

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

October 1, 1933

Money Market in September

Notwithstanding the first substantial demand for funds of the autumn season and a sizable movement of funds from New York to other districts through Treasury and commercial transactions, conditions in the New York money market remained very easy during September. In fact, the supply of funds seeking employment in open market loans and high grade investments of short maturity was so large that money rates declined slightly further to the lowest levels on record.

Over the Labor Day week-end approximately \$75,000,000 of currency was withdrawn from the twelve Reserve Banks. This seasonal currency demand and other month-end transactions caused withdrawals of funds from the New York City banks, and although Reserve Bank purchases of Government securities, largely in the New York market, were continued at the rate of at least \$35,000,000 a week, excess reserves of member banks in New York declined from around \$150,000,000 in the latter part of August to slightly below \$100,000,000 early in September. Subsequently, however, with a return flow of currency from circulation the amount of excess reserves in New York increased to at least as large a volume as was reached near the end of August.

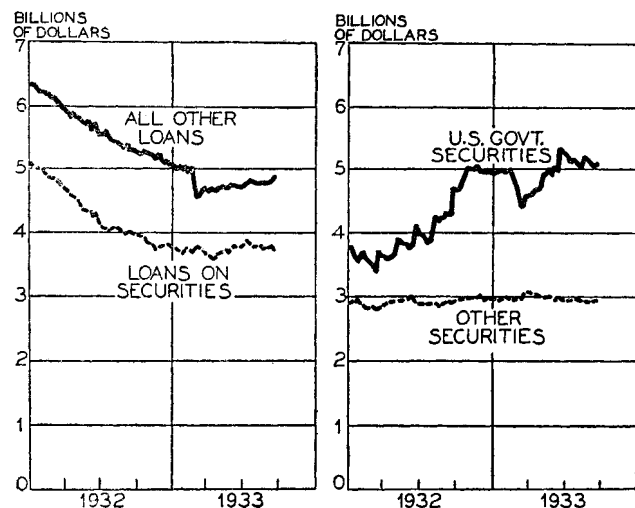
By the last week of September the return flow of currency had canceled practically all of the Labor Day increase in circulation, contrary to the usual seasonal movement which ordinarily leaves about \$35,000,000 more currency outstanding in the last week of September than a month earlier. It therefore seems reasonable to believe that hoarded currency has continued to return gradually to the banks. Further evidence concerning the character of the unseasonal reduction in currency outstanding since March is presented in a chart in the September 1933 Federal Reserve Bulletin issued by the Federal Reserve Board, indicating that the greater part of the return flow of currency in recent months, as well as the preceding outflow, was in large denomination bills, especially those of \$50 and more. Such denominations are not largely used for ordinary purposes but were paid out in large volume to hoarders.

Chiefly as the result of the outflow of funds from New York through various channels, which accompanied Reserve Bank purchases of Government securities in New York, excess reserves of member banks in other localities increased further during the past month, and the total outside New York City rose to around \$600,000,000, a substantially larger amount than has ever

previously been recorded. Near the end of September the New York banks held only a little over one-fifth of the total volume of member bank excess reserves, whereas, during the growth of excess reserves from April 1932 to January 1933, the New York banks held more than half of the total excess reserves for the entire country most of the time.

The further decline in open market money rates during September reflected not only the pressure for investment of excess reserves in the New York banks but also of funds of correspondent banks and other depositors which were seeking employment in the New York market. Since the elimination of interest payments on demand deposits at the middle of June, depositing institutions have been competing vigorously with the New York banks for the available open market paper of short maturity.

The demand for very liquid short term investments by depositors, together with Reserve Bank purchases of Government securities, have tended to reduce the available supply of paper in the money market and limit the amount available for purchase by member banks. The Government security holdings of reporting member banks declined \$69,000,000 during the four weeks ended September 20, but in the same period Reserve Bank holdings of Government securities increased \$144,000,000. During this time there were no further large issues of new Government securities to add to the supply in



Loans and Investments of Weekly Reporting Member Banks in 90 Leading Cities

the market. Contrary to the usual practice, the Treasury limited its offering of new securities on the September 15 tax date to a comparatively small issue, offered in exchange for securities maturing on that date.

While the Government security holdings of reporting banks have shown little net increase since the middle of June, such holdings are considerably larger than a year previous and are at least \$1,500,000,000 above the volume held in the early part of 1932, before the large open market purchases by the Reserve Banks were inaugurated. This large increase in Government security holdings of member banks, which is shown in the preceding diagram, has played an important part in financing the Government program designed to promote business recovery.

Other security holdings of member banks have shown only slight changes for a number of months, reflecting in part the virtual suspension of the flotation of new corporation bonds, and in part a disinclination to make investments other than those of short maturity.

As the upper line in the first section of the diagram indicates, the loans of reporting banks other than those collateralized by securities—including various types of agricultural and commercial loans—have been working upward gradually since the bank holiday in March. During the four weeks ended September 20 the increase amounted to about \$90,000,000. The volume of such loans was reduced rapidly from the end of 1929 to the autumn of 1932, when the decline was somewhat retarded for a time, only to be followed by a further rapid reduction in loans during the bank crisis of last winter. The increase in recent months is the first since the beginning of the depression, except for a temporary upturn in the autumn of 1930. In the depression of 1920-1922 no increase occurred in such loans for more than a year after the low point of industrial production had been reached.

Security loans of weekly reporting member banks, however, have shown an irregular decline since July, following a moderate increase from April to July. The changes in these loans have followed in a general way the course of the security markets, and the recent decline has offset in the total loan volume of the reporting banks the effect of the gradual expansion of commercial loans.

