

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

November 1, 1933

Money Market in October

During the past month there has been a further increase in member bank reserves largely as the result of additional purchases of Government securities by the Federal Reserve Banks. Excess reserves for all member banks throughout the country near the end of October exceeded \$850,000,000, by far the largest amount ever reached. Since the middle of May the Reserve Banks have purchased a total of \$563,000,000 of Government securities and excess reserves of member banks have increased by nearly the same amount. Additional receipts of funds by member banks through deposits of currency previously hoarded and from other sources have been approximately balanced by the repayment of most of the remaining member bank indebtedness at the Reserve Banks, the retirement of acceptances held by Reserve Banks, and a small increase in reserve requirements. The data for the period from May 17 to October 25 are as follows:

FUNDS OBTAINED THROUGH:	(In millions of dollars)
Federal Reserve Bank purchases of U. S. securities...	563
Return flow of currency (largely hoarded money)....	244
Increase in Treasury currency outstanding.....	47
Increase in monetary gold stock.....	10
Total funds received.....	864
DISPOSITION OF FUNDS:	
Used to repay indebtedness at Federal Reserve Banks	215
Used to retire acceptances held by Federal Reserve Banks	71
Used to meet increased reserve requirements against deposits	30
Total funds used.....	316
Balance added to excess reserves.....	548

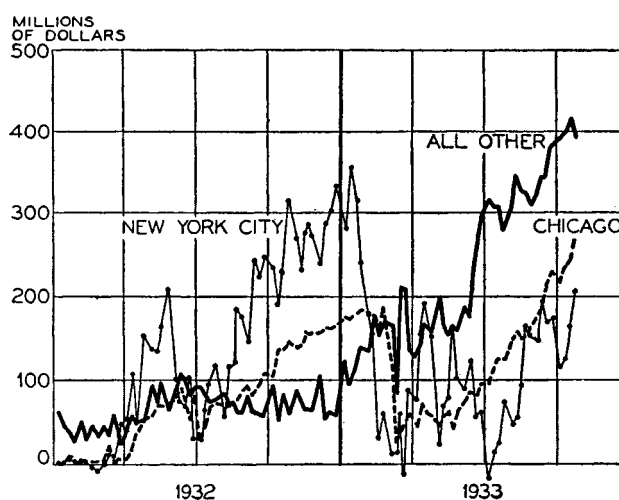
As a result of these transactions, member banks in general are in a very comfortable reserve position. The indebtedness of member banks at the Reserve Banks is the smallest since 1917, and excess reserves over legal requirements are more widely held than at any other time in recent years. Member banks are therefore in a position to extend large amounts of additional credit as occasion arises. Under these circumstances purchases of Government securities by the Reserve Banks were reduced in volume during the latter part of October.

The approximate amounts of excess reserves held by member banks in the two principal banking centers and elsewhere throughout the country are shown in the accompanying diagram.

As this indicates, the New York City member banks on October 25 held more than \$200,000,000 of excess reserves, and Chicago banks held an even larger amount. Member banks in other localities held a total of about \$400,000,000 of excess reserves, as compared with about \$100,000,000 in January of this year, when the previous high point of excess reserves for all member banks was reached. In the New York Federal Reserve District, a recent review of the reserve position of member banks indicated that at least 200 member banks had appreciable amounts of excess reserves.

In New York City, excess reserves while substantial are not as large as in January, and, as the diagram indicates, the reserves of New York City banks are subject to recurrent drains due to demands for funds in other parts of the country. During the first half of October, for instance, the amount of currency in circulation showed a seasonal increase of \$78,000,000, and accompanying this demand and the distribution of first of October interest and dividend disbursements there were transfers of more than \$100,000,000 of funds to other districts. Subsequently, a return flow of currency to the banks occurred and New York City banks regained a considerable part of the funds which had been withdrawn earlier in the month.

In addition to the ebb and flow of commercial funds at New York, there have been more or less steady with-



Excess Reserves Held at Federal Reserve Banks by New York City, Chicago, and other Member Banks (Figures for banks outside New York and Chicago partly estimated)

drawals of funds from New York by the Treasury to meet Government expenditures in other districts. Allotments of Government securities for the year to date indicate that more than half of the funds raised by the Government have been obtained by the sale of new Government securities through banks and dealers in this district. The net amount of withdrawals over expenditures by the Government in this district since the beginning of the year is estimated to have been close to \$500,000,000, an amount sufficient to offset most of the funds paid out in New York through Reserve Bank purchases of Government securities. It has been largely through these Treasury transactions that excess bank reserves have become widely distributed.

In recent weeks the member banks have held sufficient excess reserves to be able to meet all withdrawals without borrowing from the Reserve Banks. At times of withdrawals of funds from New York, individual member banks have maintained their reserves by selling a part of their acceptance holdings in the market, which has readily absorbed all bills offered so that there have been virtually no offerings of bills to the Reserve Banks.

Effective October 20, the discount rate of the Federal Reserve Bank of New York was reduced from $2\frac{1}{2}$ to 2 per cent, and simultaneously the buying rate for bankers acceptances was reduced from 1 to $\frac{1}{2}$ of 1 per cent. This change in the acceptance rate establishes a rate relationship under which member banks and dealers may sell acceptances to the Reserve Banks without material loss in case any need for additional funds develops.

Open market money rates remained virtually unchanged during October, except for a slight increase in the yields on short term Government securities and a slight further reduction in the average rate charged by the principal New York City banks on commercial loans to customers.

