

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

August 1, 1933

Money Market in July

The New York money market has been subject during the past month to conflicting influences, some operating in the direction of firmer money conditions, and others tending to produce even lower money rates. On one hand the reserves of the principal New York City banks were little, if any, above reserve requirements during much of July, so that most of the banks had little or no surplus funds to employ until near the end of the month. On the other hand excess reserves of out of town banks reached larger figures than at any previous time in recent years and consequently a substantial volume of the funds of these banks was seeking employment in the New York money market.

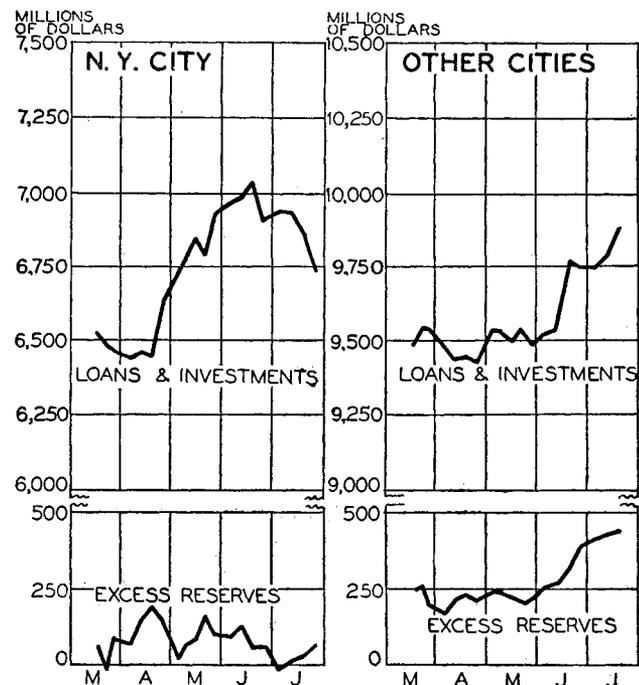
During the week ended July 5 currency requirements for the June month-end and the Fourth of July holiday, together with other mid-year requirements, caused substantial withdrawals of funds from New York which largely eliminated the excess reserves of the New York City banks. These withdrawals were in approximately the usual volume for that period, but subsequently the usual return flow of funds to New York failed to occur, probably due to the continued effect of the elimination of interest payments on demand deposits as required by the Banking Act of 1933. In addition, Government operations caused some withdrawal of funds from New York banks which was reflected in a moderate increase in Government deposits in the Federal Reserve Banks.

A shortage of funds in the money market was prevented, however, by moderate receipts of funds from various sources. In the week following the Fourth of July holiday there was a return flow of currency to the banks which more than offset the withdrawals of the preceding week, and subsequently a further gradual retirement of currency occurred despite the increased currency requirements for industrial payrolls. The money market gained funds also through payments for Government securities and other open market paper purchased in New York by out of town banks, reversing the tendency of recent months when funds were paid out from New York in considerable volume for Government securities purchased in other districts. Reserve Bank purchases of Government securities also put funds into the market.

The funds received from these various sources were sufficient to maintain the reserves of the New York banks somewhat above requirements during most of the month, but no large excess accumulated, whereas from the be-

ginning of April until the middle of June excess reserves of the New York banks had averaged above \$100,000,000, and for a short time were around \$200,000,000.

For the country as a whole, however, there was a further small increase in the excess reserves of member banks. The amount of currency outstanding showed a net reduction of approximately \$75,000,000 for the month, and despite an excess of Government withdrawals of funds from the banks over disbursements, total member bank reserves increased \$20,000,000. Further repayments of member bank indebtedness at the Reserve Banks occurred in July, but these repayments were approximately offset by moderate additional purchases of Government securities by the Reserve Banks. The accompanying diagram shows the reduction in excess reserves in New York, and their accumulation in other centers since the passage of the Glass banking bill in mid-June, which terminated the payment of interest on demand deposits.



Loans and Investments of Weekly Reporting Member Banks in New York City and in Other Leading Cities, and Excess Reserves Held at Federal Reserve Banks by New York City Banks and Other Member Banks (Excess reserves outside of New York City partly estimated)

The distribution of excess funds throughout other parts of the country has been accompanied by a marked change in the movements of bank credit which is also indicated by the diagram. Until the middle of June, credit expansion was limited largely to New York City; since that time a substantial expansion of credit has occurred in other cities, and some reduction in New York City. The changes between June 14 and July 19 in the loans and investments of weekly reporting member banks are summarized in the following table.

(In millions of dollars)

| | June 14 | July 19 | Change |
|--------------------------------------|--------------|--------------|-------------|
| New York City | | | |
| Loans on securities..... | 1,840 | 1,862 | + 22 |
| All other loans..... | 1,677 | 1,596 | - 81 |
| U. S. Government securities..... | 2,398 | 2,332 | - 66 |
| Other securities..... | 1,078 | 1,068 | - 10 |
| Total loans and investments.. | 6,993 | 6,858 | -135 |
| Other principal cities | | | |
| Loans on securities..... | 1,958 | 2,002 | + 44 |
| All other loans..... | 3,084 | 3,194 | +110 |
| U. S. Government securities..... | 2,592 | 2,808 | +216 |
| Other securities..... | 1,894 | 1,884 | - 10 |
| Total loans and investments.. | 9,528 | 9,888 | +360 |

The changes in deposits in the same period were as follows:

(In millions of dollars)

| | June 14 | July 19 | Change |
|--------------------------------|--------------|--------------|-------------|
| New York City | | | |
| Net demand deposits..... | 5,869 | 5,318 | -551 |
| Time deposits..... | 687 | 795 | +108 |
| U. S. Government deposits..... | 76 | 265 | +189 |
| Total deposits..... | 6,632 | 6,378 | -254 |
| Other principal cities | | | |
| Net demand deposits..... | 5,338 | 5,344 | + 6 |
| Time deposits..... | 3,576 | 3,752 | +176 |
| U. S. Government deposits..... | 82 | 316 | +234 |
| Total deposits..... | 8,996 | 9,412 | +416 |

Reporting banks, both in New York City and elsewhere, had some increase in their security loans during this period, reflecting increased loans to security brokers, but the New York banks showed reductions in other principal groups of earning assets following large withdrawals of funds by out of town banks and other depositors after the mandatory elimination of interest payments on demand deposits. The largest reductions were in "all other loans," which include open market paper such as bankers acceptances as well as loans to customers, and in holdings of United States Government securities. Banks in other principal cities, however, showed large increases in their holdings of these types of paper during the same period. For the country as a whole a further moderate expansion of bank credit is indicated, which carried the total volume in weekly reporting banks above the level of a year previous for the first time in more than two years.

