

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

*Federal Reserve Agent*

*Federal Reserve Bank, New York*

*September 1, 1933*

#### Money Market in August

Excess reserves of the principal New York City banks remained comparatively small during the first half of August but subsequently increased substantially to about \$150,000,000, and open market money rates in New York declined to levels even lower than those reached in June, and about as low as in January and early February. For all other member banks throughout the country excess reserves remained around \$450,000,000, and the total for the entire country, therefore, rose above \$600,000,000, and about equaled the high level reached early last January. The distribution has changed materially since January, however, a large part now being distributed throughout the country, whereas in January at least half was concentrated in New York.

The increase in the excess reserves of New York banks during the latter half of August was due partly to an expansion in Reserve Bank purchases of Government securities. For a number of weeks purchases had been made at the rate of about \$10,000,000 a week, following purchases varying from around \$20,000,000 to \$25,000,000 for several weeks in May and June. In the third week of August the amount of Government securities purchased by the System was increased to \$35,000,000, and in the fourth week a like amount was purchased.

The total loans and investments of principal New York City banks showed greater stability during August following a decline in July. In other principal cities also the amount of member bank credit outstanding showed no material change in August, following a rather substantial increase from the middle of June to the end of July. The failure of bank credit to expand in the face of mounting excess reserves and increasing business activity may, however, be attributed at least in part to the further effect of the discontinuance of interest payments on demand deposits. In the four weeks ended August 23 the demand deposits of reporting member banks declined \$220,000,000 to a volume \$800,000,000 less than on June 14, just before the passage of the Banking Act of 1933 which made discontinuance of interest payments on demand deposits mandatory. Idle demand deposits have sought investment in United States Government securities and other high grade securities of short maturity, and this has tended to prevent further accumulation of such securities in bank portfolios and even to cause some decline. The Government security holdings of the reporting banks declined about \$150,000,000 between June 21 and August 23,

notwithstanding large purchases of new Government securities, especially those issued on August 15.

There are indications, however, that the reduction in demand deposits has not meant a corresponding reduction in the amount of money in active use. It has reflected rather a tendency of corporations and others to invest deposits not immediately needed, and to use the remaining balances more intensively. This is reflected in the accompanying diagram, which shows the velocity or turnover of demand deposits in the principal cities for a number of years past. As this indicates, the activity of deposits following an extraordinary rise from 1925 to 1929 declined to between 50 and 60 per cent of the 1919-1925 average at the end of 1932. Subsequently there has been a rapid rise to about 85 per cent of the average for 1919-1925, the highest rate since the middle of 1931.

This increase in the turnover of deposits has reflected not only a reduction in idle deposits, but also an increase in the volume of checks drawn against the remaining deposits, accompanying the improvement in general business conditions during recent months. Thus far the recovery in business appears to have been financed largely through more active use of the existing money supply, although there has also been a fairly substantial increase in deposits since March, resulting partly from expansion of bank credit and partly from the return of hoarded currency.

The volume of currency outstanding, which had declined almost without interruption from the end of the



bank holiday to the latter part of July, has shown little net change during the past month. In view of the fact that the seasonal increase in currency circulation usually begins in August and that payroll requirements are increasing, due to improving business and higher wage scales, however, it would appear that the return flow of money out of hoards has not ceased, although it has probably been less rapid accompanying the slower pace in the security and commodity markets. As a diagram on a later page of this Review indicates, the number of wage earners receiving increases in their rates of pay during June and July was far greater than in any other month in several years. It appears that this movement has continued subsequently and has tended to increase payroll requirements further during the past month.

#### MONEY RATES

Money rates declined somewhat in August, especially in the latter half of the month accompanying the rise in excess reserves of New York banks, and in most cases reached the lowest levels of the year. Rates for acceptances of maturity exceeding 45 days were reduced  $\frac{1}{4}$  per cent, and short bills declined  $\frac{1}{8}$  per cent. Yields on short term Government securities were reduced materially, and quotations on 90 day Stock Exchange loans decreased about  $\frac{1}{2}$  per cent during the month. On August 30 the Stock Exchange quotation for call money, which had held for some time at 1 per cent, was reduced to  $\frac{3}{4}$  per cent. A comparison with rates prevailing at the end of July and with those of a year ago follows.

Money Rates at New York

	Aug. 31, 1932	July 31, 1933	Aug. 31, 1933
Stock Exchange call loans.....	2	1	$\frac{3}{4}$
Stock Exchange 90 day loans.....	*1 $\frac{1}{4}$ -1 $\frac{1}{2}$	*1 $\frac{1}{4}$ -1 $\frac{1}{2}$	* $\frac{3}{4}$
Prime commercial paper.....	2-2 $\frac{1}{4}$	1 $\frac{1}{2}$	1 $\frac{1}{2}$
Bills—90 day unindorsed.....	$\frac{3}{4}$	$\frac{1}{2}$	$\frac{1}{4}$
Customers' rates on commercial loans..	†4.13	†3.24	†3.19
Treasury securities			
Maturing December (yield).....	0.09	0.08	No yield
Maturing March (yield).....	0.26	0.40	0.11
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

A strong and widespread investment demand for bankers acceptances existed throughout the entire month of August. New York City banks, out of town banks, and corporations were in the market for bills, and as accepting and discounting banks retained new bills that came into their possession, the dealers were unable to fill orders. By the third week of the month the portfolios of the dealers were reduced to the lowest figure in the history of the bill market and effective August 23 open market rates for bills maturing in 46 days to 6 months were reduced  $\frac{1}{8}$  per cent. This reduction restored all bill rates to the levels which had prevailed prior to the increase of early July, quotations for the short bills having reverted to their former level shortly after they were increased in July. On August 30, the dealers made a further general reduction of  $\frac{1}{8}$  per cent in their rates; the offering rate of  $\frac{1}{4}$  per cent established on 90 day bills equaled the low which prevailed for a short time early this year.

During July, the volume of bankers acceptances out-

standing rose \$51,000,000 further to \$738,000,000, and at that figure was above the level of the previous year for the first time since June 1931. An increase of \$36,000,000 in bills arising from domestic warehouse credits was again the largest factor in the rise, although there were also increases of \$6,000,000 in import bills and in bills based on goods stored in or shipped between foreign countries. There was a large increase during July in holdings of bills by accepting banks, both in New York City and outside, and there was also a further material rise in holdings by corporations. Accompanying these increases, which were about twice as large as the rise in the volume of bills outstanding, Federal Reserve holdings of bills and the amount held in dealers' portfolios declined considerably.