Money Rates at New York

	Oct. 31, 1932	Sept. 29, 1933	Oct. 31, 1933
Stock Exchange call loans.....	$\frac{1}{4}$	$\frac{3}{8}$	$\frac{3}{4}$
Stock Exchange 90 day loans.....	$\frac{1}{4}$	$\frac{5}{8}$ - $\frac{3}{4}$	$\frac{3}{8}$ - $\frac{3}{4}$
Prime commercial paper.....	$1\frac{1}{4}$ -2	$1\frac{1}{4}$	$1\frac{1}{4}$
Bills—90 day unindorsed.....	$\frac{3}{8}$	$\frac{1}{4}$	$\frac{1}{4}$
Customers' rates on commercial loans..	†3.96	†2.92	†2.71
Treasury securities			
Maturing March (yield).....	No yield	No yield	0.16
Maturing June (yield).....	0.19	0.16	0.15
Federal Reserve Bank of New York rediscount rate.....	$2\frac{1}{2}$	$2\frac{1}{2}$	2
Federal Reserve Bank of New York buying rate for 90 day indorsed bills	1	1	$\frac{1}{2}$

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

MEMBER BANK CREDIT

A further increase of more than \$100,000,000 in the loans other than security loans of weekly reporting member banks occurred in the four weeks ended October 25. These loans, which include acceptance credits and other business loans, increased \$128,000,000 in the New York City member banks, but showed a small decline in the aggregate for the other 89 cities covered by the reports. During the same period, however, there was a reduction of about \$100,000,000 in security loans of all reporting banks, accompanying a further decline in stock

prices. The decline was chiefly in loans to security brokers and dealers by the New York banks.

There was also a reduction of \$100,000,000 in Government security holdings, reflecting further purchases of such securities by the Reserve Banks, and an active demand from other sources which probably is due at least in part to the continuing effect of the elimination of interest payments on demand deposits. Holdings of other securities increased \$35,000,000 during the four week period. These changes in the investments of reporting member banks also occurred largely in New York.

BILL MARKET

During the first half of October, the activity of the bill market declined somewhat; dealers' purchases were in excess of their sales during the period so that their supplies of bills on hand continued to increase moderately. After the middle of the month the further accumulation of excess reserves in member banks and a return flow of funds to New York resulted in a more active demand for bills, and dealers' portfolios declined to comparatively small proportions. No changes were effected during October in open market bill rates which continued at the low levels set on August 30, when the dealers' offering rate for 90 day unindorsed bills became $\frac{1}{4}$ per cent.

During September, the volume of bankers bills outstanding rose \$21,000,000, following a decrease of \$44,000,000 in August. September 30 outstandings were \$715,000,000, an amount \$32,000,000 larger than a year ago. All categories of bills increased in September with the exception of acceptances based on goods stored in or shipped between foreign countries. During September there were increases in bill holdings by banks outside New York and by dealers, and reductions in the holdings of New York City banks and other investors.

COMMERCIAL PAPER MARKET

The prevailing rate for prime commercial paper remained at $1\frac{1}{4}$ per cent throughout October. Following the reduction in the discount rate of the Federal Reserve Bank of New York, conditions in the paper market tended to become slightly easier, but the bulk of the high grade paper continued to move at $1\frac{1}{4}$ per cent. Sales of the best names at 1 per cent increased somewhat, and the $1\frac{1}{2}$ per cent rate, which previously had also applied to some prime paper, began to be quoted only on names that are considered good but not so well known. Bank investment demand for prime paper continued active throughout the month, and again was considerably in excess of the supply which dealers could obtain from commercial and industrial concerns.

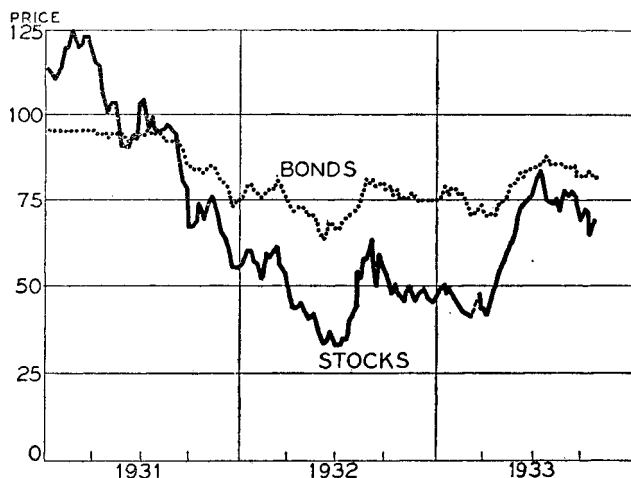
At the end of September the volume of commercial paper outstanding through dealers reporting to this bank was \$123,000,000, an increase of 14 per cent over August and of 12 per cent over a year ago. As a result of four successive monthly increases the amount of commercial paper outstanding has more than doubled since May.

Security Markets

During the first part of October, stock prices recovered a portion of their net losses during September, but after the Columbus Day holiday there was a renewed decline in the stock market which carried the general average of prices to the lowest level since early May. On October 21 the general level of stock quotations showed a loss of more than one-half of the February to July rise, as the accompanying diagram indicates. The announcement of the Government's policy concerning gold purchases was followed by a three day advance during which stock prices rose about 12 per cent, but in the closing week of the month the market turned irregular, and prices at the end of October remained several points below the end of September level.

Following declines in previous months from the July peak, no material net change occurred in average prices of domestic corporation bonds during October, as is also indicated in the diagram. Price movements were generally upward in the first half of the month, and in the case of the highest grade investment issues this rising tendency continued until the last week of the month. In the third week of the month, however, the lower grade corporation bonds turned downward, and toward the end of October, prices of the highest grade bonds declined somewhat. Foreign bonds likewise moved irregularly and showed no great change for the month. An initial rising tendency was followed by declines until October 21, after which prices recovered considerably.

United States Government bond prices moved within a narrow range, generally closing the month slightly below quotations at the end of September. Prices advanced for a while after the announcement of the redemption call for part of the Fourth Liberty Loan and the new bond offering, but subsequently receded. The price of uncalled Fourth Liberty bonds showed a net advance of about $\frac{1}{4}$ point for the month, while bonds which were called for payment April 15, 1934 declined about $1\frac{1}{2}$ points, thereby adjusting their yields to levels more in keeping with yields on other Government securities of similar maturity.



Price Movements of Stocks and Bonds (Standard Statistics Company index of 421 stocks and Federal Reserve Bank of New York composite of domestic corporation bond averages)

New Financing

The volume of securities publicly offered in September continued at a low level, amounting to only \$94,000,000, exclusive of United States Government issues, and of this amount, \$30,000,000 represented refunding issues. The balance of \$64,000,000 of new issues included \$55,000,000 of State, municipal, and farm loan financing, and only \$9,000,000 of corporate issues.