The reports of New York City banks for July 26 showed a further reduction of \$127,000,000 in total loans and investments, due in considerable measure to a substantial reduction in loans to brokers following the reaction in the stock market, and partly to a further reduction in other loans and in holdings of Government securities. Net demand deposits declined \$55,000,000, reflecting a further reduction in the balances of out

of town banks, but the funds apparently were employed in New York as there was a net gain to New York through interdistrict settlements during the week. Time deposits and Government deposits also declined slightly.

MONEY RATES

Following substantial sales of acceptances to bill dealers by New York banks at the end of June, and the failure of funds to flow back to New York in volume after the holiday, dealers' rates on bankers acceptances were advanced $\frac{1}{8}$ of one per cent on July 7. There was also a moderate rise in yields on short term Government securities during the first half of July. Subsequently, however, rates on acceptances of very short maturity were reduced by $\frac{1}{8}$ of one per cent, and yields on short term Government securities declined slightly. Commercial paper rates moved slightly lower, reflecting the efforts of banks in other localities to employ their surplus funds. Nominal rates on time money against Stock Exchange collateral, however, advanced about $\frac{3}{4}$ per cent, and rates for call money outside the Stock Exchange and for Federal funds were slightly higher on a number of days during the month.

Money Rates at New York

| | July 30, 1932 | June 30, 1933 | July 31, 1933 |
|--|-----------------------------------|---------------------------------|-----------------------------------|
| Stock Exchange call loans..... | 2 | 1 | 1 |
| Stock Exchange 90 day loans..... | * $1\frac{1}{4}$ - $1\frac{1}{2}$ | $\frac{3}{4}$ | * $1\frac{1}{4}$ - $1\frac{1}{2}$ |
| Prime commercial paper..... | $2\frac{1}{4}$ - $2\frac{1}{2}$ | $1\frac{1}{8}$ - $1\frac{3}{4}$ | $1\frac{1}{2}$ |
| Bills—90 day undorsored..... | $\frac{3}{4}$ | $\frac{3}{8}$ | $\frac{1}{2}$ |
| Customers' rates on commercial loans.. | †4.13 | †3.42 | †3.24 |
| Treasury securities | | | |
| Maturing December (yield)..... | 0.22 | 0.04 | 0.08 |
| Maturing March (yield)..... | 0.47 | 0.30 | 0.40 |
| Federal Reserve Bank of N. Y. rediscount rate..... | $2\frac{1}{2}$ | $2\frac{1}{2}$ | $2\frac{1}{2}$ |
| Federal Reserve Bank of N. Y. buying rate for 90 day indorsed bills..... | 1 | 1 | 1 |

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

BILL MARKET

Immediately after the turn of the half year, dealers' sales of bills to investors increased considerably and with a reduction in their portfolios, the dealers were able to repurchase from the Reserve Bank a large part of the bills which had been sold in the closing days of June. In succeeding days, however, the rate which dealers had to pay to carry their portfolios was advanced by the New York City banks, due to the drain of excess reserves from New York, and on July 7 open market bid and offered rates for all maturities of bills were advanced $\frac{1}{8}$ per cent. At these levels demand for short maturity bills was stimulated, and on July 12, accompanying the development of slightly easier money conditions, dealers' rates for bills maturing within 45 days reverted to the quotations prevailing before the rise of July 7. As a result of these adjustments in rates, offering quotations became $\frac{3}{8}$ per cent for bills maturing within 45 days, $\frac{1}{2}$ per cent for maturities up to 90 days, $\frac{3}{4}$ per cent for 4 month bills, and 1 per cent for 5 and 6 month maturities, and these rates prevailed throughout the balance of the month.

Around the middle of the month, the reserve position of the New York City banks caused several of the City banks to sell fairly substantial amounts of short bills to the discount market, but, due to an active investment demand from out of town banks and local corporations, portfolios of the dealers declined further, and the re-

maining bills which had been sold to the Reserve Bank in the closing days of June were repurchased by the dealers. This good demand for bills from out of town institutions continued during the concluding part of the month, dealers' holdings declined further, and carrying rates for bills were reduced by the banks as a result of some improvement in their reserve position.

A sizable increase occurred during June in holdings of acceptances by banks outside of New York and by corporations and other investors, following elimination of interest payments on demand deposits. Meanwhile holdings of bills by New York City banks declined. Total outstandings of bankers bills during June showed an unseasonal rise of \$18,000,000 to \$687,000,000 on June 30, reflecting higher prices for many leading commodities and probably also the rise in business activity. The principal increase, \$30,000,000, was in domestic warehouse credits, although bills based on domestic shipments and import transactions also rose somewhat. These increases were partly offset by continued declines in outstandings of export bills and bills based on goods stored in or shipped between foreign countries.

COMMERCIAL PAPER MARKET

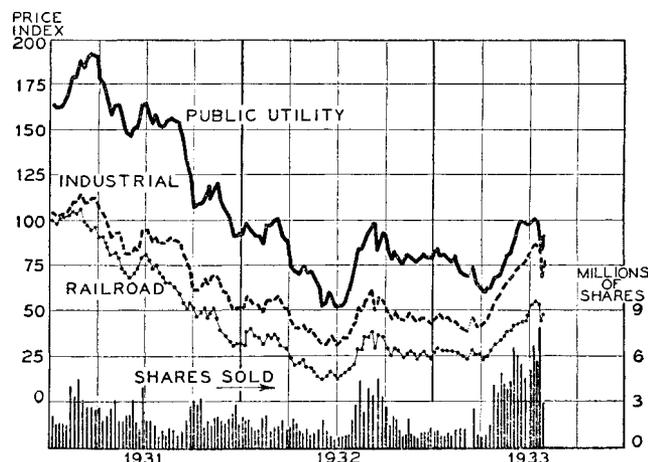
An active investment demand for open market commercial paper existed during July, reflecting the efforts of out of town banks to employ funds which prior to the passage of the Banking Act of 1933 they would have placed at interest with New York City correspondents. Despite some indication of slightly firmer money conditions in New York during the first two weeks of the month, the rate at which the bulk of the prime paper was sold declined to $1\frac{1}{2}$ per cent, as compared with $1\frac{1}{2}$ - $1\frac{3}{4}$ per cent previously, and short dated high grade paper generally was quoted at $1\frac{1}{4}$ per cent. The supply of good paper, despite some expansion, remained inadequate to meet the demand.

Evidence of a mounting demand for commercial accommodation was indicated by the volume of commercial paper outstanding on June 30. Reflecting both rising prices and an increase in business volume, outstandings showed an unseasonal rise of 21 per cent during June to \$72,700,000.