#### COMMERCIAL PAPER MARKET

A further increase in the demand for accommodation by commercial and industrial concerns eligible to use the facilities of the open market resulted in a continued rise in the amount of commercial paper outstanding through dealers reporting to this bank. The total of \$97,000,000 on July 31 showed an increase of 33 per cent for the month and raised outstandings to the highest level since last November. Drawings of new paper during August continued to be readily absorbed by the investment demand, and in fact orders received from banks by the dealers considerably exceeded the paper which was available. Most of the prime paper continued to be sold during August at 1  $\frac{1}{2}$  per cent, with some business also transacted at 1  $\frac{1}{4}$  per cent.

#### Security Markets

The stock market showed a rising trend in August, although daily movements were somewhat more irregular than in preceding months. As a result representative averages of general prices by the end of August had recovered more than one-half of the loss sustained in the sharp reaction between July 18 and 21. Industrial and railroad stocks accounted for all the rise in the general price averages, these types of shares recovering to within 7 to 8 per cent of their July highs, while public utility stocks showed little net change for the month of August and remained about 20 per cent below the peak reached in July. In comparison with the turnover of immediately preceding months, stock trading was rather dull in August. Trading on the New York Stock Exchange averaged less than 2 million shares daily, although activity tended to increase somewhat toward the end of the month.

In contrast to the net advances in stock prices, domestic corporation bond averages showed slight declines for August, remaining about 2 points below their July highs. Nevertheless, at present levels, domestic corporate bond averages composed principally of high grade issues have recovered more than 65 per cent of their declines during the 1930-1932 period, and averages having a larger representation of lower grade issues have recovered over 50 per cent of the ground lost in the 1930-1932 slump. Recently the higher grade issues have continued to increase in price or to hold steady, while the second grade issues have declined slightly from their July highs.

Foreign dollar bonds showed a small net decline during August. United States Government bonds, in keep-

ing with other high grade bonds, advanced slightly for the month. Liberty Loan issues rose about  $\frac{1}{8}$  of a point and long term Treasury bonds about  $\frac{3}{8}$  of a point on the average, with the new  $3\frac{1}{4}$  per cent Treasury bonds floated August 15 going to a premium of over 1 point.

### New Financing

Public offerings of new securities during July totaled \$169,000,000, of which \$124,000,000 represented new capital issues and \$45,000,000 refunding issues. Domestic corporate financing accounted for \$53,000,000 of the new capital issues, a Federal Intermediate Credit Bank issue for \$35,000,000, State and municipal offerings for \$28,000,000, and a foreign issue for \$7,000,000. While new capital issues during June and July were somewhat larger than in immediately preceding months, the total for the first seven months of this year at \$403,000,000 was less than one-tenth of the average of \$4,328,000,000 of new capital flotations during the first seven months of the years 1926-1928. Furthermore, the larger part of this year's total represented State and municipal financing, so that it appears that the flow of new capital to industrial enterprises during this period was at a very low level.

Between July 7 and August 29, registration statements of security issues filed with the Federal Trade Commission under the Securities Act of 1933 totaled approximately \$183,000,000. This aggregate amount represented to a considerable extent proposed issues by investment companies, including investment trusts, concerns selling corporate trust shares, mortgage companies, and small loan companies. While the registrations also included a number of issues of mining, brewery, and miscellaneous industrial concerns, there were no issues of important size to indicate an acceleration of the raising of new capital funds in the securities markets for the use of industry. According to preliminary data, new security issues actually announced by public advertisements during August totaled less than \$50,000,000, composed entirely of State and municipal financing.

### UNITED STATES TREASURY FINANCING

On August 15, the Treasury sold a total of \$1,189,000,000 of new securities, partly to replace a maturity of \$469,000,000 of certificates of indebtedness. The recent financing was composed of \$835,000,000 of  $3\frac{1}{4}$  per cent Treasury bonds due in 1941, and \$354,000,000 of  $1\frac{5}{8}$  per cent Treasury notes due in August 1935. Under the terms of the Treasury offering, cash subscriptions to the bonds and notes for amounts up to and including \$10,000 were allotted in full, and subscriptions for which payment was tendered in certificates of indebtedness maturing August 15 were given preferred allotment. Also subscriptions to the bond issue for which payment was tendered in certificates of indebtedness maturing September 15 were allotted in full. In accordance with the exchange provisions a total of \$238,000,000 of the August 15 certificates of indebtedness were exchanged for the new bond and note issues, leaving \$231,000,000 to be redeemed for cash, and \$231,000,000 of certificates of indebtedness due September 15 were exchanged for the new bond issue, reducing the maturity to be met on September 15 to only \$220,000,000. Both

issues were heavily oversubscribed and immediately sold up to substantial premiums.

In addition to the securities floated on August 15, five Treasury bill issues, totaling \$371,000,000, were put out to replace corresponding maturities. Rates on this type of financing ranged downward from 0.35 per cent on the August 2 issue to 0.14 per cent on the August 30 issue.

### Foreign Exchange

Following a rather consistent advance in the second half of July during which time the discount on the dollar was reduced from 31.3 per cent to 25.8 per cent, the dollar fluctuated within a range of 25 to 27 per cent discount from the French franc through August 22. In the next three days the discount widened suddenly to 31.1 per cent, and although the dollar again strengthened somewhat thereafter, by August 31 it had recovered only partly to a discount of 29.8 per cent.

In the first three weeks of the month all of the major foreign currencies moved in rather close concordance, advancing or declining together against the dollar. In the latter part of the month, however, the pound sterling showed weakness in terms of the gold currencies, and in London the price of sterling declined to between 81 and 82 francs, as compared with a price range of about  $85\frac{1}{2}$  to 88 francs which had prevailed earlier this year.