In October, the only important security financing was the offering of \$29,500,000 of long term bonds of the State of New York; other new issues were limited to a number of small State and municipal issues, the aggregate of which did not exceed \$20,000,000. The New York State issue was sold at an interest cost to the State of about 3.44 per cent, as compared with an interest cost of 2.94 per cent on last June's loan, which, however, was constituted of considerably shorter average maturities than the October issue. The bonds were immediately offered for public subscription at prices yielding from 0.75 to 3.50 per cent, depending on maturities, which ran from 1934 to 1983. Reports of registrations of new securities with the Federal Trade Commission, under the Securities Act of 1933, continued to indicate no prospect of any material amount of new capital flotations in the near future.

UNITED STATES TREASURY FINANCING

On October 12 approximately one-third of the \$6,268,000,000 of outstanding Fourth Liberty Loan $4\frac{1}{4}$ per cent bonds were called for redemption on April 15, 1934. The bonds called for redemption are those bearing serial numbers ending with the digit 9, 0, or 1, and in the case of permanent coupon bonds also preceded by the letter J, K, or A. Interest on these bonds will cease April 15, 1934.

Coincident with this call for redemption of part of the Fourth Liberty Loan bonds, the Treasury offered a new issue of 10 to 12 year Treasury bonds, dated October 15, 1933, and bearing interest at the rate of $4\frac{1}{4}$ per cent from that date to October 15, 1934, and thereafter at the rate of $3\frac{1}{4}$ per cent. The new issue of bonds was offered in exchange at par for Fourth Liberty Loan bonds, whether called or uncalled, and in the approximate amount of \$500,000,000 for cash at $101\frac{1}{2}$. The price for cash subscription included accrued interest from October 15 to November 1, 1933, on which date payments on such subscriptions are due. The cash part of this new offering was heavily oversubscribed during the two days, October 16 and 17, on which the subscription books were open. With respect to the exchange offering, the Treasury announced on October 25 that the subscription books would remain open until further notice for the exchange of Fourth Liberty Loan bonds, and by the end of the month a substantial amount of Fourth Liberty Loan bonds had been tendered in exchange for the new 10-12 year Treasury bonds.

This operation marks the commencement of the refunding of the large Fourth Liberty Loan which, unless previously called, would mature in 1938. To the extent that the Fourth Liberty's are exchanged for the new bonds, there will result not only a material reduction in

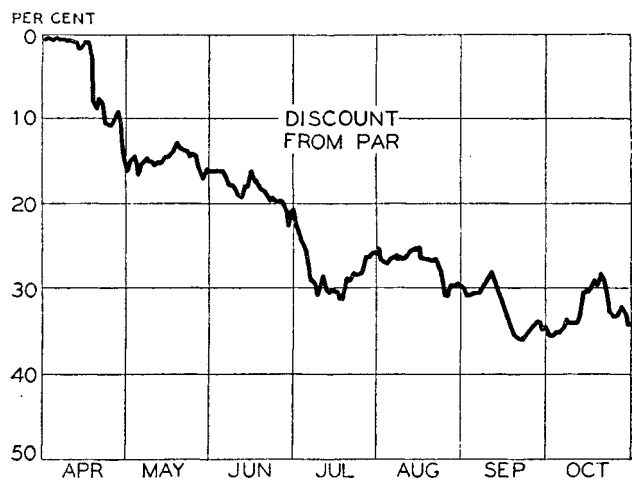
the interest requirements on the public debt, but also an improvement in the debt structure through the reduction in the volume of near-term maturities.

Other Treasury financing during October was composed of four issues of Treasury bills totaling \$330,000,000 which were sold at average rates of 0.10 to 0.17 per cent to replace maturities.

Foreign Exchange

The international value of the dollar rose almost without interruption through the first 20 days of October, as is indicated in the accompanying diagram. During the first week and a half of the month the movement was relatively slow, the discount on the dollar against the French franc declining from 35.61 per cent on October 2 to 33.82 per cent on the 11th, but over the Columbus Day holiday the discount was reduced sharply to 30.96 per cent on the 13th, and by October 20 the discount had dropped further to 28.18 per cent. On October 23 and 24, following President Roosevelt's announcement that the Reconstruction Finance Corporation would be authorized "to buy gold newly mined in the United States at prices to be determined from time to time after consultation with the Secretary of the Treasury and the President", the discount on the dollar increased considerably, and on the 25th when the Reconstruction Finance Corporation announced a purchase price for newly mined gold above the world price for gold, the discount widened somewhat further to 33.34 per cent. On the next two days, however, the international value of the dollar increased although the Reconstruction Finance Corporation buying price for domestic gold was raised by successive steps. Subsequently, the dollar declined slightly, following a White House announcement that discussions had been held concerning the immediate setting up of machinery under which the Government, through the Reconstruction Finance Corporation, will be enabled to buy gold in foreign markets.

The broad movement of the other major currencies in this market was similar to that of the French franc.



Movement of Dollar Exchange (Discount from par in terms of the French franc—last quotation noon rate on October 30)

During the latter part of the month, however, French exchange weakened for a time against the other gold units and also against sterling. Consequently, the French franc continued to be quoted at a somewhat lower premium against the dollar than other gold currencies.

Closing Cable Rates at New York

Exchange on	Par of Exchange	Oct. 31, 1932	Sept. 30, 1933	Oct. 30, 1933
Belgium.....	\$.1390	\$.1390	\$.2142	\$.2090
Denmark.....	.2680	.1717	.2129	.2120
England.....	4.8666	3.2869	4.7588	4.7600
France.....	.0392	.03928	.05985	.05870
Germany.....	.2382	.2377	.3665	.3580
Holland.....	.4020	.4021	.6175	.6060
Italy.....	.0526	.0512	.0806	.0790
Norway.....	.2680	.1680	.2395	.2385
Spain.....	.1930	.0819	.1286	.1260
Sweden.....	.2680	.1725	.2458	.2450
Switzerland.....	.1930	.1928	.2974	.2906
Canada.....	1.0000	.9044	.9800	.9825
Argentina.....	.9648	.5865	.8792	.8616
Brazil.....	.1196	.0763	.0847	.0847
Uruguay.....	1.0342	.4785	.6800	.6800
Japan.....	.4985	.2113	.2819	.2875
India.....	.3650	.2490	.3580	.3570
Shanghai.....	.....	.2975	.3088	.3125

Gold Movement

During October the monetary gold stock of the United States declined about \$1,000,000, largely through exports of \$453,000 to Switzerland, \$252,000 to France, and \$17,000 to England.