Security Markets

Stock prices advanced rapidly during the first week of July, and then turned irregular in the second week of the month. A renewed advance occurred on the 17th and 18th, at which time the general level of share prices showed an advance of 12 per cent over the end of June and of 120 per cent from this year's low reached at the end of February. As the accompanying diagram indicates, industrial and railroad stocks at their July peaks were at new high levels since September 1931, and public utility shares were the highest since November 1931. Trading in stocks on the New York Stock Exchange during this part of July was at the rate of about $6\frac{1}{2}$ million shares per day, the largest turnover on record for any comparable length of time.

Beginning on July 19 and extending through the 21st, a sharp reaction occurred in stock prices, and the volume of trading increased to between 7,400,000 and 9,600,000 shares. Prices dropped precipitously, and by



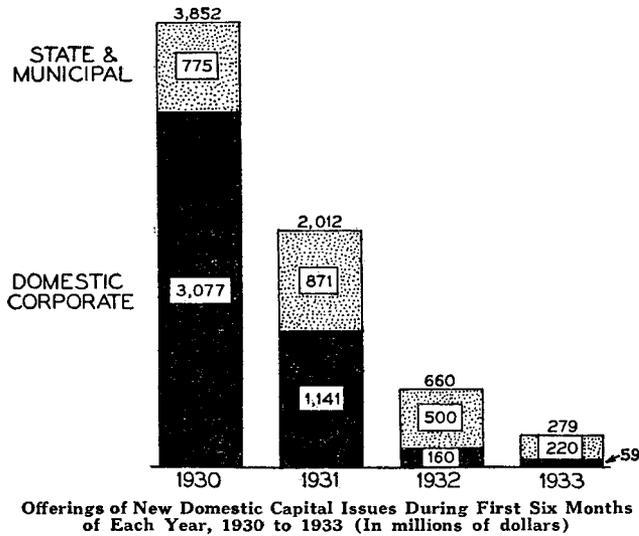
Movement of Stock Prices and Average Daily Number of Shares Sold (Standard Statistics Company weekly price indexes)

the end of the third day, the total decline in representative price averages from the quotations prevailing on July 18 amounted to 21 per cent. This three day reaction canceled all of the advance in the stock market since the end of May, or about 40 per cent of the total rise from the year's low. In many individual issues, especially the alcohol stocks, the declines were far larger than those indicated by the averages. In the succeeding five days more than one-third of the loss was recovered, and, despite some subsequent decline, stock prices by the close of July were generally at about the level that prevailed during the third week of June. For the week beginning on July 24, the period of trading on the New York Stock Exchange was reduced from 5 to 3 hours in order to alleviate the pressure under which Stock Exchange staffs had been working and to permit the bringing up to date of records, and the turnover declined to between 1,400,000 and 3,500,000 shares daily. On July 31, the usual 5 hour sessions were resumed, with Saturday closings provided for from July 29 through September 2.

Domestic corporation bond averages advanced 3 to $4\frac{1}{2}$ points further between the end of June and July 19, and in the next few days declined 1 to 3 points, accompanying the reaction in the stock market. High grade corporation bonds, however, held steady throughout this period, the declines in the averages being due to recessions in the lower grade issues. About one-third of the drop in the averages was subsequently recovered, so that toward the close of July corporate bond prices showed moderate net gains for the month as a whole, and with the exception of the period around the middle of the month, prices were at the highest levels since the autumn of 1931. Foreign dollar bonds showed a sustained advance through July 18, and despite a decline in Argentine issues toward the end of the month, the Baker-Kellogg Company price average of 40 representative issues was up 4 points net for the month to the highest level since September 1931. United States Government bonds varied little in price during the month.

New Financing

During July public offerings of new securities continued in small volume. There was a sale of \$35,000,000 of Federal Intermediate Credit Bank debentures, part



of which replaced a maturity of about \$6,000,000, but aside from this issue only small municipal bond issues and several small stock issues of brewing concerns were offered.

In June, the total of new corporate financing was only \$12,000,000, which compares with an average of \$9,000,000 in previous months of this year, and with \$106,000,000 in June 1931 and \$349,000,000 in June 1930. The new corporate issues for June included \$3,000,000 of bond issues, the remaining \$9,000,000 representing chiefly stock issues by brewing concerns. State and municipal flotations aggregated \$98,000,000, or somewhat more than in June 1932, but less than in the two previous years. For the first half of 1933, as the accompanying diagram indicates, domestic corporation new capital issues were less than half of those in the corresponding period of 1932 and only a small fraction of the 1930 and 1931 flotations. State and municipal issues constituted the major part of the new financing of the first half of this year but these were also considerably less than in the corresponding period of the preceding three years.

United States Government financing during July comprised four issues of 91 day Treasury bills totaling \$330,000,000 which were floated to replace similar maturities. The cost of Treasury bill financing increased slightly during the month, accompanying some reduction in the supply of funds in New York; the July 5 issue, on which the average rate was 0.28 per cent, was followed in the next two weeks by issues at 0.36 and 0.39 per cent, and in the final week of July the average rate was 0.37 per cent.

Gold Movement

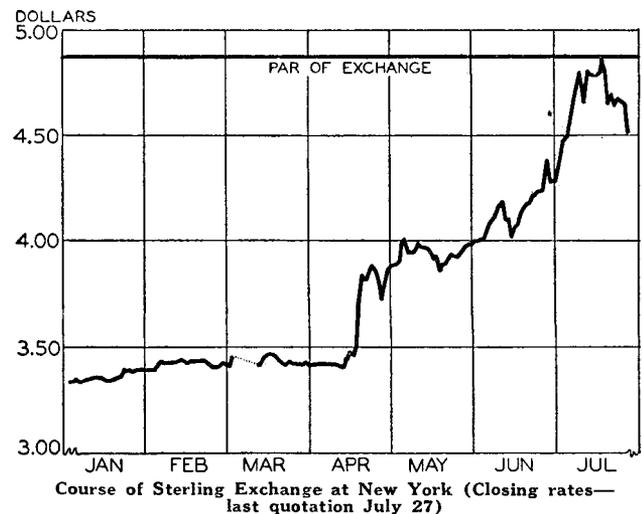
During the month of July there was an increase of about \$3,000,000 in the monetary gold stock of the United States, due to receipts at United States mints and assay offices, presumably principally gold obtained from domestic production. Imports were negligible, and exports of \$79,600,000 to France and \$5,002,000 to Sweden represented the release and shipment of gold previously earmarked, which was without effect on the gold stock of this country.