Closing Cable Rates at New York

Exchange on	Par of Exchange	Aug. 31, 1932	July 31, 1933	Aug. 31, 1933
Belgium.....	\$ .1390	\$ .1387	\$ .1885	\$ .1990
Denmark.....	.2680	.1780	.2010	.2025
England.....	4.8666	3.4700	4.4800	4.5275
France.....	.0392	.03920	.05280	.05578
Germany.....	.2382	.2379	.3222	.3395
Holland.....	.4020	.4023	.5440	.5730
Italy.....	.0526	.0513	.0709	.0748
Norway.....	.2680	.1740	.2252	.2275
Spain.....	.1930	.0804	.1128	.1190
Sweden.....	.2680	.1783	.2315	.2335
Switzerland.....	.1930	.1938	.2610	.2748
Canada.....	1.0000	.8963	.9300	.9500
Argentina.....	.9648	.5865	.7756	.8193
Brazil.....	.1196	.0763	.0829	.0839
Uruguay.....	1.0342	.4750	.6000	.6600
Japan.....	.4985	.2288	.2770	.2681
India.....	.3650	.2628	.3380	.3410
Shanghai.....	.....	.3156	.2850	.2875

### Gold Movement

During the month of August there was an increase of about \$8,000,000 in the monetary gold stock of the United States, due principally to the release of \$6,249,000 of gold held by a New York bank for foreign account.

Exports of \$73,200,000 to France, \$6,500,000 to Czechoslovakia, and \$200,000 to Germany, represented the release and shipment of gold previously held under earmark, which had no effect on the gold stock of this country; in addition, approximately \$425,000 of gold was exported to France under license of the Secretary of the Treasury. Imports were negligible.

### Central Bank Rate Changes

Following two reductions of one-half per cent each in July, the Netherlands Bank reduced its discount rate on August 15 from  $3\frac{1}{2}$  to 3 per cent. On August 16 the Bank of Java rate was lowered from 5 to  $4\frac{1}{2}$  per cent.

## Corporate Earnings in First Half of 1933

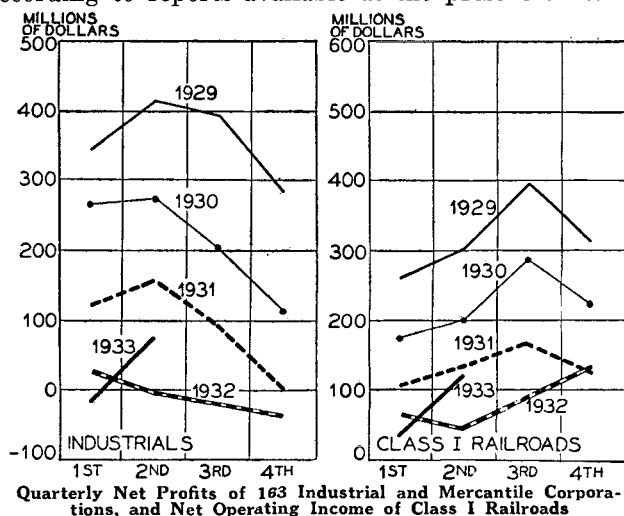
Reflecting the recovery which occurred in business volume and prices during the second quarter of 1933, the earnings reports of industrial and mercantile concerns for the April to June quarter made the most favorable aggregate showing since the third quarter of 1931. This is indicated in the accompanying diagram which compares quarterly net profits of a list of 163 representative corporations over the past 4½ years.

All reports available at this time for the second quarter of the last three years are summarized in the following table. As this shows, the greatest percentage improvement in profits between the second quarter of 1932 and the corresponding period of 1933 was in the automobile, automobile accessory, household equipment, office equipment, and aviation companies. More than two-thirds of the groups of companies improved their earnings position over last year, either increasing their net profits, or converting deficits into profits, or reducing losses, and aggregate net profits for all groups were nearly five times as large as in the second quarter of 1932, although they remained considerably below 1931.

For the first half of 1933, reports of 435 companies are available, a larger number than for the second quarter, since many concerns publish half-yearly but not quarterly reports. These reports indicate total net profits more than twice as large as a year ago, although still far below the total for the first half of 1931. Twelve of the 27 groups shown in the table did not improve their half-yearly net profits over those reported last year, owing in part at least to the very poor showing during the first quarter.

The improvement in the earning power of the railroads paralleled that of the industrial concerns, as is indicated by the second part of the diagram. Net operating income of the Class I railroads in the second quarter was between two and three times as large as in 1932, with the result that the total for the first half year was about 40 per cent ahead of last year, although in the first quarter net operating income was only half as large as in 1932.

The telephone and other public utility companies, however, reported a smaller return this year than last, both in the second quarter and in the first six months, according to reports available at the present time.



(Net profits in millions of dollars)

