\frac{1}{2}$  per cent.

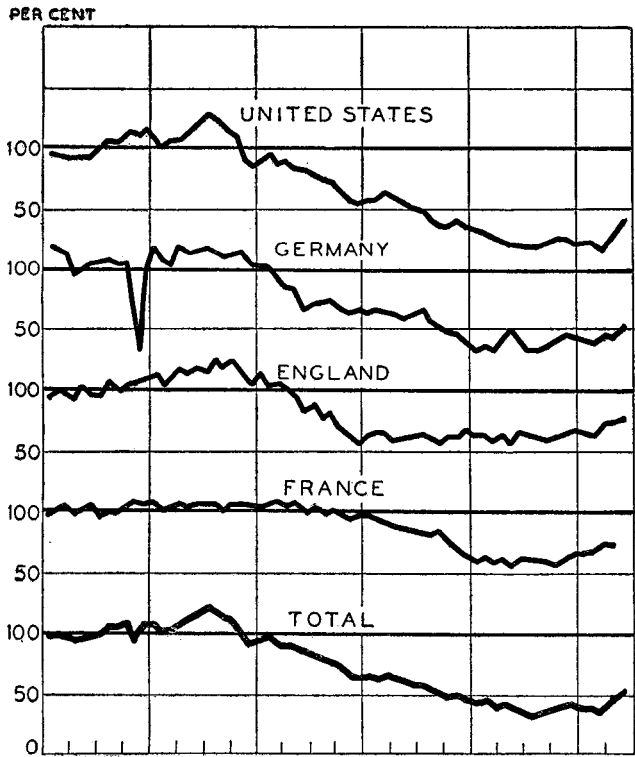
The discount rate of the Netherlands Bank was raised from  $3\frac{1}{2}$  to  $4\frac{1}{2}$  per cent, effective June 29, following reports of a resumption of the outflow of gold which stopped temporarily after the discount rate increase from  $2\frac{1}{2}$  to  $3\frac{1}{2}$  per cent made on May 12.

### Steel Production in Principal Countries

A monthly index of the output of steel in the five principal producing countries, other than Russia for which comparable data are not available, is presented in the accompanying diagram for the period since 1928. This index and the component indexes for the four countries which are also shown in the diagram are adjusted for seasonal fluctuations. Production in the five countries represented about four-fifths of the world output of steel in 1927, 1928, and 1929, but the proportion had diminished to about two-thirds of the world total in 1932, due largely to the increasing share contributed by Russia.

As the combined index shows, the low point in the world production of steel for recent years was reached in the summer of 1932, and was followed by a moderate recovery in the autumn of that year which has been extended rapidly within the past few months. The slight upturn in the autumn of 1932 appears to have started at about the same time in the United States and Germany, followed soon afterwards by a gradual increase in production in England and France. During the past winter, however, the recovery was checked, except in the case of France. In the United States a substantial curtailment of activity during the banking crisis caused the seasonally adjusted index to drop temporarily to a new low in March. The recovery subsequently has been most rapid in the United States, but has been shared also by each of the other countries shown in the diagram, so that the combined index has reached the highest level since the summer of 1931.

A considerable degree of disparity in the movement



Steel Production in Principal Countries (Seasonally adjusted indexes on a 1928 base; May 1933 partly estimated)

of steel production in the different countries is shown for the period from 1929 to 1932. The largest decline was in the United States, where steel output declined to about 26 per cent of the 1928 average. Next in magnitude was a decline to about 40 per cent of the average 1928 production in Germany. In England steel production fell off rapidly in the closing months of 1929 and throughout 1930, but remained fairly steady thereafter until within the past few months. France, on the other hand, showed sustained activity in the steel industry well into 1930, but a substantial decline during 1931 and the first few months of 1932.