Foreign Exchange

Although day to day variations in foreign exchange quotations were at times wide during July, there were, taking the month as a whole, two well defined movements in the international valuation of the dollar. In the first two and a half weeks the dollar declined from a discount of 22.4 per cent against the French franc on July 1 to a discount of 31.3 per cent on the 18th. The course of the dollar with respect to sterling was similar to movements against the franc, the sterling quotation touching the old parity during the course of trading on July 19, as shown in the accompanying diagram. On the 19th, the British Treasury announced the terms of an offer to convert the 20 year 5½ per cent dollar gold bonds due February 1, 1937, under which holders of these bonds were given the opportunity to exchange them for 2½ per cent sterling bonds at the rate of £26 for each \$100 gold bond. This constitutes, for those who accept the offer, a rate of exchange of approximately \$3.85 per pound. Subsequently sterling moved lower, falling to \$4.507½ on July 27, and closing the month at \$4.48. The discount on the dollar against French francs declined to 26.3 per cent by the 27th, and was 25.8 per cent on July 31. Throughout the month the French and British currencies moved in close, though not exact, correspondence, while other exchanges tended to follow these two currencies.

Closing Cable Rates at New York

| Exchange on | Par of Exchange | July 30, 1932 | June 30, 1933 | July 29, 1933 |
|------------------|-----------------|---------------|---------------|---------------|
| Belgium..... | \$.1390 | \$.1387 | \$.1766 | \$.1895 |
| Denmark..... | .2680 | .1895 | .1905 | .2014 |
| England..... | 4.8666 | 3.5088 | 4.2750 | 4.5150 |
| France..... | .0392 | .03917 | .0495 | .05303 |
| Germany..... | .2382 | .2374 | .3020 | .3240 |
| Holland..... | .4020 | .4023 | .5060 | .5460 |
| Italy..... | .0526 | .0509 | .0664 | .0712 |
| Norway..... | .2680 | .1760 | .2145 | .2275 |
| Spain..... | .1930 | .0804 | .1057 | .1129 |
| Sweden..... | .2680 | .1808 | .2200 | .2335 |
| Switzerland..... | .1930 | .1945 | .2428 | .2625 |
| Canada..... | 1.0000 | .8713 | .9138 | .9300 |
| Argentina..... | .9648 | .5865 | .7272 | .7789 |
| Brazil..... | .1196 | .0763 | .0763 | .0805 |
| Uruguay..... | 1.0342 | .4725 | .5300 | .6400 |
| Japan..... | .4985 | .2760 | .2663 | .2800 |
| India..... | .3650 | .2650 | .3226 | .3405 |
| Shanghai..... | ..... | .2988 | .2775 | .2838 |



Central Bank Rate Changes

The Netherlands Bank lowered its discount rate from 4½ to 4 per cent on July 15 and again to 3½ per cent, effective the 29th. There were no other changes in the rates of the European central banks. Effective July 1, the discount rate of the Java Bank was raised from 4½ to 5 per cent. On the 3rd, the Bank of Japan reduced its rate from the equivalent of 4.38 per cent to the equivalent of 3.65 per cent per annum. On the 18th, the rate of the Bank of the Republic of Colombia was lowered from 5 to 4 per cent.

Production

A further advance occurred in industrial production during July, but in general the increase appears to have been less rapid than in immediately preceding months. Activity in the steel industry showed an unseasonal expansion in the first half of the month, and then receded slightly in the final two weeks. Production of automobiles held at a comparatively high level although the usual seasonal movement is downward, and output of bituminous coal rose more than usually. Activity in the cotton textile industry was maintained at an exceedingly high level, and crude petroleum output showed no important variation.

During June, operations in a number of important industries reached the highest levels in several years, as is indicated in the accompanying diagram. This bank's indexes of shoe and textile production, which are adjusted for seasonal variation and long term growth, rose sharply during the second quarter of the current year to the highest levels since 1929 or earlier. Moreover, the indexes of steel and automobile production, although considerably below their long term trends, reached the highest levels since 1931. Marked expansion from May to June was reported also in the coal, lumber, nonferrous metals, and meat packing industries. As a result, the Federal Reserve Board's seasonally adjusted index of industrial production rose 16 per cent between these two months to the highest level in almost three years. For a number of industries a part of the rapid increase in out-

put during the past few months probably has been in anticipation of higher production costs and selling prices, and has been reflected in a growth in stocks of goods held by manufacturers and dealers. In June the production of non-durable goods as a whole, including foods, textiles, shoes, tobacco, and gasoline, reached the highest point since the latter part of 1929, although the distribution of goods to consumers has shown only a moderate increase during recent months.

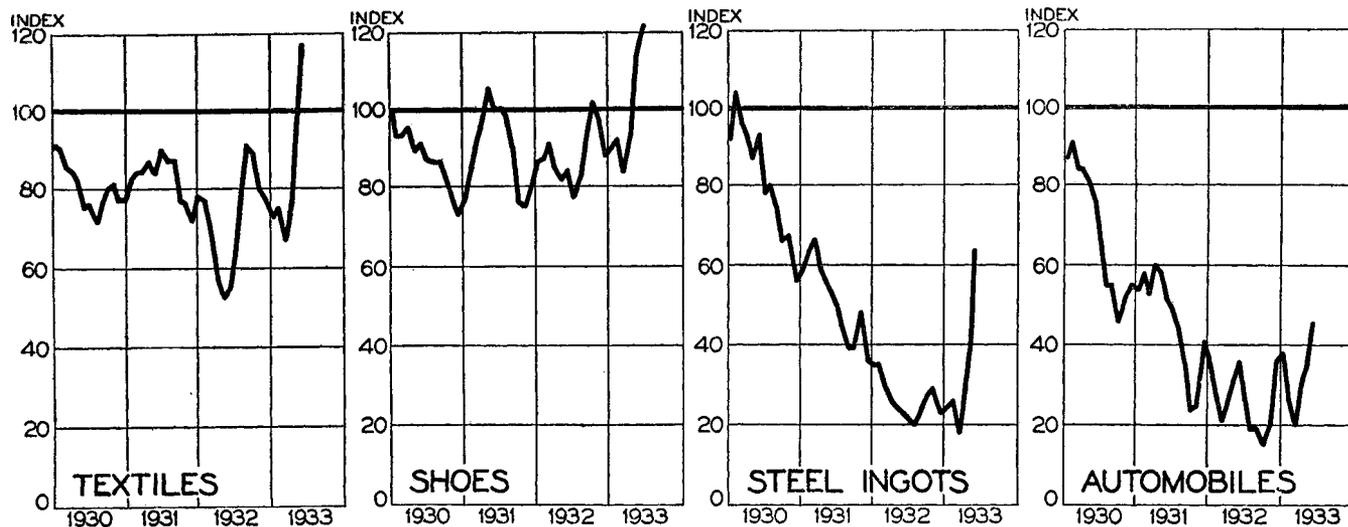
(Adjusted for seasonal variations and usual year to year growth)