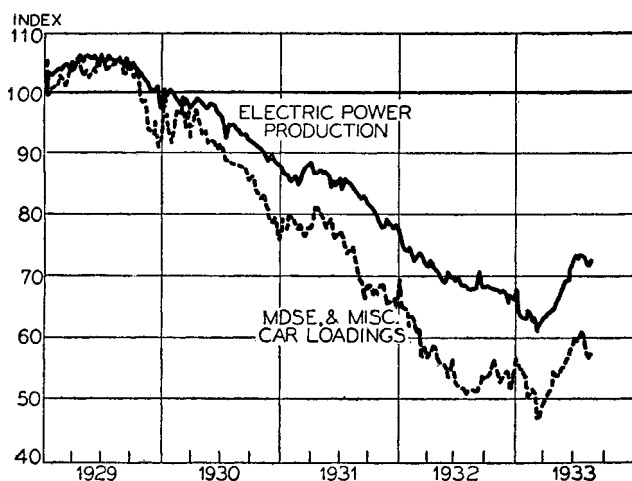
Corporation groups	Number of companies	Second quarter			Number of companies	First six months		
		1931	1932	1933		1931	1932	1933
Automobile.....	13	61.5	1.4	47.9	15	89.5	2.4	43.8
Paper.....	6	1.1	0.2	0.3	9	2.9	0	0.5
Aviation.....	6	1.0	1.5	2.9	9	1.2	1.8	2.7
Stores.....	..	...	...	...	9	13.0	2.1	7.5
Mining and smelting (excl. copper, coal and coke).....	12	5.0	1.8	6.6	17	11.3	3.7	10.1
Household equipment.....	6	1.4	0.3	1.3	8	1.4	1.6	0.2
Clothing and textiles.....	5	0.2	0.8	0.4	22	0.9	15.3	1.4
Automobile parts and access. (excl. tires).....	31	7.9	1.0	5.5	39	13.3	7.2	0.4
Office equipment.....	7	2.6	0.2	1.4	8	5.6	1.4	2.5
Leather and shoes.....	..	...	...	...	6	5.6	2.9	4.6
Shipping.....	6	1.1	0.5	0.4	8	0.8	0.2	0
Chemicals and drugs.....	18	12.0	7.2	8.4	22	28.7	18.3	16.9
Food and food prod.....	37	41.9	31.0	31.8	45	100.3	74.5	65.9
Printing and pub.....	4	3.7	2.1	0.3	8	10.7	5.8	2.3
Motion picture and amusement.....	2	3.2	2.3	0.6	2	8.0	6.0	2.2
Tobacco.....	6	1.4	0.7	0.6	7	2.7	1.2	0.4
Building supplies.....	11	1.5	1.8	0.2	17	5.2	5.1	2.0
Steel.....	19	8.2	36.3	14.2	22	14.7	67.7	50.3
Realty.....	4	0.5	0.8	0.5	4	1.3	1.0	0.9
Coal and coke.....	7	0	1.5	1.4	9	1.0	3.1	3.2
Machinery.....	12	1.8	2.4	2.3	21	5.1	6.5	7.4
Railroad equipment.....	9	2.7	1.5	1.6	12	6.3	3.8	5.1
Copper.....	5	0.7	1.3	1.2	6	0.9	2.3	3.3
Rubber and tires.....	..	...	...	...	6	1.7	4.2	6.1
Electrical equipment.....	8	11.8	0.5	0.3	12	20.2	2.8	1.9
Oil.....	24	27.9	13.6	6.5	30	39.7	12.6	33.8
Miscellaneous.....	36	23.3	7.8	15.6	62	67.5	21.1	31.1
Total {24 — for 2nd quar. } {27 — for 1st half } ..	294	165.2	19.7	96.8	435	376.5	35.0	78.5
Telephone (net operating income).....	103	72.3	51.2	47.1	103	141.8	102.0	88.5
Other public utilities (net earnings).....	50	79.5	68.9	60.7	50	168.3	148.5	125.4
Total public utilities	153	151.8	120.1	107.8	153	310.1	250.5	213.9
Class I railroads (net operating income).....	150	129.2	44.2	119.2	150	235.4	109.6	152.9

— Deficit

## Indexes of Business Activity

A moderate recession appears to have occurred in primary distribution of goods since the middle of July, but the distribution of goods to consumers, which had tended to lag, appears to have improved moderately. Two of the best measures of general business activity—the railroad movement of less than carload and miscellaneous freight, and electric power production—are shown in the accompanying diagram. From March to July the index of freight traffic rose 30 per cent, while that of electric power output advanced 21 per cent, and in both cases the July levels were the highest since early in 1932. These gains were of longer duration and larger magnitude than any previous advance during the last four and a half years, as the diagram shows, and the recession which has occurred since the middle of July has offset a relatively small portion of the rise. In contrast to these declines, the dollar value of department store sales in the New York Metropolitan area during the first half of August was 3 per cent larger than in the corresponding period a year ago, which represents the first year to year increase in the daily average rate of sales since the middle of 1930.

For the month of July as a whole, increases over June were shown by a large majority of this bank's seasonally adjusted indexes of trade and business activity. Among the principal series, increases occurred in freight



Weekly Indexes of Electric Power Production and Loadings of Miscellaneous and Less than Car Load Freight (Federal Reserve Bank of New York indexes adjusted for usual seasonal movement and long time growth)

traffic, foreign trade, department store and wholesale trade, chain store trade other than grocery sales, passenger automobile registrations, volume of check transactions, and electric power production. In addition, business failures declined more than is usual in July. There were only minor decreases in a few lines. Most of the indexes in July were at a considerably higher level than in July 1932.

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

	1932	1933		
	July	May	June	July
<b>Primary Distribution</b>				
Car loadings, merchandise and misc. r...	51r	54r	58r	60r
Car loadings, other	41	48	55	63
Exports	43	43r	47	57p
Imports	53	53	64	77p
Waterways traffic	31	46	55	
Wholesale trade	77	99	100r	112
<b>Distribution to Consumer</b>				
Department store sales, 2nd dist.	73	72	71	73p
Chain grocery sales	72	60	60	58
Other chain store sales	76	71	75	79p
Mail order house sales	69	66	65	66
Advertising	55	51	54	53
Gasoline consumption r	68r	72r	81r	
Passenger automobile registrations	29	36	47p	50p
<b>General Business Activity</b>				
Bank debits, outside of New York City	65	57	62	67
Bank debits, New York City	61	53	58	67p
Velocity of bank deposits, outside of New York City	81	73	78	90
Velocity of bank deposits, New York City	61	52	62	75
Shares sold on N. Y. Stock Exchange	75	231	310	375
Life insurance paid for	74	64	67	71p
Electric power	68	66	69p	71p
Employment in the United States	60	62	66	72
Business failures	133	84	76	70
Building contracts	27	15	19	17
New corporations formed in N. Y. State	91	85	85	83
Real estate transfers r	51r	45r	47r	
General price level*	129	127	128	132
Composite index of wages*	179	172	173p	175p
Cost of living*	139	127r	128r	

p Preliminary r Revised \* 1913 average=100

## Production

During August a moderate recession from the comparatively high levels reached in July occurred in the output of a few of the leading industries. Activity in the cotton textile industry was reported to have declined somewhat, following the extraordinary expansion from

March to July, and in the steel industry operations during the second half of the month declined 10 points to 47 per cent of capacity, after having been maintained during the first half of August at about the same level as in the latter part of July. The production of automobiles, however, appears to have been well maintained.

In July, productive activity rose sharply for the fourth consecutive month, with the result that the Federal Reserve Board's seasonally adjusted index increased 8 per cent to 98 per cent of the 1923-25 average. At this figure the index was 38 points, or 63 per cent, above the March level and was at about the average level of 1930. Large increases from June to July, both before and after seasonal adjustment, occurred in the production of pig iron, steel, zinc, bituminous coal, and building materials, and in the activity of wool mills, and the output of automobiles was reduced considerably less than usually. Consumption of cotton and production of shoes showed little change other than seasonal, but consumption of silk and the output of lead and tobacco were substantially reduced.