There were also exports of \$26,700,000 to France and \$200,000 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 the Executive Order dated August 29, an additional 257,354 fine ounces of gold recovered from natural deposits was exported during October for sale abroad. The Executive Order of October 25 revoked the Executive Order of August 29 and halted further exports of such gold, except for the gold received on consignment on or before the date of the October 25 Order. Under the present procedure, newly mined gold will be acquired by the Reconstruction Finance Corporation.

Central Bank Rate Changes

Effective October 14 the discount rate of the Bank of Greece was lowered from 7½ to 7 per cent. On the 26th the Bank of Poland reduced its rate from 6 to 5 per cent.

The following is a list of official discount rates at thirty-four central banks. So far as available information indicates, rates now current at seventeen of these banks are the lowest in their history, and rates at a number of other central banks are equal to the lowest rates ever established previously. It therefore appears that, taking the world as a whole, short term money rates have never been lower than at present.

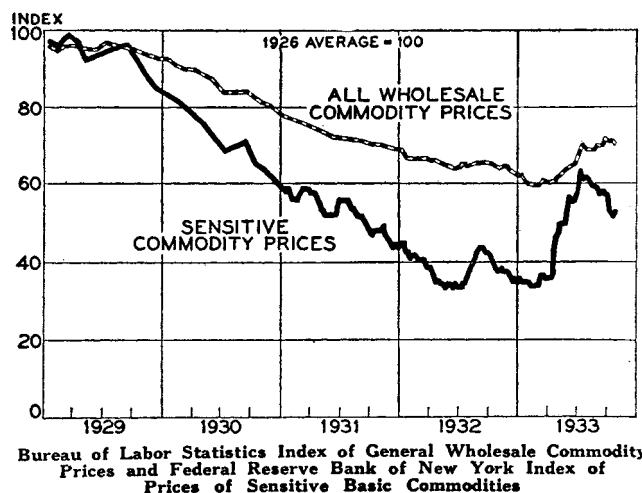
Central Bank of	Rate	Effective Since	Lowest Since
Austria	5	Mar. 24, 1933	June 7, 1931
Belgium	3½	Jan. 14, 1932	Jan. 14, 1932
Bulgaria	8	May 25, 1932	Dec. 1923
Czechoslovakia	3½	Jan. 25, 1933	*
Danzig	3	May 6, 1933	*
Denmark	3	June 1, 1933	*
England	2	June 30, 1932	Sept. 22, 1897
Estonia	5½	Feb. 1, 1932	Feb. 1, 1932
Finland	5	Sept. 5, 1933	Jan. 7, 1919
France	2½	Oct. 10, 1931	Oct. 9, 1930
Germany	4	Sept. 22, 1932	*
Greece	7	Oct. 14, 1933	*
Hungary	4½	Oct. 18, 1932	*
Italy	3½	Sept. 4, 1933	*
Latvia	5½	Jan. 1, 1933	Jan. 31, 1925
Lithuania	7	May 6, 1932	May 11, 1933
Netherlands	2½	Sept. 19, 1933	Apr. 1, 1896
Norway	3½	May 24, 1933	*
Poland	5	Oct. 26, 1933	Sept. 2, 1930
Portugal	6	Mar. 14, 1933	May 2, 1929
Rumania	6	Apr. 5, 1933	July 7, 1931
Spain	6	Oct. 26, 1932	July 30, 1931
Sweden	3	June 1, 1933	*
Switzerland	2	Jan. 22, 1931	*
Turkey	5½	Mar. 2, 1933	***
Yugoslavia	7½	July 20, 1931	***
Bolivia	6	July 4, 1932	*
Chile	4½	Aug. 23, 1932	*
Colombia	4	July 19, 1933	*
Ecuador	4	Nov. 30, 1932	Oct. 30, 1929
Peru	6	May 20, 1932	*
Japan	3.65	July 3, 1933	June 30, 1933
Java	4½	Aug. 16, 1933	*
South Africa	3½	May 15, 1933	*

* Lowest on record
 ** In the case of these banks present rates are slightly above those that prevailed for a time during the last few years.
 *** Highest on record

Commodity Prices

Commodity prices continued to show diverse movements during October. Finished goods in general continued the moderate upward movement that has been in progress for several months, and the Bureau of Labor Statistics weekly indexes of fuel and lighting materials, building materials, and housefurnishing goods rose moderately. On the other hand, a number of basic materials in which there is trading on organized exchanges showed rather wide fluctuations. During the first two or three weeks of the month, sharp declines occurred in prices of wheat, corn, cotton, and hides, and in addition the first important reaction since February was reported in copper, lead, and scrap steel prices. The movement in grain prices was rapidly reversed, however, following announcement of market purchases of wheat by the Agricultural Adjustment Administration and loans on corn at 50 cents a bushel, and moderate recoveries occurred in some other commodities during the latter part of the month. Practically all the decline in the previous part of the month was recovered by wheat and cotton, but moderate net declines for the month as a whole continued to be shown by other important basic commodities such as corn, sugar, steers, hides, silk, copper, and steel scrap.

The accompanying diagram indicates the recent diverse tendencies in commodity prices. The general index of the Bureau of Labor Statistics has declined only slightly from its high point reached on September 23, as the advances in finished goods prices have nearly offset declines in some of the more volatile prices. On the other hand, the basic commodity index at the end



of the third week of October had lost about 40 per cent of the February to July rise. This tendency, however, was reversed in the last week of October.