| | 1932 | | 1933 | |
|--------------------------------------|------|-------|------|------|
| | June | April | May | June |
| Metals | | | | |
| Pig iron | 20 | 18 | 25 | 39 |
| Steel ingots | 23 | 29 | 41 | 64 |
| Lead | 46 | 39 | 32 | 38 |
| Zinc | 32 | 40 | 40 | 46 |
| Tin deliveries | 45 | 56 | 71 | |
| Automobiles | | | | |
| Passenger cars | 36 | 30 | 33 | 45p |
| Motor trucks | 38 | 41 | 48 | 66p |
| Fuels | | | | |
| Bituminous coal | 49 | 60 | 61r | 68p |
| Anthracite coal | 40 | 50 | 46 | 63p |
| Coke r. | 36r | 37r | 42r | 36r |
| Petroleum, crude | 69 | 66 | 82r | 79p |
| Petroleum products r. | 72r | 66r | 68r | |
| Textiles and Leather Products | | | | |
| Cotton consumption | 56 | 82 | 104 | 120 |
| Wool mill activity | 45 | 64 | 104 | 132p |
| Silk consumption | 69 | 78 | 82 | 88 |
| Shoes | 84 | 94 | 114p | 122p |
| Foods and Tobacco Products | | | | |
| Livestock slaughtered | 86 | 106 | 105 | 110 |
| Wheat flour | 84 | 116 | 101 | 102 |
| Tobacco products | 84 | 79 | 97 | 91 |
| Miscellaneous | | | | |
| Cement | 46 | 30 | 37 | 43 |
| Tires | 76 | 42 | 62 | |
| Lumber | 31 | 27 | 33 | 42 |
| Printing activity | 67 | 53 | 57 | |
| Newsprint paper | 76 | 71 | 71r | 77 |

p Preliminary r Revised

Commodity Prices

In the first half of July further substantial advances occurred in the prices of basic commodities. The largest gains were in agricultural commodities, the price of



Indexes of Production of Textiles, Shoes, Steel Ingots, and Automobiles (In per cent of long term trend; adjusted for seasonal variation)

cash wheat at Minneapolis rising to \$1.22 a bushel, compared with the year's low of 44 cents, and the price of spot cotton advancing to 11.75 cents a pound in contrast with a low of 5.90 cents. These agricultural commodities reacted sharply for a few days beginning on July 19, the price of wheat falling as low as 93 cents a bushel and cotton as low as 10.10 cents a pound, but subsequently both commodities recovered a portion of their losses. At the close of the month nearly all of the important basic commodities showed net gains from the close of the preceding month.

The character of recent movements in prices is indicated by the accompanying diagram, which compares this bank's weekly index of ten sensitive commodities with the Bureau of Labor Statistics index of nearly 800 commodities. The index of sensitive commodities rose 88 per cent from the February low to the July peak, and despite a reaction which canceled 7 per cent of the previous advance, showed a net gain from the low of 84 per cent. Somewhat similar movements are indicated by a daily index of fifteen basic commodities, prepared by Moody's Investors Service, which at the peak showed an advance of 89 per cent. The reaction in this index canceled 22 per cent of the previous gain, but the latest available figure indicates a net increase of 72 per cent from the February low.

In contrast to these large gains the Bureau of Labor Statistics index, which includes 784 price quotations, rose 17 per cent from the February low. An analysis of the groups composing this latter index indicates that the largest increases during this period were in those groups which are dominated by raw material prices, such as farm products, while the smallest increases were in certain groups dominated by non-speculative and finished goods. Between February and June, raw material prices rose 16 per cent, while finished products showed an advance of only 5 per cent. In the 1921 depression and subsequent recovery, raw materials reached their low point in June 1921 and had recovered 10 per cent by the time that finished products had reached their low, seven months later. By December 1922, raw material prices had advanced 23 per cent from their low, while finished products were up only 8 per cent.

In addition to this apparently usual tendency of raw materials to advance before and more rapidly than finished goods at a time of industrial recovery and price

increase, the present situation appears to be influenced by two additional factors. In the first place, the depreciation of the dollar has been more of an influence on raw material prices than on finished goods prices, because raw materials enter more largely into international trade and their prices therefore fluctuate with the foreign exchanges to a considerable extent. In the second place, raw materials reflect to a substantial degree various unusual factors which are affecting agriculture in this country, including processing taxes and exceptionally poor crop conditions.

Employment and Payrolls

Employment in the country as a whole showed a large increase from the middle of May to the middle of June, accompanying the continued expansion of industry and trade. Working forces in manufacturing establishments rose 7 per cent after seasonal adjustment, according to the Federal Reserve Board's index, with the most pronounced gains in those industries which reported the largest expansion in output. Moderate increases in employment were shown also in the leading non-manufacturing lines, including the building construction and mining industries, and wholesale and retail trade. After seasonal adjustment factory payrolls rose 11 per cent from May to June. This increase, although exceptionally large, was considerably smaller than the expansion in the output of manufacturing industries during the same period. According to trade union reports, working forces showed an additional rise from June to July, but the increase was less marked than in the preceding month. It was estimated by the American Federation of Labor that the number of workers without employment was reduced more than 1,500,000 from March to June, with a further moderate decrease in July.

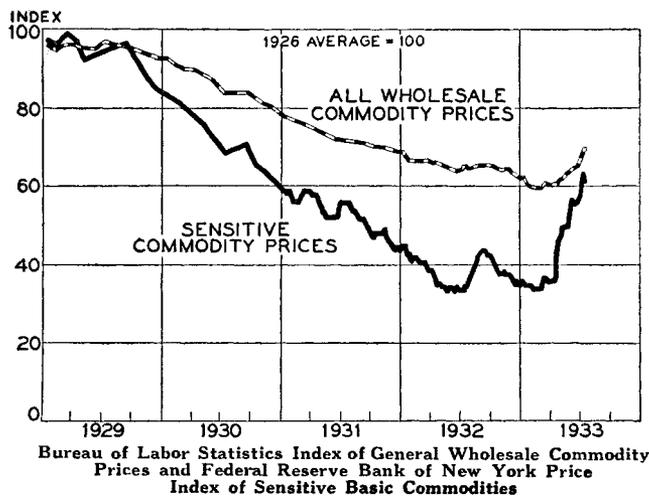
Employment and payrolls in New York State factories also advanced sharply from May to June, making the third successive month in which an unseasonal rise has occurred. Increases after seasonal adjustment of 4 per cent in employment and 6 per cent in wage payments were somewhat less than the corresponding changes for the country as a whole, but the increase in employment from March to May had been slightly greater in New York State.