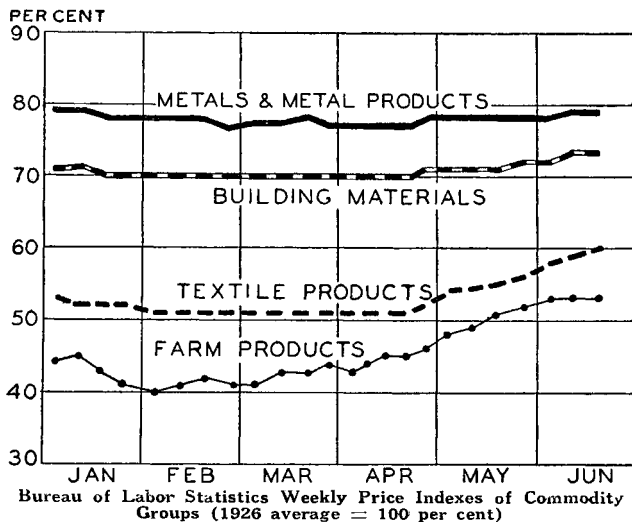
These indexes of steel production probably give some indication of the degree of activity in the capital goods industries of the various countries, although in the United States steel mill activity at times is influenced to a considerable degree by the automobile industry.

### Commodity Prices

Commodity prices continued to advance during June, and the Bureau of Labor Statistics weekly index for the latest date available, June 17, showed an additional rise of 2 per cent to a level 8 per cent above the low point reached toward the end of February. This advance has not been evenly distributed among the several groups of commodities, as is shown in the following diagram. The average price of farm products, which early in the year was at a level 60 per cent below the 1926 average, has advanced 31 per cent, and another important group, textile products, after dropping to a level 50 per cent below the 1926 average, has risen 19 per cent. A much smaller increase has been shown in building materials, and the metals and metal products group, which includes in addition to ore and refined metals such finished products as machinery and automobiles, has fluctuated irregularly at a level between 75 and 80 per cent of the 1926 level, with little upward trend. Since the largest increases have been in those groups which previously had shown the most substantial declines, it appears that an important effect of the unequal rise in prices has been to counteract some of the disparities which developed over the long period of decline.

A much larger increase than in the general indexes of commodity prices has occurred during June, as in preceding months, in prices of raw materials, particularly those in which there is trading on organized exchanges. An index of fifteen important basic commodities, computed by Moody's Investors Service, has risen a total of about 60 per cent during the past four months, and an index of ten sensitive commodities, compiled by this bank, has increased 66 per cent. Among the individual commodities, increases have occurred in the past month in grains, textiles, hides, scrap steel, and tin, while a reaction has taken place in livestock prices. Other important commodities have shown no substantial net change for the month, including most of the nonferrous metals, rubber, petroleum, pig iron, and finished steel.

The more rapid rise in prices of basic commodities than in finished products reflects a variety of causes. Among these are the increased demand for raw materials due to the increase in industrial activity, realized or prospective reductions in the supply resulting from poor crops and



arranged curtailment of production, a rise in world prices of certain commodities, and, in the cases of commodities for which there is an international market, the depreciation in the value of the dollar relative to other currencies.

### Foreign Trade

Accompanying large increases in the prices of many basic commodities, the value of this country's foreign merchandise trade gained substantially during May and showed the smallest percentage decline from a year previous since late in 1929. Although theoretically a country whose currency has depreciated should show an acceleration of exports and a diminution of imports, the May increase in the export trade of the United States was not as large as the increase in imports. This may have been due to forward buying of raw materials at rising prices. Exports, amounting to \$114,000,000, were 14 per cent less than in May 1932, and imports, valued at \$107,000,000, showed a reduction of 5 per cent. These decreases in the dollar value of exports and imports compare with declines of 20 to 36 per cent in preceding months of this year.

For all the leading groups in export and import trade, with the exception of exports of finished manufactures, the value was larger in May than in April. Furthermore, with the same exception, all groups either showed a reduced rate of decline from a year previous or actual gains in value. Imports of manufactured foodstuffs, chiefly sugar, increased 23 per cent over May 1932 and imports of semi-manufactures were up 6 per cent. Exports of crude materials, largely raw cotton and tobacco, were valued at 17 per cent more than a year ago. On the other hand, the value of exports of finished manufactures was nearly 25 per cent less than in May 1932, and exports of crude foodstuffs also remained small.