MONEY RATES

The prevailing rate on prime commercial paper declined $\frac{1}{4}$ per cent in September to $1\frac{1}{4}$ per cent, the lowest rate on record for this type of paper. The average rate charged by New York City banks on commercial loans to customers also continued to work gradually lower, and stock exchange time money quotations de-

Money Rates at New York

| | Sept. 30, 1932 | Aug. 31, 1933 | Sept. 29, 1933 |
|---|-------------------|-----------------|---------------------------------|
| Stock Exchange call loans..... | 2 | $\frac{3}{4}$ | $\frac{3}{4}$ |
| Stock Exchange 90 day loans..... | *1 | * $\frac{3}{4}$ | * $\frac{5}{8}$ - $\frac{3}{4}$ |
| Prime commercial paper..... | 2-2 $\frac{1}{4}$ | 1 $\frac{1}{4}$ | 1 $\frac{1}{4}$ |
| Bills—90 day undorsed..... | $\frac{3}{4}$ | $\frac{1}{4}$ | $\frac{1}{4}$ |
| Customers' rates on commercial loans.. | †3.98 | †3.19 | †2.92 |
| Treasury securities | | | |
| Maturing December (yield)..... | No yield | No yield | No yield |
| Maturing March (yield)..... | No yield | 0.11 | No yield |
| Federal Reserve Bank of New York rediscount rate..... | 2 $\frac{1}{2}$ | 2 $\frac{1}{2}$ | 2 $\frac{1}{2}$ |
| Federal Reserve Bank of New York buying rate for 90 day indorsed bills | 1 | 1 | 1 |

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

clined slightly further. The rates prevailing in the New York money market at the end of September are compared in the table with those of a month previous and a year ago.

BILL MARKET

During the first half of September, conditions in the bill market were much the same as in August; there continued to be an active widespread demand and a very small supply of bills which made it impossible for the dealers to fill all their orders. In the second half of the month, while no material change in conditions occurred, there was a moderate increase in offerings of bills to the discount market which resulted in some replenishment of the dealers' portfolios. Investment demand for bills also tended to diminish slightly on the approach of the month-end. No changes were announced in the dealers' daily quotations of bid and offered rates from the levels established on August 30.

On August 31 the volume of bankers bills outstanding amounted to \$694,000,000, a decline of \$44,000,000 from the end of July, during which month a rise of \$51,000,000 had been reported. The largest reduction was in domestic warehouse credits, which together with declines in foreign shipment and storage bills, export acceptances, and dollar exchange bills, considerably exceeded a continued rise in the volume of import bills outstanding. The August drop in outstandings was accompanied by a net reduction in holdings of bills by accepting institutions, while other investors increased their bill holdings somewhat further.

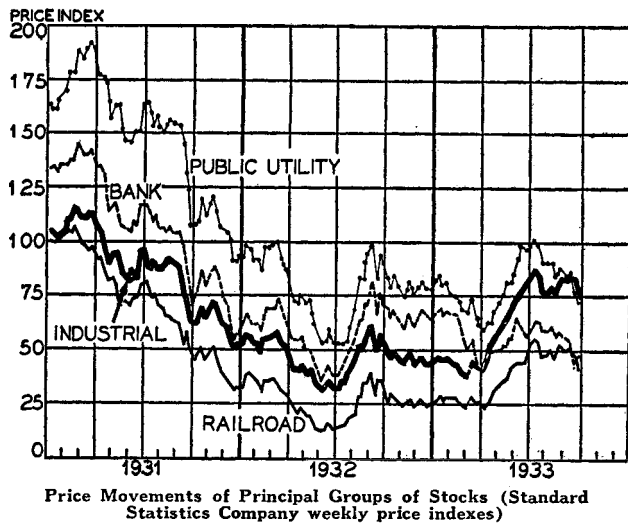
COMMERCIAL PAPER MARKET

The prevailing rate for prime commercial paper declined from $1\frac{1}{2}$ per cent to $1\frac{1}{4}$ per cent during the first half of September and remained at that level for the balance of the month. Some especially choice paper was sold at 1 per cent, while some paper continued to carry a $1\frac{1}{2}$ per cent rate. The prevailing $1\frac{1}{4}$ per cent rate for open market paper represents the lowest quotation in 60 years at least. The decline in the rate was a result of the continuing active investment demand for prime paper coming from banks in many sections of the country. Moderate amounts of new paper were reported to have come into the market during the month but the supply was altogether inadequate to meet the investment demand.

At the end of August the volume of open market commercial paper outstanding was reported to this bank by dealers as \$107,000,000. This represents a rise of 11 per cent from the July figure, the third consecutive monthly increase. The August total was 79 per cent above the low level of May and about the same as that of August 1932. The recent increase in the use of the facilities of the commercial paper market appears to have been fostered by the unusually low rates prevailing, relative to quotations in the past and also to rates on other forms of accommodation.

Security Markets

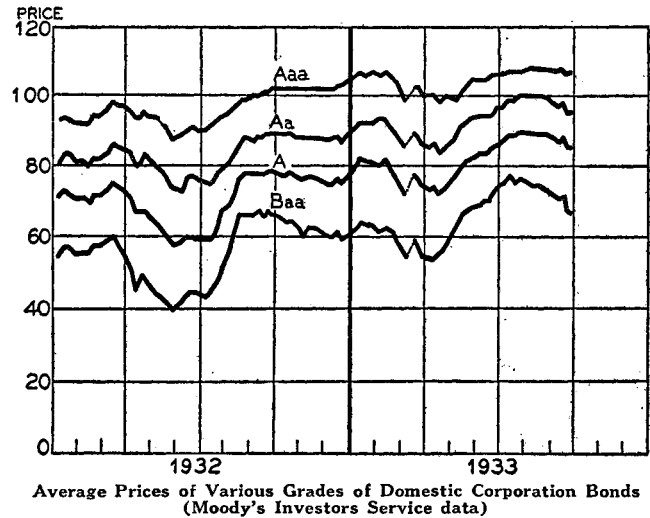
Stock price movements in September were highly irregular, accompanying varying reports on the business situation and wide fluctuations in the exchange value of the dollar. During the first trading week of the month,



the general course of prices was to somewhat lower levels. Following this, diverse movements developed in the next ten days of the month; industrial stocks recovered to above the level prevailing at the opening of the month and railroad shares advanced moderately, while public utility and bank shares added to the declines which had occurred between the latter part of July and early September. The decline in utility and bank stocks culminated in a sharp drop in the general market on September 20 and 21, which reduced average stock prices by about 9 per cent. Subsequently there was some further net decline in prices and all classes of stocks except the industrials closed the month below the levels reached on the July reaction.

As the accompanying diagram indicates, price averages of public utility and bank shares in the last week of the month were quoted at the lowest levels since April or May, with bank shares only 16 per cent above the year's low reached in April. Industrial stocks, on the other hand, held within 15 per cent of the July high point, and prices of railroad stocks were better maintained than public utility or bank stocks, although their declines since the middle of July were substantial.