A reversal of the downward tendency of full time wage rates in factories is indicated by figures for June compiled by the Bureau of Labor Statistics. During the period from the middle of May to the middle of June increases in wage rates were granted to 7.6 per cent of factory employees covered by reports to the Bureau of Labor Statistics, while only 0.2 per cent were affected by wage reductions. Advances in wage rates were more general than at any time in recent years.

Indexes of Business Activity

In the first half of July general business activity appears to have shown some further increase. The movement of freight over the railroads advanced more than seasonally, and production of electric power rose in contrast to the usual seasonal tendency.

During June, general business activity and the distribution of goods to merchants and manufacturers showed a substantial expansion. After allowance for the usual seasonal changes, sizable increases occurred in railroad



freight traffic, imports of basic raw materials, the volume of check payments, sales of life insurance, and production of electric power. The distribution of goods to consumers, on the other hand, appears in the aggregate to have shown no marked change from May to June. This bank's seasonally adjusted indexes of sales of chain stores other than grocery chains and advertising increased moderately and retail sales of automobiles increased rather sharply, but sales of department stores, grocery chain stores, and mail order houses showed little change.

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

| | 1932 | 1933 | | |
|---|------|-------|------|------|
| | June | April | May | June |
| <i>Primary Distribution</i> | | | | |
| Car loadings, merchandise and misc. | 55 | 52 | 55 | 59 |
| Car loadings, other | 38 | 51 | 48 | 55 |
| Exports | 45 | 42 | 55 | 48p |
| Imports | 65 | 49 | 53 | 64p |
| Waterways traffic | 32 | 42 | 46 | |
| Wholesale trade | 79 | 85 | 99 | 89 |
| <i>Distribution to Consumer</i> | | | | |
| Department store sales, 2nd District | 76 | 73 | 72 | 71 |
| Chain grocery sales | 74 | 60 | 60 | 60 |
| Other chain store sales | 76 | 75 | 71 | 75 |
| Mail order house sales | 73 | 72 | 66 | 65 |
| Advertising | 59 | 50 | 51 | 54 |
| Gasoline consumption | 91 | 68 | 72 | |
| Passenger automobile registrations | 41 | 28 | 34p | 45p |
| <i>General Business Activity</i> | | | | |
| Bank debits, outside of New York City.. | 64 | 55 | 57 | 62 |
| Bank debits, New York City | 62 | 53 | 53 | 62p |
| Velocity of bank deposits, outside of New York City | 76 | 72 | 73 | 78 |
| Velocity of bank deposits, New York City | 61 | 52 | 52 | 62 |
| Shares sold on N. Y. Stock Exchange .. | 59 | 125 | 231 | 310 |
| Life insurance paid for | 76 | 67 | 64 | 67 |
| Electric power | 68 | 64 | 66p | 70p |
| Employment in the United States | 61 | 59 | 62 | 66 |
| Business failures | 129 | 85 | 84 | 76 |
| Building contracts | 22 | 11 | 15 | 19 |
| New corporations formed in N. Y. State. | 94 | 71 | 85 | 85 |
| Real estate transfers | 48 | 37 | | |
| General price level* | 129 | 124 | 127 | 128 |
| Composite index of wages* | 182 | 170 | 172p | 173p |
| Cost of living* | 136 | 127 | 128 | 129 |

p Preliminary * 1913 average=100

Building

For the 37 States covered by the F. W. Dodge Corporation report, June building and engineering contracts were 34 per cent above the May total, which is well in excess of the usual seasonal movement. This bank's index of total contracts consequently rose 4 points further, duplicating the May advance, but at only 19 per cent of the computed trend of past years the index still remained at a very low level. All classes of contracts were larger in June than in May, and in the case of residential building and non-residential construction of the factory and commercial types, contracts were larger than in June 1932, while the total of public works and utility projects was less than half as large as a year ago. The aggregate of privately financed construction was about 50 per cent larger than in June 1932.

Total building and engineering contracts placed during the first half of this year were 35 per cent less than in the corresponding period of last year. Privately financed construction was reduced by about 18 per cent from 1932 to 1933, while public work showed a drop of over 50 per cent. With the initiation of the Government program for public works and other construction, public construction in the second half of the year is expected

to make a much more favorable comparison with a year ago than in the first half.

During the first half of July, all classes of building contracts showed seasonal declines from the June volume, and the total remained smaller than a year previous.

Foreign Trade

During June, merchandise exports increased to \$119,900,000 while imports rose to \$122,000,000, so that a slightly unfavorable trade balance resulted—the first since August 1931. Increases over a year previous of 5 per cent in the case of exports and of 11 per cent in the case of imports were the first that had occurred in about four years. These gains in the value of merchandise exports and imports may be accounted for both by the large rise in basic commodity prices and by a larger volume of trade in some commodities.

Exports of crude materials and semi-manufactures showed large gains in value over a year ago, amounting to 66 per cent and 23 per cent, respectively. Raw cotton exports were 70 per cent larger than in June 1932; shipments to European countries alone were more than doubled. On the other hand, exports of crude foodstuffs, chiefly grains, continued to show large decreases, and exports of finished manufactures remained 13 per cent less than a year ago.

Among the imports, the semi-manufactures and manufactured foodstuffs groups, the latter largely sugar, showed gains in value of about 50 per cent over June of last year. Imports of crude materials also increased 16 per cent in value. Imports of finished manufactures, however, were down 24 per cent from a year ago. The quantity of raw silk received from abroad was over 50 per cent larger than in June 1932, but the amount of crude rubber and coffee imported was considerably smaller.

For the fiscal year ended June 30, exports totaled \$1,440,000,000 and imports \$1,168,000,000. These represent reductions of 26 and 32 per cent, respectively, from the year previous and are the smallest yearly totals in over a quarter of a century.

Department Store Trade

In June, total department store sales in this district were 5 per cent below a year ago, and showed the smallest reduction in the average daily rate of sales in two years. Syracuse and Southern New York State department stores reported increases in sales in comparison with a year ago, and Hudson River Valley and Capital District stores showed smaller declines than in May. In other localities, the reductions were somewhat larger than those of May, but in several instances this was due chiefly to differences in the number of business days. Furthermore, for the first time in over two years the leading apparel stores in this district showed an increase in sales over the year previous.

For the first six months of 1933, department store sales in this district showed a 14 per cent decline from the corresponding period of 1932, and apparel stores showed a drop of 12½ per cent. In the first half of July department store sales in the Metropolitan area of New York were 4 per cent below the corresponding period a year ago.