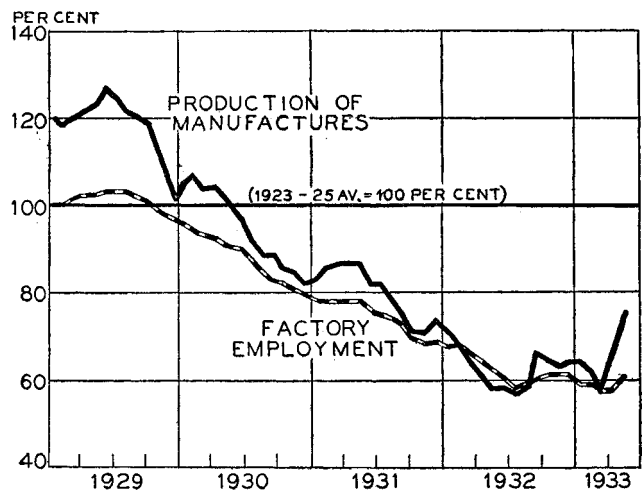
The quantity of raw silk imported increased 29 per cent over May 1932, and the volume of coffee imports was 4 per cent larger. Rubber imports in May were 15 per cent smaller than a year ago, but that is a much smaller decline than in the three previous months, reflecting a substantial increase between April and May. The quantity of raw cotton shipped abroad also increased during May, contrary to the usual seasonal movement, and was 18 per cent larger than a year ago.

### Production and Employment

A further increase occurred during June in the activity of the principal manufacturing industries. Steel mill operations rose from 38 per cent to 53 per cent of theoretical capacity, accompanying a slight broadening in the character of the demand for steel, and production of automobiles rose somewhat further, although in both industries the seasonal tendency from May to June is downward. Increases in output occurred also in the cotton textile, building materials, and bituminous coal industries. According to preliminary reports, the continued expansion of industrial operations during June was accompanied by further enlargement of working forces.

From April to May, production of manufactures, as measured by the seasonally adjusted index of the Federal Reserve Board, rose 15 per cent further to 76 per cent of the 1923-1925 average, which is the highest level since the middle of 1931. The accompanying diagram indicates that the recovery in manufacturing from March to May exceeded any previous advance during the past four years. In some of the lines, notably the textile industries, the exceptionally large increase in output from April to May apparently reflected in part accelerated production in anticipation of processing taxes or other increases in costs. While the highest levels have been reached by industries producing non-durable consumption goods, just as in the upturn of the autumn of 1932, substantial increases during the recent recovery have occurred also in industries such as the automobile and steel industries, and moderate increases in the output of building materials.

Working forces in manufacturing industries showed an unseasonal increase from April to May, accompanying the expansion of output, and the seasonally adjusted index of factory employment computed by the Federal Reserve Board rose 5 per cent, the largest monthly increase in a number of years. As is shown in the diagram, however, the expansion of working forces was much less marked than the increase in manufacturing output, and after seasonal adjustment, employment was at about the level prevailing during the latter part of 1932. It ap-



Indexes of Production of Manufactures and Factory Employment, Adjusted for Seasonal Variation (Federal Reserve Board data)

pears that the increase in output has been accompanied by a reduction in part time employment as well as an increase in the number of workers employed. This conclusion is supported by the fact that the increase in pay-rolls from April to May amounted to 9 per cent after seasonal adjustment, a considerably larger increase than in the number of workers employed. Changes in factory working forces almost invariably are proportionately smaller than changes in output, particularly at the beginning of a large upward or downward movement.

An increase in employment from April to May was shown also in several non-manufacturing industries. Employment gains occurred in agriculture, building construction, and mining other than coal mining, while working forces in retail stores were reduced less than the usual seasonal amount. According to the revised estimates of the American Federation of Labor, which take account of unemployment among professional workers as well as other types, the number of workers without employment declined 495,000 from April to May, following a reduction of 735,000 in the previous month. The May estimate of total unemployment was 12,540,000. A further substantial reduction in the number of unemployed is reported to have occurred in June.