Domestic corporation bond averages declined in September, continuing at an accelerated pace the recession from the peak of mid-July. A large part of the September decline occurred in the third week of the month, accompanying a rapid depreciation of the dollar in terms of gold. Although the less high grade bonds had been moving irregularly downward for some weeks, prices of high grade investment issues were little affected until the third week of September, when there was a decline of about 2 points in the highest grade issues, as the accompanying diagram shows. Lower grade bonds declined considerably more and the currently available bond price averages toward the close of September showed declines of 3 to 4 points for the month, and of 4 to 8 points from the high points of July. For the bond averages composed largely of lower grade issues these declines represented a loss of about 40 per cent of the advance from the March-April lows, while for the higher grade averages the decreases represented a loss of around 20 to 25 per cent of the previous gain.



Prices of United States Government bonds advanced further in the first part of September but subsequently declined moderately, recovering somewhat before the close of the month. Liberty Loan issues showed a net gain of about $\frac{1}{8}$ point for the month, and Treasury bonds an average recession of about $\frac{3}{8}$ of a point. Foreign dollar bonds declined further during September, and a representative list of 40 issues reached a level about 5 points below that of mid-July.

New Financing

Flotations of new securities, other than United States Government issues, announced by public offering during August amounted to only \$53,000,000, which is considerably below the totals for the previous two months, when new security issues, although still very small, appeared to be showing some slight recovery from the conditions of immediately preceding months. Issues for new capital purposes, aggregating \$46,000,000, represented largely State and municipal financing.

In September, offerings of new securities continued in very small volume, the bulk of the month's total being accounted for by an issue of \$30,000,000 of Federal Intermediate Credit Bank debentures the proceeds of which were used to meet a maturity on September 15 of about \$7,600,000 and to provide new funds. Aside from this issue there were some twenty State and municipal offerings which all together amounted to only \$25,000,000.

Treasury financing at the September quarterly tax date was comparatively small. Owing to the fact that \$231,000,000 of certificates of indebtedness maturing September 15 had been exchanged on August 15 for the Treasury bond issue put out on that date, only \$220,000,000 of certificates remained to be taken care of on September 15. To provide for this maturity, the Treasury offered an issue of $\frac{1}{4}$ per cent 9 month certificates of indebtedness for which payment could be made only with securities of the maturing issue. A total of \$175,000,000 of September 15 certificates were so exchanged, and the balance of the maturity was redeemed in cash. This operation resulted in a net reduction of about \$45,000,000 in the public debt. In addition to the cer-

tificate issue, three Treasury bill issues aggregating about \$250,000,000 were sold to replace a corresponding amount of maturing bills at average rates of 0.10 to 0.12 per cent.

Gold Movement

During the month of September there was a decrease of about \$4,000,000 in the monetary gold stock of the United States, representing chiefly the export of \$2,165,000 of gold to Holland and \$2,187,000 to Italy. These shipments consisted of United States gold coin previously held in New York City safe deposit vaults by foreign account. There were also exports of approximately \$300,000 of gold to France.

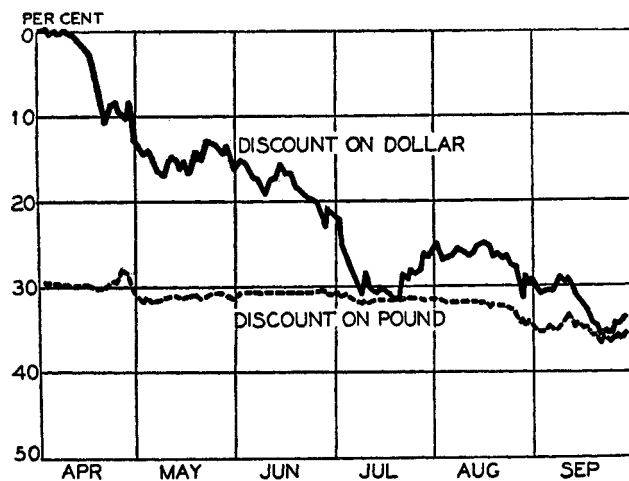
In addition, there were exports of \$48,400,000 to France and \$975,000 to England, which represented the release and shipment of gold previously held under earmark at the Federal Reserve Bank of New York for foreign account, and which therefore were without effect on the gold stock of this country.

Under an Executive Order dated August 29, a total of 89,175 fine ounces of gold recovered from natural deposits was exported during September for sale abroad.

Foreign Exchange

During the first two weeks of September the dollar remained relatively steady at about 30 per cent discount from gold parity, but around the middle of the month there was a renewed decline which carried the dollar to a new low on September 21, as the accompanying diagram indicates. On that day the closing discount against French francs was 35.64 per cent, while the discount against certain other currencies—belgas, guilders, reichsmarks, and Swiss francs—was even larger. For some time quotations for these four currencies in this market have been consistently higher relative to par than quotations on the French franc.

Sterling also moved upward against the dollar during the latter half of the month, closing at \$4.72¾ on September 28, as compared with a low of \$4.52 on the 9th. The extent of the pound's advance against the dollar was less than that of the gold currencies, however, and, as is also shown in the diagram, the gold value of sterling underwent a further decline in September along with



Discount on the Dollar and the Pound Sterling from Gold Parity (Latest quotations September 28)

the drop in the gold value of the dollar. This decline carried the sterling-franc quotation to a new low since abandonment of the gold standard.

In the closing days of September, the dollar strengthened moderately, and the closing discount on September 28 was 34.04 per cent.