Collections in June of accounts outstanding at the

end of May averaged slightly higher than last year for the second consecutive month. Department store stocks of merchandise on hand, at retail valuation, showed the smallest reduction from a year ago in nearly two years, and apparel store stocks the smallest decline in over a year.

| Locality | Percentage change from a year ago | | | Per cent of accounts outstanding May 31 collected in June | |
|------------------------------|-----------------------------------|--------------|----------------------------|---|-------|
| | Net sales | | Stock on hand end of month | 1932 | 1933 |
| | June | Jan. to June | | | |
| New York | -4.4 | -13.2 | -9.6 | 44.4 | 45.4 |
| Buffalo | -6.4 | -16.0 | -28.8 | 38.2 | 41.0 |
| Rochester | -10.9 | -19.3 | -19.8 | 43.4 | 42.7 |
| Syracuse | +2.7 | -8.2 | -19.9 | 21.3 | 24.0 |
| Newark | -8.7 | -17.8 | -13.2 | 37.8 | 39.3 |
| Bridgeport | -7.4 | -14.6 | -10.5 | 41.2 | 42.2 |
| Elsewhere | -2.6 | -13.8 | -13.4 | 31.6 | 30.4 |
| Northern New York State | -8.8 | -16.4 | ..... | ..... | ..... |
| Southern New York State | +1.5 | -8.4 | ..... | ..... | ..... |
| Hudson River Valley District | -4.5 | -15.7 | ..... | ..... | ..... |
| Capital District | -4.1 | -16.1 | ..... | ..... | ..... |
| All department stores | -5.1 | -14.0 | -12.2 | 41.0 | 42.2 |
| Apparel stores | +2.1 | -12.4 | -19.3 | 39.9 | 43.4 |

The following table, which compares department store sales and stocks in the principal departments with a year ago, indicates that in a few lines stocks were larger than last year or showed comparatively small reductions, whereas in earlier months this year practically all major departments showed substantial reductions.

| | Net sales percentage change June 1933 compared with June 1932 | Stock on hand percentage change June 30, 1933 compared with June 30, 1932 |
|-----------------------------------|---|---|
| Furniture | +6.5 | -30.3 |
| Cotton goods | +1.4 | +9.9 |
| Men's furnishings | +1.4 | -8.0 |
| Linens and handkerchiefs | +1.0 | -12.2 |
| Home furnishings | +0.4 | -14.3 |
| Shoes | -2.5 | -5.7 |
| Men's and Boys' wear | -3.0 | -9.4 |
| Luggage and other leather goods | -3.7 | -17.5 |
| Women's ready-to-wear accessories | -7.0 | -1.3 |
| Toys and sporting goods | -10.1 | -10.4 |
| Musical instruments and radio | -11.1 | -25.8 |
| Silverware and jewelry | -13.2 | -22.5 |
| Toilet articles and drugs | -13.8 | -32.9 |
| Women's and Misses' ready-to-wear | -14.4 | -11.1 |
| Books and stationery | -15.9 | -22.6 |
| Woolen goods | -16.9 | +13.9 |
| Hosiery | -21.8 | -12.1 |
| Silks and velvets | -25.1 | -15.6 |
| Miscellaneous | -1.0 | -13.1 |

Wholesale Trade

Total June sales of the reporting wholesale firms in this district averaged 23 per cent higher than a year ago, the largest increase ever reported. Individual lines showing larger increases than at any previous time covered by this bank's records included the hardware, shoe, and silk concerns. The men's clothing, paper, and cotton goods firms reported the most substantial expansion since 1929, and sales of machine tools, which have been very small for a number of months, showed an increase over a year previous for the first time in nearly four years. The increases reported in sales of groceries and diamonds, although not as large as those occurring in May, were with that exception the greatest in over three years. Sales of stationery remained below a year ago, but the decline was the smallest since 1930. Drug sales,

however, were down considerably from a year ago, following sizable increases in April and May. Sales for all reporting lines for the first six months of 1933 were 7 per cent below the same period of 1932.

In most lines, stocks of merchandise on hand at the end of June showed smaller reductions from a year ago than in recent months, and in the case of grocery stocks a large increase over last year was indicated. The majority of wholesale firms reported a higher rate of collections than last year.

| Commodity | Percentage change June 1933 compared with June 1932 | | Per cent of charge accounts outstanding May 31 collected in June | | Percentage change in net sales | |
|------------------|---|--------------------|--|-------|--------------------------------|-------------------------------|
| | Net sales | Stock end of month | 1932 | 1933 | June 1933 from May 1933 | First six mos. 1933 from 1932 |
| | | | | | | |
| Groceries | +17.1 | +26.6 | 78.6 | 83.6 | +4.4 | +0.8 |
| Men's clothing | +25.5 | ..... | 31.4 | 39.5 | +6.6 | -11.8 |
| Cotton goods | +8.8 | -21.1 | 30.9 | 33.4 | -11.1 | -14.7 |
| Silk goods | +87.8* | -26.6* | 64.8 | 73.9 | -4.8* | +24.4* |
| Shoes | +54.4 | ..... | 38.8 | 44.8 | +5.9 | -18.1 |
| Drugs | -23.7 | -22.5 | 26.0 | 23.4 | -7.6 | +7.3 |
| Hardware | +12.3 | -15.3 | 44.9 | 44.3 | +0.2 | -12.6 |
| Machine tools** | +7.0 | ..... | ..... | ..... | +44.2 | -41.7 |
| Stationery | -11.8 | ..... | 59.7 | 52.7 | +14.4 | -22.4 |
| Paper | +5.9 | ..... | 37.7 | 40.2 | +13.9 | -22.0 |
| Diamonds | +16.7 | -25.9 | 17.7 | 24.6 | +0.7 | -17.1 |
| Jewelry | -19.6 | -41.0 | ..... | ..... | +44.1 | -30.6 |
| Weighted average | +22.8 | ..... | 49.4 | 54.1 | +6.9 | -7.4 |

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

Chain Store Trade

Total June sales of reporting chain stores in this district were virtually the same as in the corresponding month a year ago, which represents the most favorable year to year comparison since June 1931. For variety chain stores, sales were larger than a year previous for the third successive month, and for ten cent store chains sales were slightly larger than last year, the first increase in two years. Other chain store systems continued to report smaller sales than a year ago, but in the case of the shoe chains the decline was more moderate than in the preceding month. For the first half of 1933, total chain store sales were 9 per cent below the corresponding period of 1932.