Foreign Trade

Merchandise exports from this country during September, valued at \$160,000,000, showed more than the usual seasonal increase over the previous month and were 21 per cent above a year ago. Meanwhile, imports declined slightly to \$147,000,000, which was contrary to the usual movement in this month, but were 49 per cent larger than in September 1932. The balance of merchandise trade thus reverted to a favorable balance of \$13,000,000, as compared with an unfavorable balance of \$24,000,000 in the previous month. The narrowing of this country's favorable balance of trade during the past four years has come about as a result of a falling off in exports of 63 per cent, as against a decline of 58 per cent in imports.

Exports of crude materials and of semimanufactures were valued at about one-third more in September than a year previous, a somewhat smaller year to year gain than in August. Shipments abroad of grains, which a few years ago were an element of some importance in the export trade of this country, in recent months have been almost negligible.

There were slight reductions from the comparatively large figures of the previous month in every major division of imports. Compared with a year ago, receipts of crude foodstuffs showed some decline in value, which may be accounted for by a decline in the price of coffee, the leading commodity in this group, but all other classes of imports showed gains, ranging from 129 per cent in the case of semimanufactures to 3 per cent for manufactured foodstuffs.

The quantity of raw cotton exported in September gained seasonally over the previous month, and was 19 per cent larger than a year ago due largely to increased Japanese takings of American cotton. Rubber and coffee were imported in considerably larger volume than in September 1932, but raw silk imports showed a substantial reduction.

Production

Available data indicate that industrial production declined further in September and October from the level attained on the exceptionally rapid advance from March to July. In the accompanying diagram the magnitude of the recovery and subsequent decline in output of two of the principal industries—steel and textiles—is compared with previous movements during the past three years. The expansion of activity in textile mills raised this bank's seasonally adjusted index from a point considerably below the long term trend to a point 20 per cent above, and the increase in steel production exceeded in rapidity that of the textile industry, although steel output remained below the trend of past years. These exceptionally large increases in output apparently were in part the result of an accumulation of inventories in the hands of manufacturers and dealers in anticipation of a rise in costs and selling prices. The subsequent curtailment of output brought operations in these industries to about the same levels as in the first half of 1931.

During September declines occurred also in the output of several other principal industries, including the automobile, coal, shoe, and tobacco products industries. In addition, petroleum output was reduced under the new production control program. The activity of the meatpacking industry was considerably increased, however, owing to the slaughtering of pigs purchased by the Agricultural Adjustment Administration, and the production of flour mills, which had risen sharply prior to the imposition of a wheat processing tax and had subsequently been temporarily reduced, showed some increase in September.

During October, the production of steel declined further, operations in the automobile industry were estimated to have receded somewhat more than seasonally, and the activity of cotton textile mills was reported to have shown less than the usual October increase. Moreover, coal production showed a contra-seasonal falling off, and petroleum output was further curtailed.

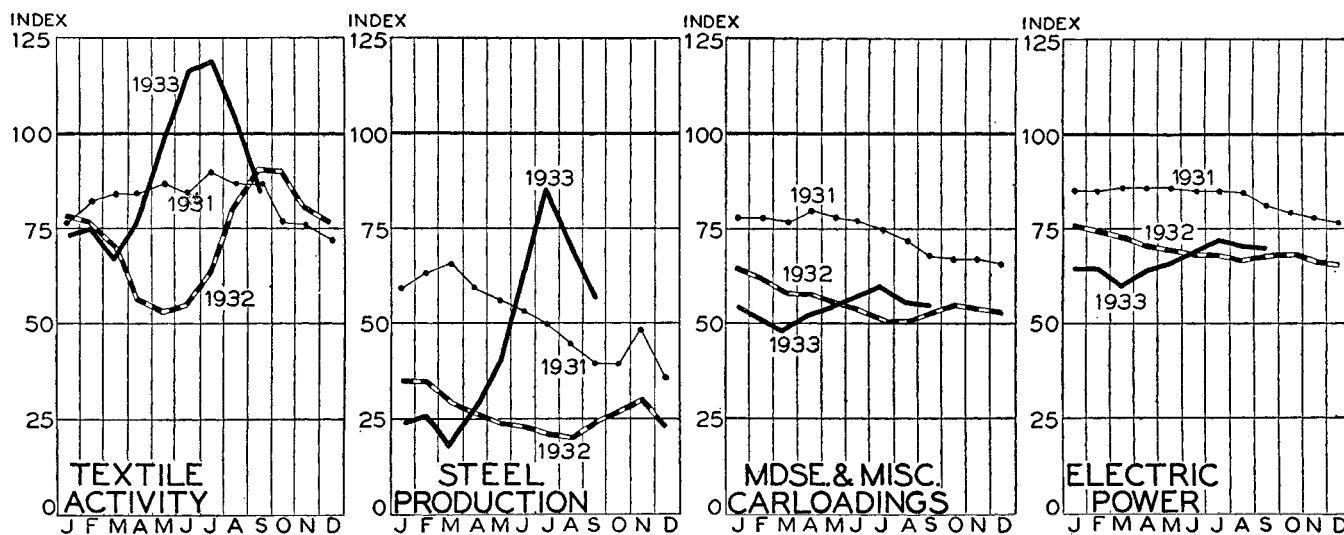
(Adjusted for seasonal variations and usual year to year growth)

	1932	1933		
	Sept.	July	Aug.	Sept.
Metals				
Pig iron.....	20	59	60	51
Steel ingots.....	24	85	70	57
Lead.....	36	32	31	48
Zinc.....	26	61	62	66
Tin deliveries.....	40	98	90	
Automobiles				
Passenger cars.....	17	50	45	41
Motor trucks.....	34	70	68	61
Fuels				
Bituminous coal.....	61	82	82	68p
Anthracite coal.....	68	68	69	65p
Coke.....	37	65	69	64
Petroleum, crude.....	68	80	80	75p
Petroleum products.....	65	71	70	
Textiles and Leather Products				
Cotton consumption.....	86	119	103	88
Wool mill activity.....	93	150	131	104p
Silk consumption.....	99	79	63	45
Shoes.....	95	126	97p	88p
Food and Tobacco Products				
Livestock slaughtered.....	104	113	117r	133
Wheat flour.....	78	94	66	70
Sugar deliveries.....	83	79r	73r	80
Tobacco products.....	78	79	83	78
Miscellaneous				
Cement.....	50	48	43	33
Tires.....	38	82	62	
Lumber.....	28	51	51	41
Printing activity.....	62	64	64	
Newsprint paper.....	68	79	81r	72

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Indexes of Business Activity

No pronounced movement was discernible in general business activity during the first half of October. Sales of department stores in the Metropolitan area of New York were somewhat larger than in September after seasonal adjustment, although they remained slightly below the level of a year ago. Moreover, the movement of merchandise and miscellaneous freight over the railroads increased slightly more than usually. On the other hand, the output of electric power was reduced unseasonally.