Closing Cable Rates at New York

| Exchange on | Par of Exchange | Sept. 30, 1932 | Aug. 31, 1933 | Sept. 28, 1933 |
|------------------|-----------------|----------------|---------------|----------------|
| Belgium..... | \$.1390 | \$.1388 | \$.1990 | \$.2120 |
| Denmark..... | .2680 | .1795 | .2025 | .2115 |
| England..... | 4.8666 | 3.4588 | 4.5275 | 4.7275 |
| France..... | .0392 | .03918 | .05578 | .05940 |
| Germany..... | .2382 | .2379 | .3395 | .3620 |
| Holland..... | .4020 | .4016 | .5730 | .6115 |
| Italy..... | .0526 | .0513 | .0748 | .0797 |
| Norway..... | .2680 | .1745 | .2275 | .2360 |
| Spain..... | .1930 | .0818 | .1190 | .1269 |
| Sweden..... | .2680 | .1775 | .2335 | .2445 |
| Switzerland..... | .1930 | .1928 | .2748 | .2938 |
| Canada..... | 1.0000 | .9063 | .9500 | .9738 |
| Argentina..... | .9648 | .8665 | .8193 | .8726 |
| Brazil..... | .1196 | .0763 | .0839 | .0847 |
| Uruguay..... | 1.0342 | .4750 | .6600 | .6800 |
| Japan..... | .4985 | .2425 | .2681 | .2800 |
| India..... | .3650 | .2622 | .3410 | .3559 |
| Shanghai..... | | .3038 | .2875 | .3050 |

Central Bank Rate Changes

On September 4 the Bank of Italy lowered its discount rate from 4 to 3½ per cent, the lowest rate on record, and on the 5th the Bank of Finland rate was reduced from 5½ to 5 per cent, the lowest level since January 1919. On the 19th the Netherlands Bank rate was again lowered by ½ per cent to 2½ per cent, the fourth reduction this summer.

Foreign Trade

During August the value of this country's merchandise exports showed an unseasonal decline to \$131,000,000, following the rising tendency of previous months. At the same time, the value of merchandise imports rose further to \$155,000,000, although the increase was somewhat less than is usual for the month of August. The resulting unfavorable balance of trade of \$24,000,000 was the fourth since the spring of 1929, and the largest since the period of heavy imports in the first part of 1926. Compared with a year ago, this country's foreign trade continued to show a substantial increase in dollar volume; the value of exports was 21 per cent larger and imports were 70 per cent larger than in August 1932.

Exports of semi-manufactures and of crude materials showed increases over a year ago of 59 and 41 per cent, respectively. Exports of crude foodstuffs, however, continued to be very small—only about half those of last year—and amounted to less than 2½ per cent of total exports in value. All of the leading groups of imports were larger than last year, with receipts of semi-manufactures and of crude materials considerably more than double those of August 1932. The smallest gain in imports over a year ago was 2 per cent in the value of manufactured foodstuffs, chiefly sugar.

The quantity of American cotton shipped abroad in August showed a seasonal reduction from July, but was 17 per cent above the total of August 1932, due primarily to larger takings by Japan and the United Kingdom. Available statistics for imports indicate that receipts of

silk in quantity were about one-fourth less than a year ago, but that imports of rubber were nearly one-third larger, and coffee receipts nearly double those of a year ago.

Production

Industrial activity in September continued the recession that began late in July, following the exceptionally rapid advance of the previous four months. The seasonally adjusted index of industrial production computed by the Federal Reserve Board declined 8 per cent in August, owing principally to a falling off in the activity of the textile, shoe, flour milling, and steel industries. In September further declines were reported in the steel, automobile, and cotton textile industries, and output of petroleum was reduced under the new production control program.

The character of the industrial recovery to date is indicated in the accompanying diagram, which presents two indexes representative of the consumer industries—production of textiles and shoes—and two indexes reflecting activity in the capital goods industries—awards of building contracts and orders for machine tools. The sharp recovery from March to July was largely confined to the consumer industries, and brought the production in many of these industries to levels which compared favorably with those of 1928 and 1929. In fact, new high levels were reached in the output of shoes in May, cotton textiles in June, and woollens in July. In June the activity of the non-durable consumption goods industries as a whole was as large as in any previous month except for the twelve month period from November 1928 to October 1929. In addition, a marked revival occurred from March to July in the industries engaged in the production of durable consumers' goods, such as automobiles, furniture, and mechanical refrigerators. In some cases part of the increase in output was in anticipation of higher costs and selling prices and resulted in a growth of stocks in the hands of manufacturers and dealers. Beginning in the latter part of July, there was some reversal of the upward movement of production in the consumers' goods industries.

On the other hand, the capital goods industries, whose activity reflects the demand for new construction and new equipment, have shown only a modest improvement since March and have remained at very low levels. The value of building contracts awarded in August was 79 per cent below the 1929 average, and machine tool orders showed a reduction of 81 per cent. The diagram indicates that in the past the capital goods industries have shown much wider variations in activity from prosperity to depression than the consumption goods industries.

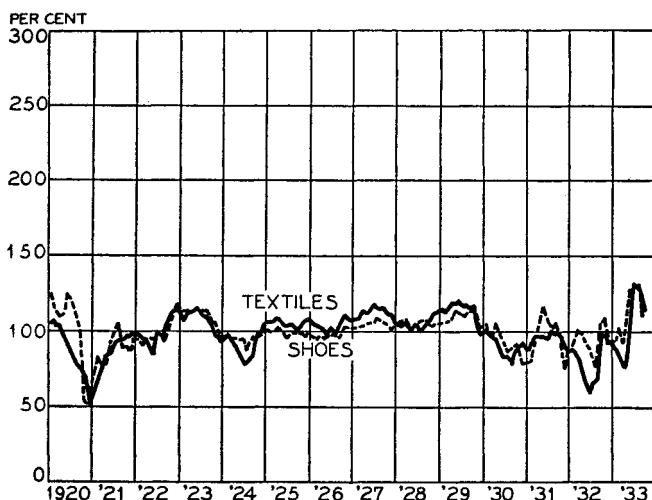
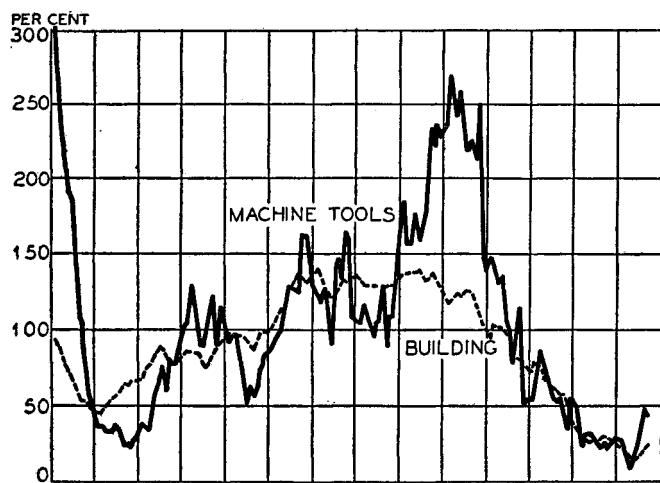
(Adjusted for seasonal variations and usual year to year growth)