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

	1932	1933		
	July	May	June	July
<b>Metals</b>				
Pig iron	19	25	39	59
Steel ingots	21	41	64	85
Lead	28	32	38	32
Zinc	29	40	46	61
Tin deliveries	41	71	85	
<b>Automobiles</b>				
Passenger cars	25	33	45	50p
Motor trucks	28	48	66	70p
<b>Fuels</b>				
Bituminous coal r	50r	60r	69r	82r
Anthracite coal r	55r	47r	71r	68r
Coke r	36r	42r	52r	65r
Petroleum, crude	68	82	81	79p
Petroleum products	70	68	71	
<b>Textiles and Leather Products</b>				
Cotton consumption	56	104	120	119
Wool mill activity	64	104	133	151
Silk consumption	82	82	88	79
Shoes	77	114	122p	124p
<b>Food and Tobacco Products</b>				
Livestock slaughtered	87	105	110	113
Wheat flour	85	101	98r	94
Sugar deliveries r	94r	93r	77r	75r
Tobacco products r	80r	94r	88r	79r
<b>Miscellaneous</b>				
Cement	45	37	43	48
Tires	55	62	77	
Lumber	30	33	42	51
Printing activity r	64r	57r	59r	
Newsprint paper	72	71	77	79

p Preliminary r Revised

## Commodity Prices

Following an abrupt decline during the latter part of July, the prices of actively traded farm products fluctuated irregularly during August, but on the whole showed a moderate net decrease for the month. The cash price of Number 1 Northern wheat at Minneapolis dropped 7 $\frac{3}{8}$  cents to 86 $\frac{1}{4}$  cents a bushel, as compared with a July high of \$1.22 $\frac{1}{8}$ , and spot cotton receded 55 points to 9.45 cents a pound, reaching a level 2.30 cents below its high of July 18. Moderate decreases occurred also in the prices of livestock and hides. While the quotations for those farm products which have been especially sensitive to speculative influences were substantially below the levels prevailing at the middle of July, prices

of agricultural products as a whole showed only a moderate decline from July 15 to August 15. Farm prices at the farm, as measured by the index of the Department of Agriculture, receded 5 per cent during this period, following an advance of 55 per cent in the previous five months. Among the various component groups of the index, pronounced declines occurred only in the grain and cotton classifications, while fruits and vegetables showed a large advance, and miscellaneous farm products rose moderately.

Basic commodities other than domestic agricultural products showed little or no net change during August. Commodities for which the changes in quotations were small included the nonferrous metals, steel scrap, rubber, silk, and sugar.

In general, the prices of manufactured goods were stable or showed a continued upward tendency in August. The prices of textile products advanced considerably further accompanying increased manufacturing costs, and building material prices also showed a moderate advance.

### Foreign Trade

The value of this country's foreign merchandise trade in July showed a substantial increase over the previous month, contrary to the usual movement during the summer. After allowance for the usual seasonal variations, both exports and imports were about 25 per cent above June in value, due to increases both in commodity prices and in the volume of shipments. Compared with a year ago, exports which amounted to \$145,000,000 were 36 per cent larger, and imports which totaled \$143,000,000 were 80 per cent larger.

The quantities of several of the leading export and import commodities in the foreign trade of the United States which were shipped or received during the first seven months of this year are shown in the accompanying diagram in comparison with the movements of these commodities during 1932 and 1931. All four of the import commodities shown in the diagram were received in larger volume in July than a year ago, the increases

ranging from 29 per cent in the case of coffee to 65 per cent in the case of sugar. Receipts of crude rubber and raw silk also were above those for two years ago as well, imports of rubber showing a sudden expansion from June to July, while silk imports have increased continuously and substantially since February.

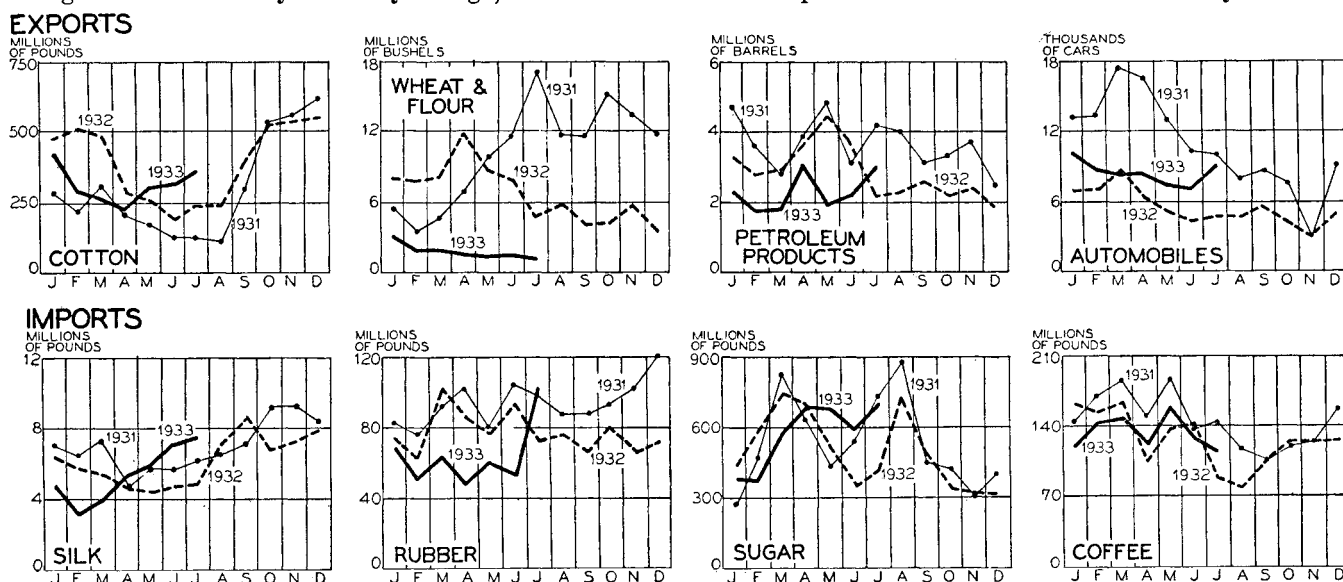
In the case of the important export commodities shown in the diagram July shipments of three of the four commodities or groups were considerably larger than a year ago. An exception was the export of wheat and wheat flour, which has declined and has been reduced in importance from 7.5 per cent of the value of all exports in 1921-1925 to about 1 per cent currently. Automobile exports were nearly double the small number of a year ago, while shipments abroad of raw cotton, which have been expanding against the usual seasonal tendency since April, showed an increase over last year of more than 50 per cent, and shipments of refined petroleum products showed a rise of almost 40 per cent.