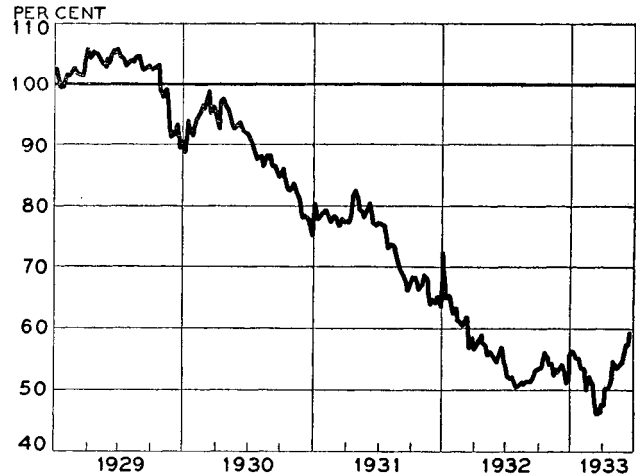
(Adjusted for seasonal variations and usual year to year growth)

	1932		1933	
	May	Mar.	Apr.	May
<i>Metals</i>				
Pig iron.....	22	15	18	25
Steel ingots.....	24	18	29	41
Lead.....	43	39	39	32
Zinc.....	35	39	40	40
Tin deliveries.....	48	48	56	
<i>Automobiles</i>				
Passenger cars.....	31	19	30	33p
Motor trucks.....	41	26	41	48p
<i>Fuels</i>				
Bituminous coal.....	52	55	60	60
Anthracite coal.....	52	75	50	46
Coke.....	40	35	37	43
Petroleum, crude r.....	72r	75r	66r	83r
Petroleum products r.....	73r	66r	66r	
<i>Textiles and Leather Products</i>				
Cotton consumption.....	56	76	82	104
Wool mill activity.....	41	57	64	104p
Silk consumption.....	64	61	78	82
Shoes.....	82	84	94p	116p
<i>Foods and Tobacco Products</i>				
Livestock slaughtered r.....	99r	63r	106r	105r
Wheat flour.....	84	100	116	101
Tobacco products.....	79	67	79	97p
<i>Miscellaneous</i>				
Cement.....	42	37	30	37
Tires.....	51	25	42	
Lumber.....	33	25	27	33
Printing activity.....	67	53	53	
Newsprint paper.....	79	70	71	70

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### Indexes of Business Activity

Continued improvement in business activity during the first half of June is reflected in currently available data. The railroad movement of miscellaneous and less than carload freight showed a further advance, after seasonal adjustment, in continuation of the upward movement of the previous two and one-half months which is indicated in the accompanying diagram. The total increase in the car loadings index from the low point in March, amounting to nearly one-third, was the largest in the past four years, and brought the level of the index



Weekly Car Loadings of Merchandise and Miscellaneous Freight (Federal Reserve Bank of New York index with allowance for usual seasonal movement and long time growth)

to the highest point since the early part of 1932. Department store sales in the Metropolitan area of New York were only one per cent lower than in the corresponding period a year ago, which is the most favorable year to year comparison in two years. After allowance for the decline in retail prices during the past year, the volume of sales was probably larger than a year ago.

Increases both before and after seasonal adjustment were reported also in some of the other measures of trade and general business activity, including the production of electric power and retail sales of automobiles. The June increases followed moderate gains in a number of lines during May, which are indicated in the following table.

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

	1932		1933	
	May	Mar.	Apr.	May
<i>Primary Distribution</i>				
Car loadings, merchandise and misc.....	56	48	52	55
Car loadings, other.....	42	47	51	48
Exports.....	52	39	42	43p
Imports.....	60	51	49	57p
Waterways traffic.....	34	40	42	
Wholesale trade.....	76	81	85	99
<i>Distribution to Consumer</i>				
Department store sales, 2nd Dist.....	76	66	73	72
Chain grocery sales.....	77	59	60	60
Other chain store sales.....	78	65	75	71
Mail order house sales.....	75	53	72	66
Advertising.....	59	45	50	51
Gasoline consumption.....	73	71	68	
Passenger automobile registrations.....	31	23	27p	36p
<i>General Business Activity</i>				
Bank debits, outside of New York City..	63	**	55	57
Bank debits, New York City.....	57	**	53	53
Velocity of bank deposits, outside of New York City.....	79	**	72	73
Velocity of bank deposits, New York City	55	**	52	52
Shares sold on N. Y. Stock Exchange...	56	59	125	231
Life insurance paid for.....	73	62	67	64
Electric power r.....	69r	61r	64r	66r
Employment in the United States.....	63	58	59	62
Business failures.....	132	77	85	84
Building contracts.....	31	12	11	15
New corporations formed in N. Y. State.	83	64	71	85
Real estate transfers.....	54	35	37	
General price level*.....	132	123	124	127
Composite index of wages*.....	184	168	170p	171p
Cost of living*.....	138	127	127	128