| | 1932 | | 1933 | |
|--------------------------------------|------|------|------|------|
| | Aug. | June | July | Aug. |
| <i>Metals</i> | | | | |
| Pig iron | 17 | 39 | 59 | 60 |
| Steel ingots | 20 | 64 | 85 | 70 |
| Lead | 29 | 38 | 32 | 31 |
| Zinc | 25 | 46 | 61 | 62 |
| Tin deliveries | 36 | 85 | 98 | |
| <i>Automobiles</i> | | | | |
| Passenger cars | 18 | 45 | 50 | 45p |
| Motor trucks | 25 | 66 | 70 | 68p |
| <i>Fuels</i> | | | | |
| Bituminous coal r | 54r | 69r | 82r | 82r |
| Anthracite coal r | 53r | 71r | 68r | 69r |
| Coke | 35 | 52 | 65 | 69 |
| Petroleum, crude | 67 | 81 | 80 | 81p |
| Petroleum products | 67 | 71 | 71 | |
| <i>Textiles and Leather Products</i> | | | | |
| Cotton consumption | 71 | 120 | 119 | 103 |
| Wool mill activity | 83 | 133 | 150r | 130p |
| Silk consumption | 90 | 88 | 79 | 63 |
| Shoes | 83 | 123 | 124p | 98p |
| <i>Foods and Tobacco Products</i> | | | | |
| Livestock slaughtered | 94 | 110 | 113 | 112 |
| Wheat flour | 76 | 98 | 94 | 66 |
| Sugar deliveries r | 85r | 77r | 75r | 76r |
| Tobacco products r | 77r | 88r | 79r | 83r |
| <i>Miscellaneous</i> | | | | |
| Cement | 43 | 43 | 48 | 43 |
| Tires | 41 | 77 | 82 | |
| Lumber | 27 | 42 | 51 | 51 |
| Printing activity r | 64r | 59r | 64r | |
| Newsprint paper | 72 | 77 | 79 | 78 |

p Preliminary r Revised

Employment and Payrolls

Factory employment and payrolls continued to increase from July to August despite a decline in the



Output of Capital Goods and of Consumers Goods (Index numbers on a 1923-25 base, with adjustment for seasonal variation)

volume of manufacturing output. After seasonal adjustment, employment in manufacturing industries rose 5 per cent while the production of manufactures, as measured by the index of the Federal Reserve Board, showed a decline of 9 per cent. These divergent movements from July to August followed an unusually rapid advance in output and a more moderate increase in working forces from March to July.

The less rapid increase in the employment index than in the production index from March to July was due in part to a lack of complete comparability between the two indexes; the production index does not cover many industries producing finished products, which are represented in the employment index, and which did not expand as rapidly from March to July as some of the industries converting raw materials into semi-manufactured goods. In August, however, increases in working forces were quite general in both the semi-manufactured and finished products industries, including those which reported the principal recessions in production, namely the iron and steel, and textile industries.

The increase in working forces during August is to be accounted for chiefly by the spreading of employment through a reduction in the length of the average working week. The average time worked per week in establishments reporting to the Bureau of Labor Statistics declined from 42.3 hours in July to 38.6 hours in August. This decline, which amounted to 9 per cent, more than offset the increase in the number of workers employed, indicating that total employe-hours were reduced accompanying the decline in manufacturing activity. In spite of the decline in employe-hours, factory payrolls rose 8 per cent after seasonal adjustment, reflecting an increase in basic wage rates. Wage rate increases were exceptionally numerous, affecting about one-third of the workers in factories reporting to the Bureau of Labor Statistics, and as a result the rate of earnings of the average worker in manufacturing industries rose 14 per cent from 42.7 cents to 48.5 cents per hour. It appears therefore that the gains in factory employment and payrolls from July to August were brought about largely by a reduction in working hours and an increase in basic wage rates, through the adoption of industrial codes under the program of the National Recovery Administration.

Movements in employment and wages from July to August in most of the leading non-manufacturing industries for which figures are available were similar to those in manufacturing. Considerable increases in employment and payrolls were shown in mining, building construction, and wholesale and retail trade. It is estimated by the American Federation of Labor that 800,000 workers returned to employment between July and August with the increase about equally divided between manufacturing and other activities. Since March the increase in the number of workers employed is estimated at about 2,800,000.

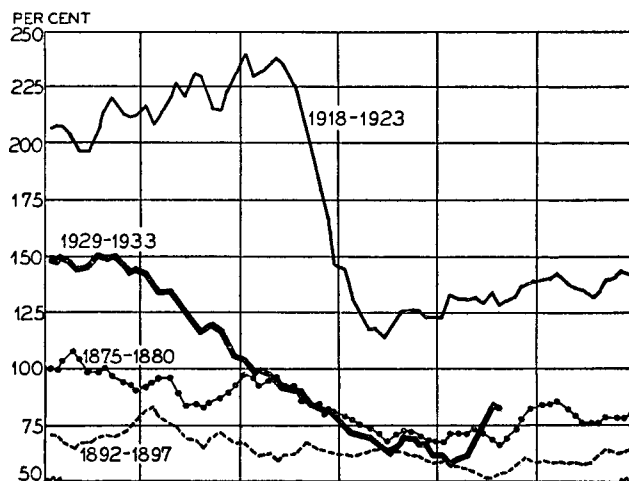
Commodity Prices

Commodity prices showed somewhat diverse movements during September but the general tendency continued slightly upward. The principal advances occurred in textile products, fuels, building materials,

and house furnishing goods—groups composed largely of finished goods, which are generally slow in responding to the effect of a rising price level. At the same time, farm products recovered in the latter part of September about one-half of the previous reaction from the July peak. Basic commodity prices were considerably influenced by developments affecting specific commodities. Thus, the price of hogs advanced sharply upon buying by the Agricultural Adjustment Administration, the price of cotton rose in connection with an announcement that loans at 10 cents a pound would be made to farmers who would agree to reduce their acreage during the coming season, and the price of crude petroleum advanced to the highest level since early 1931, in response to the Administration plan for controlling production. Among other important commodities, silver, wool, and pig iron reached the highest levels since 1930 and a small gain was also shown in the price of rubber. On the other hand, there were declines during September in prices of corn, hides, and scrap steel.