During June, average sales per store of the reporting chains were slightly larger than in June 1932, reflecting a small decrease in the number of units operated while total sales were little changed. The decline in the total number of units operated has been due to large reductions in the number of shoe and drug units, only partly offset by a sizable increase in the number of candy stores.

| Type of store | Percentage change June 1933 compared with June 1932 | | | Percentage change Jan.-June 1933 compared with Jan.-June 1932 | |
|---------------|---|-------------|-----------------|---|-----------------|
| | Number of stores | Total sales | Sales per store | Total sales | Sales per store |
| Grocery | -2.1 | -11.4 | -9.4 | -13.7 | -12.0 |
| Ten cent | +0.4 | +0.4 | +0.1 | -9.0 | -9.6 |
| Drug | -13.8 | -17.3 | -4.0 | -20.4 | -15.7 |
| Shoe | -16.6 | -15.5 | +1.4 | -25.0 | -14.4 |
| Variety | +1.9 | +18.2 | +15.9 | +2.0 | 0 |
| Candy | +12.3 | -8.3 | -18.3 | -8.9 | -15.9 |
| Total | -1.5 | -0.2 | +1.3 | -9.0 | -8.2 |

FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, AUGUST 1, 1933

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

IN June, as in the two preceding months, industrial activity increased rapidly and in the first half of July there was some further advance. Factory employment and payrolls showed a considerable increase. Wholesale commodity prices rose rapidly until the third week of July when prices of leading raw materials showed a sharp decline.

PRODUCTION AND EMPLOYMENT

Volume of industrial production, as measured by the Board's seasonally adjusted index, advanced from 77 per cent of the 1923-1925 average in May to 89 per cent in June, as compared with 60 per cent in March. Activity in the steel industry continued to increase during June and, according to trade reports, during the first two weeks of July; in the third week of the month it showed little change. Demand for steel from the railroads and the construction industry continued at a low level. Output of automobiles, which usually declines at this season, increased in June and showed little change in July. Consumption of cotton by domestic mills was larger in June than in any previous month, and continued at a high rate during the first half of July. At woolen mills and shoe factories activity increased further in June to unusually high levels.

Working forces at factories increased substantially between May and June and the Board's seasonally adjusted index of factory employment advanced from 61 per cent of the 1923-1925 average to 65 per cent. Factory payrolls also increased by a considerable amount, to 46 per cent of the 1923-1925 average.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed an increase in May and June, contrary to the usual seasonal movement.

Department of Agriculture estimates as of July 1 indicated a wheat crop of about 500,000,000 bushels, 350,000,000 bushels below the average of 1926-1930, reflecting chiefly adverse weather conditions. Feed crops have also been seriously damaged. Cotton acreage on July 1 was estimated at about 41,000,000 acres, an increase of 4,000,000 acres over last year, but it is proposed as a part of the program of the Agricultural Adjustment Administration to reduce the area by about 10,000,000 acres.

DISTRIBUTION

Freight traffic continued to increase during June, reflecting in large part heavier shipments of coal, miscellaneous freight, and lumber products. Distribution of commodities through department stores showed about the usual seasonal decline in June.

WHOLESALE PRICES

Wholesale prices of commodities advanced from 64 per cent of the 1926 average in the first week of June to 69 per cent in the middle of July, according to the index of the Bureau of Labor Statistics. This marked upward movement reflected large increases in the prices of most basic raw materials, including grains, cotton, hides, non-ferrous metals, steel scrap, petroleum, and rubber; most of these commodities are traded in on organized exchanges and enter into world trade. The prices of many manufactured products, particularly textiles, leather, and gasoline, also advanced substantially. On July 19, 20, and 21, following rapid advances in the preceding period, prices of leading raw materials declined sharply.

FOREIGN EXCHANGE

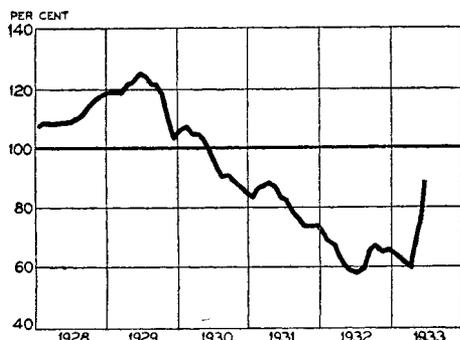
In the exchange market the value of the dollar in terms of the French franc declined to 69 per cent of its gold parity on July 18 and then advanced to 72 per cent on July 21.

BANK CREDIT

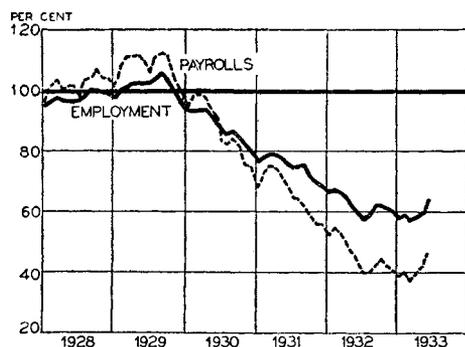
During the four weeks following the enactment on June 16 of the Banking Act of 1933, which prohibits the payment of interest on demand deposits, net demand deposits of weekly reporting member banks in 90 cities declined by \$500,000,000, reflecting the withdrawal of \$300,000,000 in bankers' balances from banks in New York City and elsewhere, and the transfer of funds from demand to time accounts. Time deposits increased by \$260,000,000. The banks' holdings of United States Government securities increased during the four weeks ended July 12, and there was a further rapid growth in open-market brokers' loans, while loans to customers declined.

Return flow of currency amounted to \$90,000,000 during the five weeks ended July 19. During the same period the Federal Reserve Banks purchased \$85,000,000 of United States Government obligations and member banks reduced their indebtedness to the Reserve Banks by \$90,000,000. The withdrawal of bankers' balances from New York City reduced excess reserves of member banks in that city, while surplus reserves of member banks outside New York increased substantially.

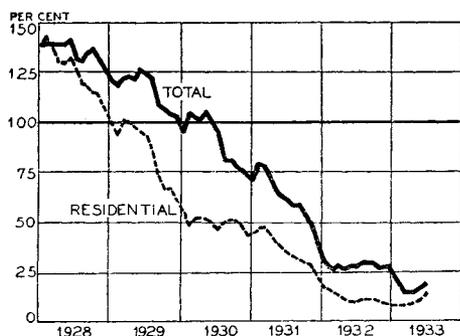
Money rates in the open market generally continued at low levels, although recently slight increases have occurred in acceptance rates, time money against stock exchange collateral, and yields on short term United States Government securities.



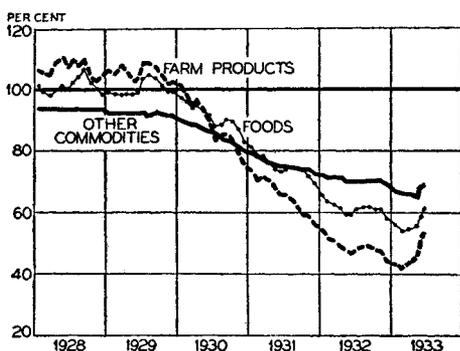
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



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)