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

## Building

The value of building contracts awarded during May in the 37 States covered by the F. W. Dodge Corporation report showed an increase of about one-third over the April total, in contrast to a usual seasonal decline between these two months. In residential building, the May increase carried the total to a slightly larger amount than in May 1932, the first increase over a year previous to be reported since early in 1931; after allowance for seasonal variation, residential contracts were at the highest level since last September. Larger contracts than in April for residential building were reported in all the divisions of the country east of the Rocky Mountains, and increases over a year ago occurred in 7 of the 13 districts.

Contracts for public utilities also rose above the total of a year ago, but public works construction, although in larger volume than in April, continued much smaller than in 1932. Other non-residential contracts also continued below last year's level, notwithstanding a substantial increase over April. Despite the improvement during May from the extremely depressed levels of preceding months, total building and engineering contracts remained at a low level, as is indicated by this bank's index which was at 15 per cent of the computed trend of past years.

Reports for the first three weeks of June indicate that awards of building contracts increased considerably further. During this period the average daily value of contracts awarded was about 45 per cent larger than in May, which is well in excess of the usual seasonal movement. Contracts for residential and non-residential building of the factory and commercial type were substantially larger than in the corresponding period of last year, while public works and utilities were about 50 per cent less.

## Department Store Trade

Total May sales of the reporting department stores in this district were only 2 per cent below a year ago, which, even after allowance for one more business day than in May 1932, makes a much more favorable comparison with a year previous than in most months during the past two years. In a few localities, including Buffalo, Bridgeport, Northern New York State, and Southern New York State, department store sales were larger than a year ago, and in New York City, Newark, Hudson River Valley, and Westchester sales were reduced from a year ago by much smaller percentages than in April. The leading apparel stores in this district also reported May sales only 2 per cent below a year ago, the smallest decrease since March 1931.

Department store sales for the first half of June in the Metropolitan area of New York were only 1 per cent below the corresponding period of 1932, indicating a continuance of the recovery of the two previous months.

Collections by department and apparel stores in May showed a noticeable improvement over a year previous for the first time in a number of months. Department and apparel store stocks of merchandise on hand May

31, at retail valuations, continued to show substantial reductions from a year ago, although the declines were not as great as those reported in previous months of this year.

Locality	Percentage change from a year ago		Per cent of accounts outstanding April 29 collected in May	
	Net sales	Stock on hand end of month	1932	1933
New York.....	- 1.8	-16.0	42.9	45.9
Buffalo.....	+ 7.6	-30.1	39.2	41.6
Rochester.....	- 6.4	-19.5	44.6	42.2
Syracuse.....	- 3.1	-25.1	24.0	26.4
Newark.....	- 6.2	-17.3	38.1	39.3
Bridgeport.....	+ 4.9	-11.4	31.7	30.3
Elsewhere.....	- 2.3	-17.9	34.4	30.7
Northern New York State.....	+ 5.4	.....	.....	.....
Southern New York State.....	+ 6.1	.....	.....	.....
Hudson River Valley District.....	- 5.2	.....	.....	.....
Capital District.....	- 6.8	.....	.....	.....
Westchester District.....	-11.8	.....	.....	.....
All department stores.....	- 2.2	-17.5	39.9	41.8
Apparel stores.....	- 2.4	-23.2	41.5	44.6

## Wholesale Trade

May sales of the reporting wholesale firms in this district averaged 16 per cent higher than a year ago, which represents the first increase since October 1929. Sales of the drug, grocery, and silk firms showed the largest percentage increases ever reported, and sales of the men's clothing, diamond, shoe, and hardware concerns showed sizable increases, which were the first increases to occur since the 1929 period. Furthermore, sales of cotton goods and paper were reduced from the previous year by the smallest amount in more than three years, and sales of stationery and jewelry, and orders for machine tools, declined by much smaller percentages than for a number of months past.