The general level of wholesale commodity prices, as measured by the weekly index of the Bureau of Labor Statistics, advanced above the July peak to a level about 20 per cent higher than the March low. The extent of this recovery has varied considerably between different groups of commodities. The largest increases have occurred in farm products, textile products, and hides and leather products—groups which are largely composed of either raw materials or products of materials affected by the processing taxes. Increases since March in prices of these groups of commodities have been in the neighborhood of 45 per cent. Textile and leather products have recovered more than one-half of the decline since 1929, and farm products have recovered about one-fourth of their decline. For the other groups composing the index, the extent of the recovery has ranged down to less than one-tenth of the preceding decline in the case of chemicals and drugs.

The accompanying diagram compares the recent recovery in farm products with the rise after previous major depressions. In the six months from February to August, farm products showed a net increase of about 40 per cent, a much more rapid rise than occurred in the recov-



Rise in Farm Prices during Recoveries from Major Depressions
(Bureau of Labor Statistics indexes of wholesale prices of farm products, 1910-14 average=100 per cent)

ery from any of the other major depressions during the past fifty years, despite some reaction since July. Following the 1879 low point, farm products in the next six months rose 25 per cent, after 1896 the advance in six months was 15 per cent, and after 1921 the recovery in the first six months was 10 per cent.

Agricultural Income

The gross income of farmers in 1933 is tentatively estimated by the Department of Agriculture at \$6,360,000,000; this figure includes income from the production of crops, livestock, and dairy products, which is placed at \$6,100,000,000, and estimated benefit payments to farmers of \$260,000,000 under the program of the Agricultural Adjustment Administration. This year's indicated farm income is \$1,215,000,000 above last year's figure, an increase of 24 per cent, but is 8 per cent below the 1931 income and 47 per cent less than in 1929.

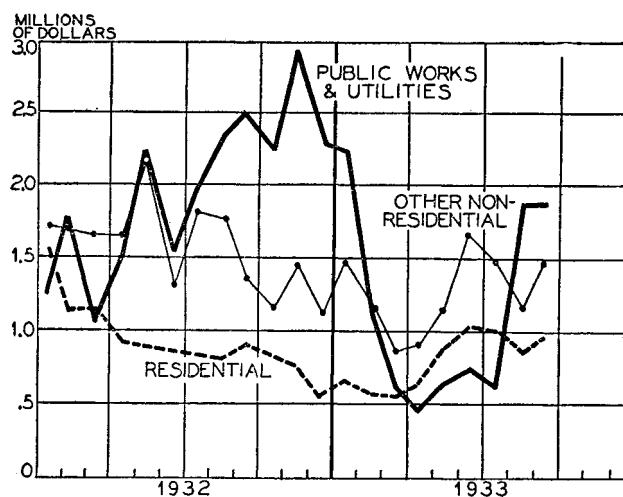
The rise in estimated income from farm production following three years of continuous decline is principally the result of the increase in farm prices since March. Owing to this factor, income from crops is expected to be substantially larger than in 1932, although this year's production of almost all crops is below average, and the estimated harvest of some of the principal crops is the lowest in the present century. It is estimated that the 1933 income from farm products other than crops will show little improvement over last year's figure. The prices of livestock and dairy products have recovered less than prices of farm crops, and a larger portion of these products was marketed before prices had shown any considerable increase. During the preceding three years, however, income from crop production had dropped more rapidly than income from livestock and dairy products.

Building

The total value of building contracts awarded in the 37 States covered by the F. W. Dodge Corporation report showed an increase of 28 per cent from July to August. As this increase was largely unseasonal, this bank's index of total building contracts rose from 17 per cent of the computed trend of past years to 21 per cent, which, however, indicates that construction activity is still at a very low level. Contracts for public works and utilities were 2½ times as large as in the previous month, and the accompanying diagram indicates that contracts for construction of these types, after allowance for seasonal variation, rose to the highest point since last January. The increase was attributable chiefly to stimulation of highway and water supply construction. Public works projects in general, however, did not reach the level of a year ago by a large margin, while contracts for public utilities were larger than in August 1932.

Residential building and non-residential contracts other than public works and utilities declined in August. Residential contracts, however, continued at a slightly higher level than a year ago, and, in non-residential work, factory construction was heavier than last year.

During the first half of September, the average daily value of contracts awarded showed somewhat more than the usual increase over the August level, due in large measure to a rise in miscellaneous non-residential con-



Daily Average Value of Building Contracts Awarded, Adjusted for Seasonal Variation (Latest figures are averages for first half of September—data based on F. W. Dodge Corporation reports)

tracts and to some extent to an increase in residential contracts. Public works and utility projects showed about the usual seasonal expansion following the large increase in August. The daily average figures for this period are also shown in the diagram.

The first eight months of this year produced a total volume of building contracts two-thirds as large as a year ago. Public utility contracts were nearly up to the level of last year, while public works projects were only about half those of a year ago, due principally to a sharp curtailment of highway construction in the earlier months of 1933. Residential building for this eight month period was slightly more than three-fourths as large as a year ago. In the miscellaneous non-residential group, sizable increases in construction of certain types of factories, notably breweries, were more than offset by declines in contracts for commercial, educational, and public buildings, so that the total was slightly less than three-fourths of last year's volume.

Indexes of Business Activity

The currently available measures of trade and business activity showed a downward tendency during the first half of September. The railroad movement of merchandise and miscellaneous freight increased by less than the usual seasonal proportions, and electric power output did not show the customary expansion. In addition, reports from department stores in the Metropolitan area of New York indicate that retail trade during the first half of the month did not hold the gain which occurred in August.

For the month of August, declines occurred in many of this bank's seasonally adjusted indexes that reflect general business activity and the movement of goods to manufacturers and merchants. Indexes of railway freight traffic, foreign trade, and the volume of check payments were lower in August than in July. On the other hand, retail trade was above the previous month's level; the dollar value of department store sales for the country as a whole increased 6 per cent over July after seasonal adjustment, and although a part of this increase reflected higher selling prices, some part probably was due to an increase in the volume of goods sold. Increases

were shown also in this bank's indexes of advertising, grocery chain store sales, and sales of life insurance, but declines, after allowance for seasonal movements, occurred in sales of mail order houses and chain stores other than grocery chains.