### Employment and Payrolls

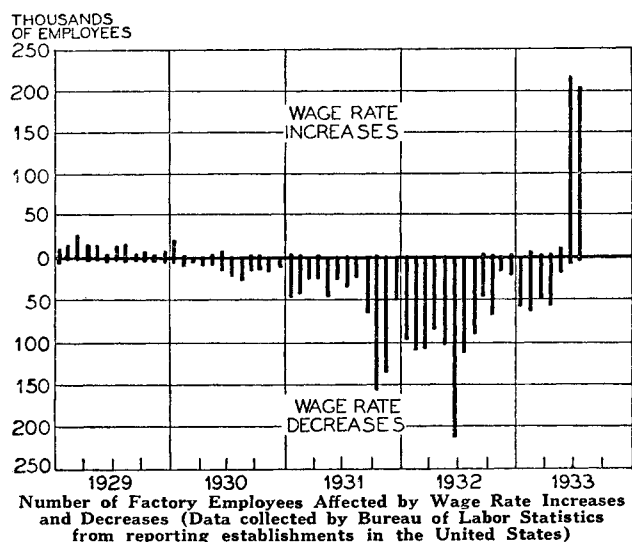
A large increase in employment and payrolls in the United States was reported for the period from the middle of June to the middle of July. According to the seasonally adjusted index of the Federal Reserve Board, working forces at factories showed a rise of 8 per cent, and payrolls advanced 12 per cent after seasonal allowance. Considerable increases occurred in nearly all of the principal manufacturing lines. Working forces and wage payments were larger also in railroad transportation, mining, and wholesale trade, but the number of workers engaged in building construction showed little change, and employment in retail establishments receded seasonally.

The number of workers returned to employment from March to July is estimated at about 2,000,000. About half of this increase represented a rise in factory working forces, and the balance occurred in other activities, including agriculture, trade, railroad transportation, and construction.

A sharp reversal of the downward tendency of factory



Quantities of Important Commodities in Export and Import Trade of the United States, 1933 Compared with Previous Two Years



wage rates during June and July is indicated by data collected from reporting establishments by the Bureau of Labor Statistics, which are shown in the accompanying diagram. In the month ended June 15 wage rate increases were granted to 213,000 workers, or 7.6 per cent of the employees covered by reports to the Bureau of Labor Statistics, and 202,000 workers received increases in the following month. Wage rate increases had been negligible since early in 1930, and reductions had been especially numerous since the last quarter of 1931. The recent increases have affected about the same number of employees as did wage cuts in the month of most widespread reduction in 1932.

In New York State, factory employment increased 5 per cent from June to July, although the usual seasonal movement is downward. After allowance for seasonal changes, employment rose 20 per cent from March to July, reaching a level 19 per cent above that of July 1932. Payrolls showed an unseasonal increase of 6 per cent in July, and after seasonal adjustment were 32 per cent higher than in March, and 22 per cent above the corresponding period a year ago.

## Building

Following increases in the two previous months, this bank's index of building contracts which is adjusted for seasonal variations and long term growth, receded somewhat during July. Contracts for public works and utilities and other non-residential building showed more than seasonal declines, and total contracts for July were 19 per cent below the June total according to the F. W. Dodge Corporation report. Residential contracts, however, showed little change after seasonal adjustment, and continued above the level of a year ago for the third consecutive month. The increase over a year ago of 20 per cent in residential building in July compares with a decline of 67 per cent in public works and utility contracts. There was also a decline of 18 per cent in other non-residential construction, which was due entirely to a shrinkage in contracts for buildings of a public or semi-public character. Contracts for factory construction and some types of commercial buildings,

such as warehouses, showed a considerable increase over last year.

During the first three weeks of August, the average daily amount of building and engineering contracts awarded showed a sizable increase over the July level, in contrast to a usual seasonal decline. The increase was entirely in public works and utility projects, which for this period considerably exceeded those for the whole month of July. Total contracts as a consequence were only 21 per cent below a year ago, a much more favorable comparison than in preceding months. Residential building continued to be the only class to show an increase over last year, but the decline in public works and utilities was reduced to about 20 per cent.

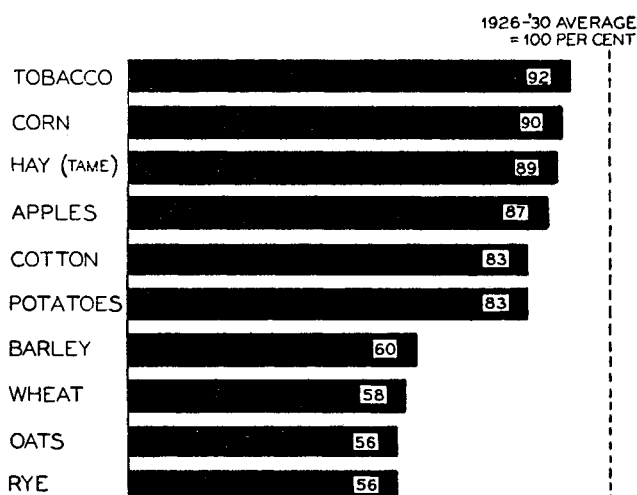
For the first seven months of 1933, the total value of building and engineering contracts was 35 per cent below a year ago. Residential building was 25 per cent smaller, public works and utility contracts nearly 50 per cent smaller, and other non-residential building 28 per cent less than in the corresponding months of 1932. A few types of industrial construction, including chemical, food and beverage, and petroleum plants, showed substantial increases over last year, but there were large declines in contracts for schools, churches, hospitals and other institutions, public buildings, and highways—all of which are dependent largely for their financing upon governmental organizations or upon public contributions. Private construction also has undoubtedly been retarded by financing difficulties due to the unavailability of mortgage money and the virtual cessation of new security flotations.