Stocks of merchandise on hand at the end of May continued to be substantially below a year ago in all reporting lines except groceries, which showed a considerable increase. Collections of accounts continued during May to average somewhat higher than in 1932.

Commodity	Percentage change May 1933 compared with April 1933		Percentage change May 1933 compared with May 1932		Per cent of accounts outstanding April 29 collected in May	
	Net sales	Stock end of month	Net sales	Stock end of month	1932	1933
Groceries.....	+13.8	+ 6.3	+18.7	+10.9	77.9	85.9
Men's clothing.....	-22.6	.....	+11.0	.....	25.5	33.9
Cotton goods.....	+29.7	- 9.0	- 1.1	-37.2	28.8	32.6
Silk goods.....	+ 1.0*	- 3.9*	+68.3*	-25.6*	60.3	59.3
Shoes.....	+23.4	.....	+13.5	.....	40.7	40.2
Drugs.....	+ 1.6	- 5.1	+46.2	-28.5	23.2	24.3
Hardware.....	+23.8	-15.0	+ 1.0	-20.3	43.6	44.1
Machine tools**.....	+70.4	.....	-29.0	.....	.....	.....
Stationery.....	+ 2.1	.....	-16.5	.....	64.4	49.8
Paper.....	+15.1	.....	-10.4	.....	38.9	35.7
Diamonds.....	+37.8	- 0.4	+43.7	-29.7	14.6	20.7
Jewelry.....	+46.8	- 1.5	-20.4	-30.8		
Weighted average....	+11.4	.....	+16.1	.....	47.3	51.3

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



# FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, JULY 1, 1933

## Business Conditions in the United States

(Summarized by the Federal Reserve Board)

**I**NDUSTRIAL activity increased rapidly in May and the early part of June, and there was an advance in the general level of commodity prices. Prices of raw materials traded in on organized exchanges showed wide fluctuations, and a general rapid upward movement, while prices of other commodities as a group showed relatively little increase.

### PRODUCTION AND EMPLOYMENT

Volume of industrial production, as measured by the Board's seasonally adjusted index, increased from 67 per cent of the 1923-1925 average in April to 76 per cent in May, as compared with 60 per cent in March 1933. Operations at steel mills continued to increase in May and the early part of June, contrary to seasonal tendency, and in the week ended June 24 activity was reported at about 50 per cent of capacity. Output of the automobile industry was larger in May than in April and, according to trade reports, has increased further in June, although a decline is usual at this season. Lumber output in May showed a considerable increase from previous low levels. Activity at textile mills increased sharply to a higher level for the season than in any other month since November 1929; and output of shoe factories in May was larger than in May of any previous year.

Employment in manufacturing industries increased considerably between the middle of April and the middle of May, and the Board's index, which is adjusted to allow for seasonal variations, advanced from 58 per cent of the 1923-1925 average to 61 per cent. Factory payrolls increased by a larger percentage to about 42 per cent of the 1923-1925 average.

Value of construction contracts awarded during May and the first half of June, as reported by the F. W. Dodge Corporation, showed a non-seasonal increase from the extreme low levels prevailing earlier in the year.

### DISTRIBUTION

Freight traffic increased from April to May by more than the seasonal amount, reflecting chiefly larger shipments of miscellaneous freight and merchandise. Department store sales, which had increased substantially from March to April, showed little change in May.

### WHOLESALE PRICES

Wholesale commodity prices, as measured by the weekly index of the Bureau of Labor Statistics, advanced from 60.3 per cent of the 1926 average in the week ended April 15 to 64.5 per cent in the week ended June 17. This increase reflected a rapid rise in the prices of commodities traded in on organized exchanges, including wheat, cotton, wool, hides, lard, sugar, silk, rubber, and non-ferrous metals, and also in the prices of flour, textiles, and leather; while prices of petroleum were reduced and most other prices showed relatively little change.