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

| | 1932 | | 1933 | |
|---|------|------|------|------|
| | Aug. | June | July | Aug. |
| Primary Distribution | | | | |
| Car loadings, merchandise and misc. r. | 51r | 58r | 60r | 56r |
| Car loadings, other | 43 | 55 | 63 | 62 |
| Exports | 40 | 47 | 56 | 47p |
| Imports | 51 | 64 | 75 | 71p |
| Waterways traffic | 33 | 55 | 59 | |
| Wholesale trade | 87 | 100 | 112 | 109p |
| Distribution to Consumer | | | | |
| Department store sales, 2nd Dist. | 69 | 71 | 72 | 74 |
| Chain grocery sales | 73 | 60 | 58 | 61 |
| Other chain store sales | 71 | 75 | 77 | 75 |
| Mail order house sales | 64 | 65 | 66 | 64 |
| Advertising | 54 | 54 | 53 | 57 |
| Gasoline consumption r. | 76r | 81r | 69r | |
| Passenger automobile registrations | 27 | 47 | 50p | 49p |
| General Business Activity | | | | |
| Bank debits, outside of New York City | 60 | 62 | 67 | 61 |
| Bank debits, New York City | 60 | 58 | 64 | 50 |
| Velocity of bank deposits, outside of New York City | 77 | 78 | 90 | 80 |
| Velocity of bank deposits, New York City | 65 | 62 | 75 | 60 |
| Shares sold on N. Y. Stock Exchange | 229 | 310 | 375 | 126 |
| Life insurance paid for | 76 | 67 | 69 | 74 |
| Electric power | 67 | 69 | 72p | 72p |
| Employment in the United States | 60 | 66 | 72 | 75 |
| Business failures | 140 | 76 | 70 | 71 |
| Building contracts | 29 | 19 | 17 | 20 |
| New corporations formed in N. Y. State | 99 | 85 | 83 | |
| Real estate transfers r. | 52r | 47r | | |
| General price level* | 132 | 128 | 132 | 132 |
| Composite index of wages* | 179 | 173 | 176p | 177p |
| Cost of living* | 139 | 128 | 132 | 133 |

p Preliminary r Revised * 1913 average=100

Department Store Trade

August department store sales in this district were about 8½ per cent higher than last year, the largest increase reported since April 1930. This favorable showing may be attributed to increased volume this year, to the influence of rising retail prices, and to the fact that the year to year comparison is with a month in which sales were particularly poor. Stores in the Buffalo and Syracuse districts reported the largest year to year increases in sales ever recorded by this bank, and the Bridgeport and Rochester stores showed the largest increases in sales in over seven years. In virtually all the remaining districts sales advanced by the largest percentages in two to four years. Sales of the leading apparel stores in this district were 13 per cent above last year, which is the largest advance over a year previous since March 1929.

For the first half of September, sales of the leading department stores in the Metropolitan area of New York were 7 per cent lower than in the corresponding period a year ago. Although this comparison is with a month last year that showed some improvement, it still appears that business during the first half of September of this year did not hold the gain registered in August.

Department stores in practically all localities and also apparel stores again reported a higher rate of collections on charge accounts than a year ago. Total department store stocks of merchandise on hand August 31, at retail valuation, were larger than a year previous for the first

time since December 1929, and apparel store stocks, also, have begun to show increases over a year ago. A majority of the individual departments in the department stores showed substantial increases in the value of goods on hand; especially large increases were shown in stocks of textiles and apparel.

| Locality | Percentage change from a year ago | | Per cent of accounts outstanding July 31 collected in August | |
|------------------------------|-----------------------------------|----------------------------|--|------|
| | Net sales | Stock on hand end of month | 1932 | 1933 |
| New York | + 7.7 | +18.6 | 34.6 | 38.1 |
| Buffalo | +20.0 | - 7.1 | 33.9 | 39.0 |
| Rochester | +13.8 | - 4.5 | 38.0 | 38.4 |
| Syracuse | +26.0 | -15.3 | 20.0 | 24.7 |
| Newark | + 4.2 | +11.8 | 32.9 | 33.7 |
| Bridgeport | +18.8 | + 5.7 | 31.0 | 32.4 |
| Elsewhere | +11.0 | -10.4 | 27.6 | 26.5 |
| Northern New York State | -10.3 | | | |
| Southern New York State | +12.6 | | | |
| Hudson River Valley District | +11.0 | | | |
| Capital district | +13.2 | | | |
| All department stores | + 8.6 | +12.3 | 33.0 | 35.8 |
| Apparel stores | +12.9 | + 5.2 | 35.2 | 37.2 |

Wholesale Trade

Total sales of the reporting wholesale firms in this district during August averaged about 52 per cent higher than last year, continuing the unusually favorable year to year comparison shown for July. Hardware and paper firms reported even larger increases in sales than in the previous month and there was some further improvement also in stationery sales. Most of the other lines reported smaller percentage increases over a year ago than the record increases of July, but the gains over a year ago continued to be large, especially in the case of men's clothing sales, orders for machine tools, and sales of diamonds and jewelry.

Stocks of merchandise held by grocery and hardware firms showed larger increases over a year ago at the end of August than at the end of July, and the year to year reduction in drug and diamond stocks was somewhat smaller than in July. Jewelry stocks continued to be much smaller than last year. In most lines, the rate of collections of accounts outstanding continued higher than a year ago.

| Commodity | Percentage change August 1933 compared with July 1933 | | Percentage change August 1933 compared with August 1932 | | Per cent of accounts outstanding July 31 collected in August | |
|------------------|---|--------------------|---|--------------------|--|------|
| | Net sales | Stock end of month | Net sales | Stock end of month | 1932 | 1933 |
| Groceries | - 0.8 | + 9.5 | +29.7 | +46.5 | 76.2 | 87.2 |
| Men's clothing | +140.9 | | +115.1 | | 29.9 | 46.0 |
| Cotton goods | -20.9 | +13.9 | +25.4 | + 1.4 | 28.8 | 30.9 |
| Silk goods | * | * | * | * | 79.2 | 44.3 |
| Shoes | + 3.5 | | +36.7 | | | |
| Drugs | - 3.0 | + 7.5 | - 4.4 | -15.5 | 23.0 | 23.4 |
| Hardware | - 1.5 | + 2.5 | +27.4 | +14.4 | 41.2 | 41.2 |
| Machine tools** | + 6.4 | | +102.8 | | | |
| Stationery | +15.2 | | +10.6 | | 55.4 | 46.1 |
| Paper | +17.9 | | +28.5 | | 35.5 | 47.5 |
| Diamonds | + 5.7 | + 4.4 | +87.6 | -32.9 | 15.4 | 23.4 |
| Jewelry | +48.2 | - 6.7 | +59.9 | -48.8 | | |
| Weighted average | +32.1 | | +52.3 | | 50.0 | 54.0 |

* Figures reported by Silk Association of America not yet available
** Reported by the National Machine Tool Builders Association

FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, OCTOBER 1, 1933

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

THE general level of industrial production declined in August and the early part of September, reflecting reductions in activity of industries in which there had been a rapid rise in previous months. Employment and wage payments were larger in August than in July.