Indexes of Textile Mill Activity, Steel Production, Car Loadings of Merchandise and Miscellaneous Freight, and Electric Power Output
(With adjustment for seasonal variation and usual year to year growth)

During September, a small recession in the distribution of goods and general business activity is indicated by the available data. This bank's seasonally adjusted indexes of merchandise and miscellaneous car loadings and of production of electric power, which are shown in the diagram at the bottom of page 86, declined further and were only slightly higher than in September 1932. Declines were shown in the indexes of merchandise imports, and of sales of wholesale establishments, department stores, mail order houses, and grocery chain stores. On the other hand, increases were reported in sales of other chain stores, in merchandise exports, and in new passenger automobile sales.

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

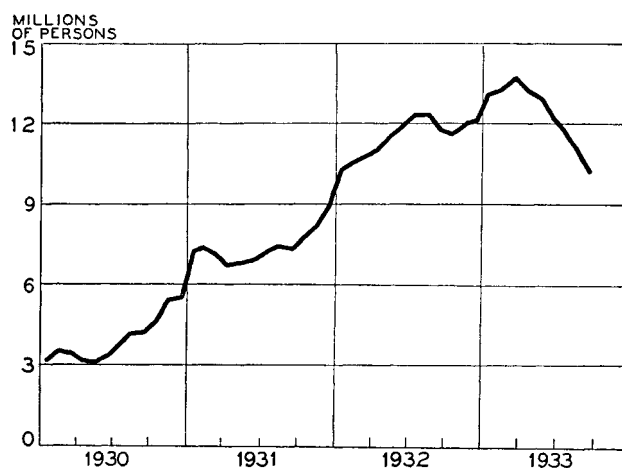
	1932	1933		
	Sept.	July	Aug.	Sept.
Primary Distribution				
Car loadings, merchandise and misc.....	53	60	56	55
Car loadings, other.....	48	63	62	60
Exports.....	44	56	47	51 _p
Imports.....	50	75	67	63 _p
Waterways traffic.....	37	59	63	
Wholesale trade.....	86	112	109 _p	103 _p
Distribution to Consumer				
Department store sales, 2nd Dist.....	71	72	74	66
Chain grocery sales.....	70	58	61	55
Other chain store sales.....	76	77	75	78
Mail order house sales.....	69	66	64	61
Advertising.....	57	53	57	57
Gasoline consumption.....	77	69	75	
Passenger automobile registrations.....	29	50	49 _p	53 _p
General Business Activity				
Bank debits, outside of New York City..	60	67	61	59
Bank debits, New York City.....	62	64	50	47
Velocity of bank deposits, outside of New York City.....	76	90	80	78
Velocity of bank deposits, New York City.....	65	75	60	56
Shares sold on N. Y. Stock Exchange....	179	375	126	113
Life insurance paid for.....	82	69	74	72
Electric power.....	68	72	70 _p	69 _p
Employment in the United States.....	62	72	75	76
Business failures.....	118 _r	71 _r	71 _r	58 _r
Building contracts.....	28	17	20	24
New corporations formed in N. Y. State.	94	83	75	70
General price level*.....	132	132	132	133
Composite index of wages*.....	179	176	177 _p	177 _p
Cost of living*.....	135	132	133	135

_p Preliminary _r Revised *1913 average=100

Employment and Payrolls

Factory employment and payrolls in the United States continued to rise during the period from the middle of August to the middle of September, despite a further decline in indexes of manufacturing output. After allowance for the usual autumn expansion, employment increased 1.4 per cent and payrolls rose 2.5 per cent. The expansion of working forces at a time when production was declining in a number of important industries may be accounted for partly by a spreading of employment through a further reduction in the length of the average working week, but is also partly due to the fact that the production of finished products was apparently better maintained than the output of those basic industries which are more largely represented in indexes of manufacturing activity. The larger increase in payrolls than in employment from August to September, despite a reduction in working hours, reflected the influence of further increases in basic wage rates in a number of factories.

Increases in employment and total wage payments in



Total Number of Persons Unemployed in the United States
(American Federation of Labor estimates)

September were also reported in the principal nonmanufacturing activities, including agriculture, mining, wholesale and retail trade, railroad transportation, and building construction. Although the increases in some of these lines are partly attributable to seasonal influences, such as harvesting operations and the autumn increase in retail trade, the gains appear to have been generally in excess of the customary proportions.

The effect upon the general employment situation of the increase in workers in a large number of activities is shown in the accompanying diagram, which is based on estimates computed by the American Federation of Labor of the number of persons without employment at the middle of each month since January 1930. Although these estimates are of a somewhat tentative character, and include a certain amount of unemployment which exists even in times of active business, as well as unemployment due to inability to find jobs because of the depression, they do reflect approximately the effect of the expansion of working forces in the various types of activity during the past six months. The total estimated number of unemployed persons, which had risen from slightly more than 3,000,000 in the early part of 1930 to 13,700,000 in March 1933, showed a decline of 3,600,000 in the following six months. The rate of decrease was most pronounced in August and September, amounting to more than 800,000 in each of these months. The increase from March to September in the working forces of several of the principal industries is indicated by the indexes listed below. Rather pronounced gains were shown in all of these industry groups except public utilities. The continued low level of the September indexes for the capital goods manufacturing, mining, and railroad industries, however, indicates that, despite the recent improvement, employment in these lines re-

(1929 average=100 per cent)

Employment in	March 1933	September 1933
Manufacturing:		
Capital goods.....	39	55
Consumption goods.....	66	84
Mining.....	56	63
Railroad transportation.....	55	61
Trade.....	72	85
Public utilities.....	73	71

mains far below the 1929 level. Working forces of public utility companies have not been reduced so much, and employment in the consumption goods industries and in wholesale and retail trade compares relatively favorably with the 1929 average.