## Crops

According to the August 1 report of the Department of Agriculture, weather conditions during the current season were more adverse to the production of crops than in any corresponding period of the past fifty years. For several crops the estimated condition on August 1 was the lowest on record, and in the case of a number of others the condition was unusually poor. In addition, acreage under cultivation was somewhat smaller than the acreage harvested last year; this reduction also was principally the result of unfavorable weather conditions.

The following diagram shows the estimated production of ten leading crops as percentages of the average harvests for the period 1926-1930. As this indicates, the largest decline has occurred in grains other than corn. The estimated 1933 harvest of all types of wheat, at 500,000,000 bushels, is 42 per cent below the average harvest of 1926-1930, and is the smallest since 1893. The prospects for oats, rye, and barley are no more favorable than those for wheat. On the other hand, the indicated corn output, at 2,300,000,000 bushels, is only 10 per cent below the five year average harvest, although it is 600,000,000 bushels or 21 per cent less than last year's unusually large crop. The indicated yield of potatoes is 17 per cent smaller than last year's harvest, which was about equal to the average crop of 1926-1930. The estimated production of tobacco, although somewhat below the five year average, is considerably larger than last year's output, reflecting an increase of 22 per cent in acreage planted to tobacco. The estimated production of





August 1933 Production Estimates of Department of Agriculture  
for Ten Principal Crops Compared with Average  
Harvests of 1926 to 1930

apples is also somewhat less than the five year average, but is larger than last year's harvest.

As a result of the expected removal of 10,300,000 acres from cultivation through the acreage reduction program of the Agricultural Adjustment Administration, this year's indicated cotton crop has been reduced to 12,300,000 bales, which is 700,000 bales below last year's rather small crop and the smallest production since 1923. The acreage reduction amounts to about one-fourth of the area in cultivation on July 1, and leaves an indicated area for harvest of 29,700,000 acres. This figure is two-thirds of the average acreage harvested in 1926-1930, and is the smallest since 1907. In contrast to almost all of the other principal crops, the condition of this year's cotton crop is exceptionally high, and it is estimated that the harvest, had there been no reduction program, would have been the third largest on record.

### Department Store Trade

Total July sales of the reporting department stores in this district were 2 per cent below a year ago, the smallest decline in average daily sales since March 1931. The daily rate of sales of department stores in Buffalo, Southern New York State, and the Capital district, showed the largest increases over the previous year in about 3 years, and sales of New York City stores were reduced by the smallest percentage since March 1931. Sales of the Bridgeport department stores were about the same this year as last year, following a moderate decline in June, and the Newark, Rochester, and Syracuse stores reported approximately the same percentage changes in July as in June. Sales of the leading apparel stores in this district, moreover, were ahead of a year ago by about the same amount as in June when the first appreciable increase in more than three years occurred.

In the first half of August, department store sales in the Metropolitan area of New York were 3 per cent larger than the corresponding period a year ago, and average daily sales showed the first increase since May 1930.

Department store stocks of merchandise on hand, at retail valuation, were only 4 per cent below last year, the smallest decline in 3 years, and apparel store stocks showed a somewhat smaller decline than in recent months. Department stores in practically all localities and also apparel stores reported better collections on charge accounts than a year ago for the third consecutive month.

Locality	Percentage change from a year ago		Per cent of accounts outstanding June 30 collected in July	
	Net sales	Stock on hand end of month	1932	1933
New York.....	- 1.7	- 0.4	40.8	45.4
Buffalo.....	+ 6.3	-20.5	37.8	40.7
Rochester.....	-10.2	-10.8	39.5	39.2
Syracuse.....	+ 3.1	-21.7	22.0	24.7
Newark.....	- 6.9	- 3.7	35.8	38.4
Bridgeport.....	+ 0.3	- 3.3	35.4	39.0
Elsewhere.....	+ 1.3	-11.3	31.8	29.6
Northern New York State.....	- 5.5	.....	.....	.....
Southern New York State.....	+ 4.7	.....	.....	.....
Hudson River Valley District.....	- 0.6	.....	.....	.....
Capital district.....	+ 4.7	.....	.....	.....
All department stores.....	- 2.0	- 3.9	37.8	41.3
Apparel stores.....	+ 2.2	-17.5	38.1	42.3

### Wholesale Trade

July sales of the reporting wholesale firms in this district averaged 81 per cent higher than a year ago, by far the largest increase ever recorded in reports to this bank. All lines of wholesale trade showed increases over last year, and in the hardware, grocery, shoe, cotton goods, silk, men's clothing, jewelry, and diamond trades the increases were of record proportions. Sales of the paper concerns and orders for machine tools were above those of a year previous by the largest percentages since the fall of 1928, and sales of the stationery firms showed the largest advance since December 1929.

The reporting grocery and hardware firms had larger stocks on hand at the end of July than a year ago, but other lines continued to report smaller inventories than last year. July collections of accounts outstanding again averaged higher than last year.

Commodity	Percentage change July 1933 compared with June 1933		Percentage change July 1933 compared with July 1932		Per cent of accounts outstanding June 30 collected in July	
	Net sales	Stock end of month	Net sales	Stock end of month	1932	1933
Groceries.....	- 1.5	+10.8	+31.0	+39.4	73.8	84.4
Men's clothing.....	-26.2	.....	+156.4	.....	27.2	30.2
Cotton goods.....	+22.4	+22.3	+128.0	- 8.3	29.7	30.1
Silk goods.....	- 2.4*	- 8.1*	+90.0*	-34.0*	61.3	64.8
Shoes.....	+ 7.2	.....	+90.4	.....	.....	.....
Drugs.....	+ 5.9	+ 0.6	+ 5.1	-19.7	21.4	20.3
Hardware.....	-18.5	+18.7	+23.6	+ 9.2	44.0	40.7
Machine tools**.....	+35.4	.....	+113.0	.....	51.9	48.1
Stationery.....	+ 2.3	.....	+ 9.0	.....	39.9	39.4
Paper.....	- 7.4	.....	+17.9	.....	.....	.....
Diamonds.....	- 3.9	-18.6	+235.2	-38.6	16.4	21.0
Jewelry.....	-24.7	- 7.7	+132.9	-44.4	.....	.....
Weighted average....	- 4.0	.....	+80.9	.....	47.0	51.1

\* 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, SEPTEMBER 1, 1933

## Business Conditions in the United States

(Summarized by the Federal Reserve Board)

**I**NDUSTRIAL production increased further from June to July, contrary to seasonal tendency, and in recent weeks has continued at a relatively high level. Since the middle of July there have been reductions in wholesale prices of leading raw materials while prices of many other products have advanced.