### FOREIGN EXCHANGE

The value of the dollar in the exchange market declined by 18 per cent between the middle of April and June 21. On the latter date the noon buying rate on cable transfers for the French franc was 4.81 cents, as compared with a gold par of 3.92 cents, and the English pound was quoted at \$4.16, as compared with a rate of \$3.41 on April 12.

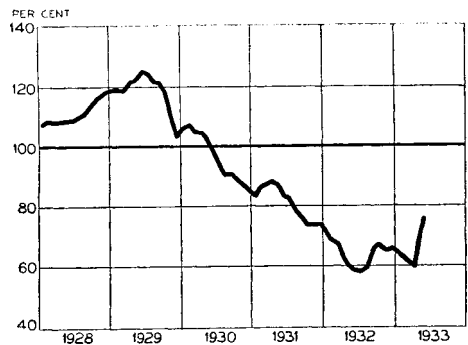
### BANK CREDIT

A return flow of \$156,000,000 of currency from circulation and purchase of \$118,000,000 of United States Government securities by the Reserve Banks placed a considerable volume of reserve funds at the disposal of member banks during the five weeks ended June 21. These funds were used in part to reduce further the member banks' indebtedness to the Reserve Banks and the Reserve Banks' holdings of acceptances, and in part were added to the member banks' reserve accounts.

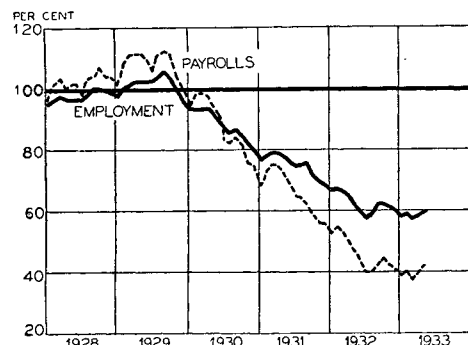
Loans and investments of member banks in 90 leading cities increased by \$175,000,000 in the four weeks ended June 14, representing chiefly a growth of security loans and other loans at New York City banks. Loans to brokers and dealers in securities made by New York City banks increased by \$160,000,000 during the period, while security loans to other customers declined. Net demand deposits at the reporting banks increased by over \$500,000,000, reflecting in part a further growth of bankers' balances, principally in New York City.

Money rates in the open market continued to decline during the period and in the middle of June were only slightly above the lowest levels of recent years.

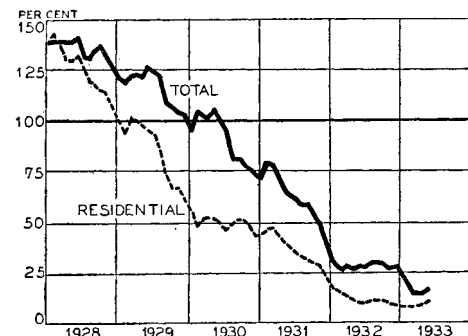
On May 26 the discount rate of the Federal Reserve Bank of New York was reduced from 3 to 2½ per cent and in the following three weeks rates were lowered from 3½ to 3 per cent at the Federal Reserve Banks of Chicago, Boston, San Francisco, Philadelphia, St. Louis, and Cleveland. At the other Federal Reserve Banks a rate of 3½ per cent prevails.



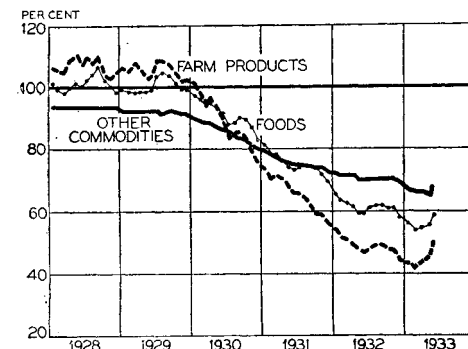
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average = 100 per cent)



Index Numbers of Factory Employment and Payrolls, Without Adjustment 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)



Group Price Indexes of Bureau of Labor Statistics (1926 average = 100 per cent)