Building

From August to September, there was a further increase of about 16 per cent in the total value of building contracts awarded, which is more than the usual seasonal rise, and this bank's index of building contracts advanced to 24 per cent of the long term trend of building, computed from data for past years. Although the September index continued to indicate a low level of building operations, it does represent a considerable rise from the low point reached earlier this year. Gains from August to September occurred in all three of the major building classifications covered by the F. W. Dodge Corporation report. An increase over 1932 continued to be shown in residential building, and non-residential construction other than public works and utilities was also slightly in excess of last year, due partly to distillery projects. Public works projects showed a larger increase over August than other types of construction work, but did not reach the level of last year, the principal decline being in highway contracts. Total contracts for building and engineering work were within 4 per cent of the September 1932 value.

In October, average daily data for the first two weeks of the month indicated a further large rise in contracts for public works and utility projects. Other non-residential contracts, however, receded more than seasonally, and residential awards, which usually increase somewhat in October, were reduced considerably.

Department Store Trade

Total September sales of the reporting department stores in this district were 2 per cent lower than last year, as compared with an increase of 8½ per cent in August and a decrease of 2 per cent in July. The decline for the full month of September, however, was considerably smaller than for the first half of the month. Sales of the Syracuse department stores showed an increase over a year ago second only to the record advance reported in August, and sales of the Rochester, Bridgeport, Hudson River Valley, and Capital District stores showed the largest increases, with the exception of August, of any month in considerably over three years. For the New York, Buffalo, and Newark reporting department stores, however, the year to year comparisons in sales were less favorable than those of the two previous months. Sales of the leading apparel stores in this district also decreased 2 per cent from last year, following increases in the three previous months.

During the first half of October, sales of the leading department stores in the Metropolitan area of New York showed a recession of 2 per cent from the corresponding period a year ago, but some improvement over the September level was indicated, even after allowance for the usual seasonal change.

A higher rate of collections this year than last year was again reported by department stores in practically all localities and by apparel stores also. Stocks of mer-

chandise on hand, at retail valuation, showed even larger increases from last year than were reported in August. A large proportion of the individual departments showed substantial increases in the value of stocks on hand; this applies not only to textiles and apparel but also to house-furnishing lines.

Locality	Percentage change from a year ago		Per cent of accounts outstanding August 31 collected in September	
	Net sales	Stock on hand end of month	1932	1933
New York.....	- 2.1	+26.5	47.6	51.9
Buffalo.....	- 9.8	+ 4.6	39.5	38.8
Rochester.....	+ 7.2	+ 3.7	36.8	37.0
Syracuse.....	+17.4	- 8.1	21.0	26.3
Newark.....	- 7.7	+21.2	33.4	34.0
Bridgeport.....	+12.5	+13.3	29.2	31.6
Elsewhere.....	+ 4.9	- 8.1	27.1	27.7
Northern New York State.....	- 4.5	.....	.....	.....
Southern New York State.....	+ 4.1	.....	.....	.....
Hudson River Valley District.....	+ 2.3	.....	.....	.....
Capital District.....	+ 9.6	.....	.....	.....
All department stores.....	- 2.2	+20.6	40.0	43.0
Apparel stores.....	- 2.2	+ 6.9	36.7	37.4

Wholesale Trade

September sales of the reporting wholesale firms in this district averaged 15½ per cent higher than last year, representing the fifth consecutive monthly increase. All of the reporting lines with the exception of drugs reported sales this year higher than a year ago. Although the advances were generally of considerably smaller proportions than the unusually large increases shown in the previous two months, they continued to be substantial in sales of groceries, jewelry and diamonds, hardware, and paper. Orders for machine tools, reported by the National Machine Tool Builders Association, continued to be nearly double the small volume of a year ago.

Stocks of merchandise held by grocery firms at the end of October showed an exceptionally large increase, hardware stocks continued larger than a year ago, and stocks of drugs showed the smallest reduction in a year. In a majority of lines, the ratio of collections to accounts outstanding at the end of the previous month again averaged higher than a year ago.

Commodity	Percentage change September 1933 compared with August 1933		Percentage change September 1933 compared with September 1932		Per cent of accounts outstanding August 31 collected in September	
	Net sales	Stock end of month	Net sales	Stock end of month	1932	1933
Groceries.....	+ 4.9	+ 8.4	+20.4	+51.2	78.4	88.4
Men's clothing.....	+ 9.3	.....	+ 6.8	.....	38.4	42.3
Cotton goods.....	+14.2	- 4.8	+ 6.1	- 9.7	29.5	30.2
Silk goods.....	.....	*	.....	*	62.4	48.0
Shoes.....	-11.5	.....	+ 2.6	.....	35.1	36.8
Drugs.....	+16.3	+ 2.3	- 6.7	-12.1	27.6	23.7
Hardware.....	+ 6.7	- 1.9	+13.0	+15.4	44.1	41.3
Machine tools**.....	- 2.8	.....	+89.8	.....	.....	.....
Stationery.....	+ 3.8	.....	+ 2.9	.....	53.6	44.1
Paper.....	- 3.5	.....	+12.9	.....	37.4	40.3
Diamonds.....	+24.1	- 0.5	+21.8	-28.5	15.9	25.3
Jewelry.....	+42.7	+ 7.8	+19.1	-46.2		
Weighted average....	+ 6.6	.....	+15.5	.....	49.9	52.1

* 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, NOVEMBER 1, 1933

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

DURING September and the first half of October, industrial activity declined, as it had in August, following the rapid expansion of the spring and early summer. Factory employment and payrolls increased further between the middle of August and the middle of September.