### PRODUCTION AND EMPLOYMENT

Volume of industrial output, as measured by the Board's seasonally adjusted index, advanced from 91 per cent of the 1923-1925 average in June to 98 per cent in July, which compares with 60 per cent in March. The principal increase in July was at steel plants where activity advanced from 46 per cent of capacity to 59 per cent. Production in the lumber and coal industries was also in larger volume and daily average output of automobiles showed none of the usual seasonal decline. Output at shoe factories and woolen mills continued at an unusually high rate while consumption of cotton by domestic mills decreased somewhat. Cigarette production declined sharply from the high level of May and June. Since the middle of July a decrease has been reported in the output of steel.

Working forces and payrolls at factories increased considerably between the middle of June and the middle of July. As in other recent months the largest increases were generally at establishments fabricating raw materials into semi-finished products.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a decline in July followed by an increase in the first half of August. Total awards during the six weeks were in about the same volume as in the preceding six weeks and in larger volume than in earlier periods this year.

Department of Agriculture estimates as of August 1 indicate harvests generally smaller than a year ago. The cotton crop is forecast at 12,314,000 bales, a reduction of 700,000 bales from last season, reflecting curtailment in acreage as a part of the program of the Agricultural Adjustment Administration, offset in large part by an unusually high yield per acre. The wheat crop is estimated at 500,000,000 bushels, a reduction of 225,000,000 bushels from last year's small harvest, and feed crops are expected to be unusually small.

### DISTRIBUTION

Freight traffic increased further from June to July by a substantial amount, but in recent weeks shipments, particularly of miscellaneous freight and grains, have been somewhat smaller. Department store sales declined in July by about the usual seasonal amount; they were larger than a year ago, however, and trade reports for the first half of August indicate an increase in sales.

### WHOLESALE PRICES

Wholesale prices of commodities increased further during the first three weeks of July and, according to the index of the Bureau of Labor Statistics, there has been little change in their general level since that time. Prices of grains, cotton, and many imported raw materials, however, were considerably lower in the third week of August than in the middle of July while prices of textiles were higher, reflecting in part the application of the processing tax on cotton. Prices of leather and coal also advanced during this period.

### FOREIGN EXCHANGE

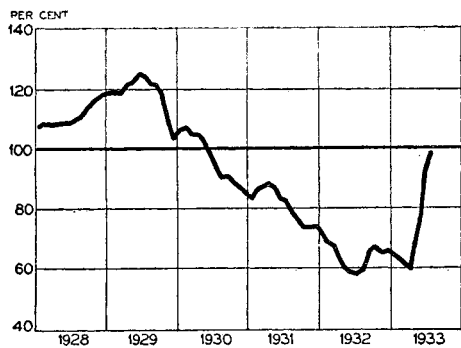
In the exchange market the value of the dollar in terms of the French franc advanced from a low of 69 per cent of its gold parity on July 18 to 75 per cent at the beginning of August and since that time has fluctuated between 73 and 75 per cent.

### BANK CREDIT

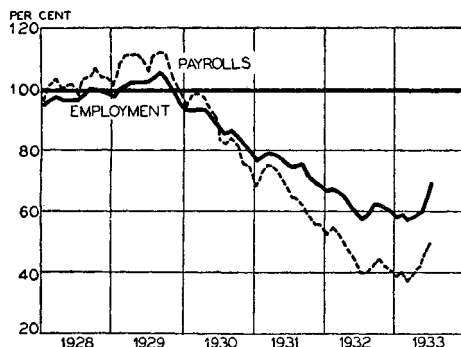
Net demand deposits of weekly reporting member banks in 90 cities declined between the middle of July and the middle of August, owing in large part to further withdrawals of bankers' balances from banks in New York City and elsewhere. The banks' loans decreased by \$71,000,000 during the period, reflecting chiefly a reduction in loans to brokers and dealers in securities. Their holdings of United States Government securities, after declining between July 19 and August 9, increased during the week ended August 16 in connection with Treasury financing at that time.

Total reserves of all member banks increased by \$81,000,000 during the four week period ended August 16, reflecting chiefly the purchase of \$42,000,000 of United States Government securities by the Reserve Banks and a return of \$23,000,000 of currency from circulation. The growth in member bank reserves, occurring at a time when reserve requirements were being reduced in consequence of a decline in their deposits, brought their excess reserves to a level above \$550,000,000.

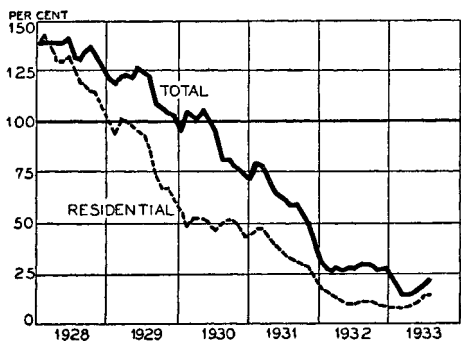
Money rates in the open market generally continued at low levels.



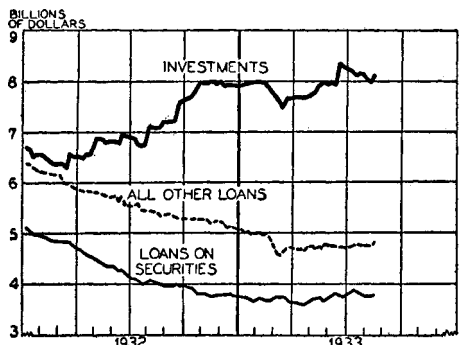
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



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)



Wednesday Figures for Reporting Member Banks in 90 Cities (Latest figures are for August 16)