PRODUCTION AND EMPLOYMENT

The Federal Reserve Board's seasonally adjusted index of industrial production, which had been rising rapidly for several months, declined from 100 per cent of the 1923-1925 average in July to 92 per cent in August. The principal decreases were in the primary textile industries, in flour milling, and in output of steel ingots which declined from 59 per cent of capacity in July to 49 per cent in August. Average daily output of automobiles declined somewhat from the level of July. There were increases during the month in production of petroleum, nonferrous metals, and cigarettes; and output of lumber and coal increased seasonally.

During September, reports indicate further reductions in output of steel and flour; petroleum production slackened under new restrictions, and output of lumber decreased.

Increases in employment between the middle of July and the middle of August, the latest date for which figures are available, were general in most lines of industry, and there were numerous increases in wage rates and reductions in working hours. Compared with the low point of last spring there has been an estimated increase of 2,200,000 in number of industrial wage workers.

Value of construction contracts awarded, as reported to the F. W. Dodge Corporation, increased in August owing to awards for public works, particularly highways and bridges; contracts for other types of construction were in smaller volume than in July.

An increase of \$1,000,000,000 in gross income of farmers for the year 1933 is indicated by estimates of the United States Department of Agriculture, primarily as a result of higher prices for certain farm products, notwithstanding small crops of grains, hay, and potatoes.

DISTRIBUTION

Sales by department stores increased in August, and the Board's index, which is adjusted for seasonal variations, advanced from 71 to 75 per cent of the 1923-1925 average, the highest level since the spring of 1932. The recent increase in dollar sales reflects to a large extent advancing prices.

The volume of freight shipped by rail declined slightly during August, on an average daily basis, although an increase is usual at this time of year.

COMMODITY PRICES

The general average of wholesale commodity prices fluctuated within a narrow range during August and early September at a level about 17 per cent above the low point of last spring. Prices of individual commodities showed divergent movements, decreases being reported for prices of domestic agricultural products while prices of many manufactured goods, of coal, petroleum, and other industrial raw materials, increased. During the second and third weeks of September prices of commodities in organized markets advanced considerably.

Retail prices of food continued to advance.

FOREIGN EXCHANGE

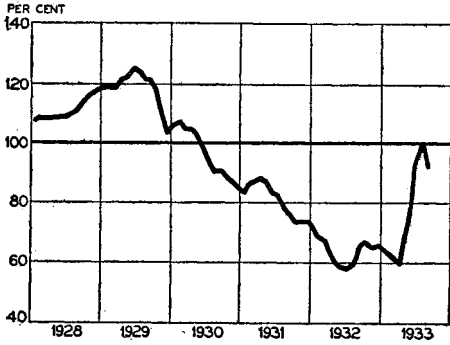
In the foreign exchange markets the value of the dollar in terms of the French franc declined from 75 per cent of its gold parity on August 15 to 65 per cent on September 22.

BANK CREDIT

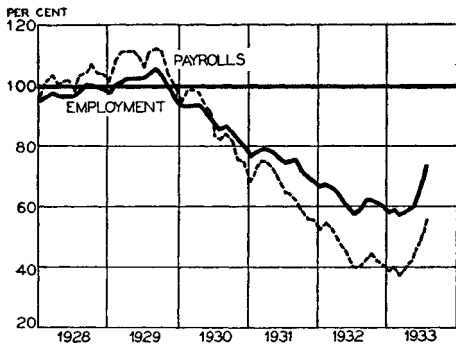
At member banks in 90 leading cities, there was a growth of \$200,000,000 in net demand deposits in the four weeks ended September 13, following a decline of \$800,000,000 between the middle of June and the middle of August. More than half of the recent increase reflected a return of bankers' balances to New York City banks. The banks gradually reduced their holdings of United States Government securities following an increase in the week ended August 16, when a new issue of Treasury bonds was sold, and on September 13 their holdings were in about the same volume as in early August. There was some increase in commercial loans both at member banks in New York City and in other leading cities.

Member bank balances at the Reserve Banks continued to increase during August and the first three weeks of September, and excess reserves of member banks reached \$700,000,000. This increase reflected primarily additional purchases of Government securities by the Federal Reserve Banks, which have averaged \$35,000,000 a week since August 16. Money in circulation, which usually increases at this season, has shown little change in the past month, indicating a continued return from hoards.

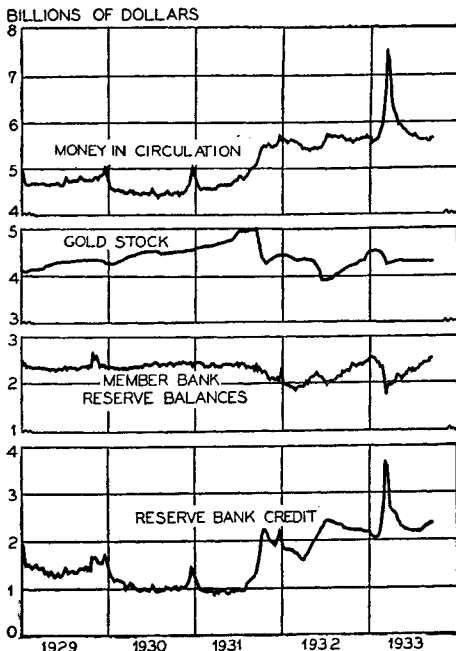
Money rates in the open market showed a renewed decline during August and the first half of September.



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)



Federal Reserve Bank Credit and Principal Factors in Changes (Wednesday figures; latest date September 20)