Industrial production, as measured by the Board's seasonally adjusted index, declined from 91 per cent of the 1923-25 average in August to 84 per cent in September. Activity decreased in most lines of industry, and particularly in those in which output had increased rapidly in earlier months. Production of steel, lumber, cement, bituminous coal, and petroleum declined considerably and automobile output was reduced. Deliveries of silk to mills were small in September, while consumption of cotton and wool, although reduced during the month, was nevertheless larger than in other recent years at this season. Meat packing plants were more active partly because of processing of pigs under the Government's emergency marketing program; and output of flour was larger than the exceptionally small volume produced in August.

In the first half of October further declines in output of automobiles, bituminous coal, and petroleum were reported. Steel mill activity, after increasing in the first half of October, receded in the third week.

Employment of factory workers increased between the middle of August and the middle of September, and total earnings were larger, partly as a result of further advances in wage rates, and the expansion of operations in seasonally active industries such as canning. Employment in public utilities, railroads, stores, and mines also increased and it is estimated that about 600,000 industrial wage-earners found work during the period.

Preliminary reports for the first half of October indicate some decrease in employment and a continuation of about the same volume of earnings in basic manufacturing industries.

Construction contracts awarded increased in September to the highest level for the year according to reports by the F. W. Dodge Corporation, the largest volume of new awards being for public works and for other non-residential projects. In the third quarter of the year value of construction contracts was 25 per cent of the 1923-1925 average.

Sales at department stores in leading cities increased less than seasonally in September, following an unusually large increase in sales in August. Trade reports indicate that sales volume was affected by unseasonably warm weather and by price advances. Sales of chain variety stores continued in somewhat larger volume than in 1932.

On the railroads, average daily freight shipments during September increased by somewhat less than is usual in the early autumn, but were in larger volume than at any time since the latter part of 1931. In the first two weeks of October car loadings were at a higher level than in late September.

During September and the first two weeks of October the general average of wholesale prices in the United States was relatively stable at about 71 per cent of the 1926 average, reflecting, however, widely divergent movements in prices of individual commodities. Prices of raw materials traded on organized exchanges declined sharply during the first two weeks of October and then recovered somewhat. There have been further advances during recent weeks in prices of fuels, iron and steel, building materials, and housefurnishings, while prices of cotton textiles and leather have declined.

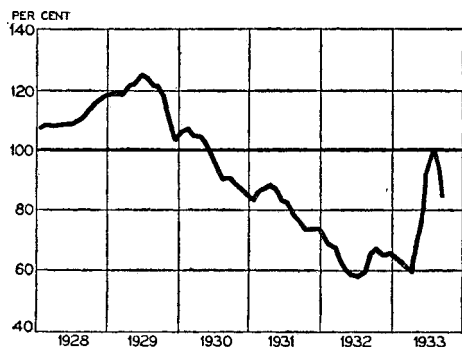
Retail prices of food showed little change in September, while prices of clothing continued to advance.

The value of the dollar in the foreign exchange market fluctuated around 65 per cent of its gold parity during the latter part of September and the first half of October, advanced to 71 per cent in the third week, and declined to 70 per cent on October 23.

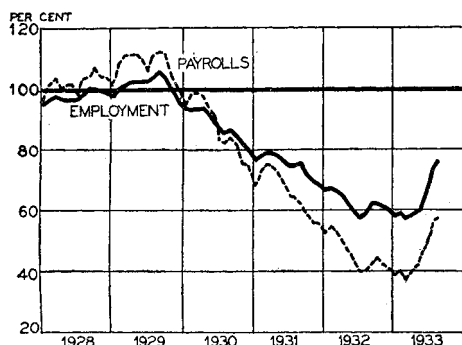
Excess reserves of member banks increased by \$100,000,000 between September 13 and October 20, in consequence of the purchases by the Federal Reserve Banks of \$170,000,000 of United States Government securities during the period, offset in part by a further decline in discounts and a seasonal increase in the demand for currency. While these purchases of United States Government securities were made chiefly in New York City, member bank funds arising from these purchases were transferred to other parts of the country through expenditures in outlying areas by Federal agencies, and through payment for crops marketed.

At reporting member banks in leading cities there was little change in loans and investments during this period; a decline in the volume of loans on securities was offset by growth in all other loans.

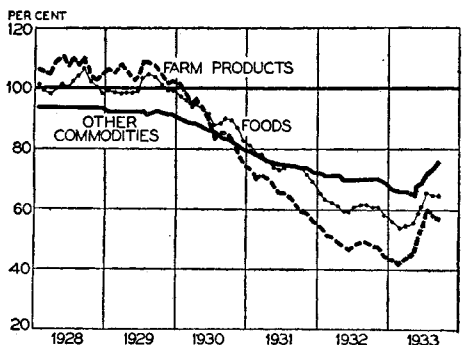
Money rates in the open market continued at low levels. On October 20 the Federal Reserve Bank of New York reduced its buying rate on bills from a range from 1 to 1½ per cent for different maturities to a range from ½ to 1 per cent. The rediscount rate at New York was reduced from 2½ per cent to 2 per cent, effective October 20, and on October 21, the Federal Reserve Banks of Cleveland and Chicago reduced their rediscount rates from 3 per cent to 2½ per cent.



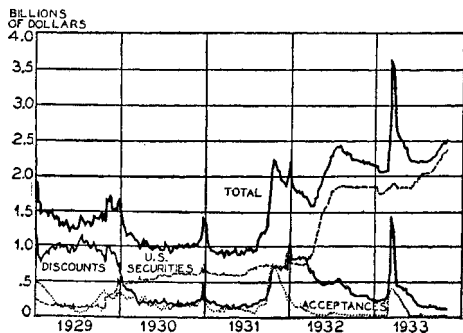
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



Index Numbers of Factory Employment and Payrolls, Without Adjustment for Seasonal Variation (1923-25 average=100 per cent)



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



Reserve Bank Credit (Wednesday figures for 12 Federal Reserve Banks, latest date October 18)