

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

*Federal Reserve Agent*

*Federal Reserve Bank, New York*

*February 1, 1934*

#### Money Market in January

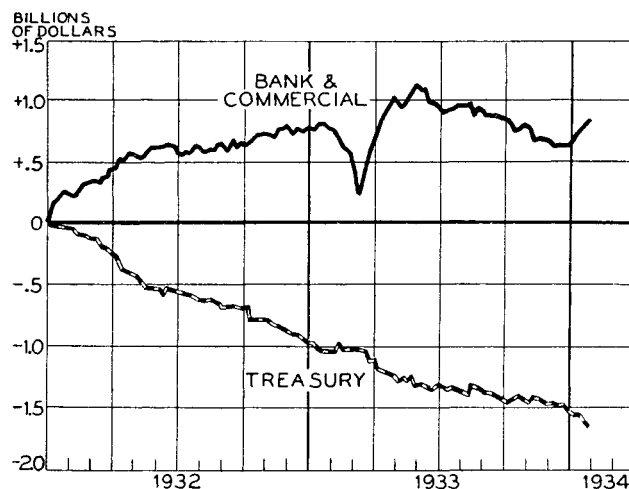
The demand for funds for Government use has increased substantially during the past month, but withdrawals of funds from New York by the Government have been offset in their effect on the money market by the seasonal return flow of currency from circulation which regularly follows the holiday season, and by an inflow of commercial and bank funds from other districts. During the period of most rapid currency retirement money rates tended to decline slightly and thereafter showed only a very slight advance during the remainder of the month, despite the increasing requirements of the Government.

The rate of Government expenditures, in excess of ordinary receipts, rose to nearly \$30,000,000 a day in January, and in order to meet these expenditures, heavy withdrawals of funds from depositary banks were made by the Treasury, and offerings of new Government securities were increased in volume. Sales of new Treasury bills during January exceeded the amounts needed to replace maturing bills by \$210,000,000, and in addition, the Government raised approximately \$1,000,000,000 of new money through the sale of Treasury notes and certificates on January 29, most of the proceeds of which, however, were left on deposit in the banks. The funds withdrawn by the Government from the banks were paid out again rapidly, and the only effect on the supply of surplus bank funds was some increase in reserve requirements as private deposits were increased through Government disbursements.

Meanwhile bank reserves were increased substantially by the seasonal return flow of currency, and the total excess reserves for all member banks increased near the end of January to above \$950,000,000, a larger amount than at any previous time. Net deposits of currency at the New York Reserve Bank during the five weeks ended January 24 amounted to \$92,000,000, and at all Reserve Banks, to \$268,000,000. The return flow at New York considerably exceeded the increase during the autumn and holiday season, indicating some further return flow of hoarded money. For the country as a whole, the retirement of currency in January was about normal in relation to the seasonal increase during the last four months of 1933. Some return of hoarded money following the guaranty of bank deposits on January 1 may have been offset by increased currency requirements due to larger expenditures of Government funds and to increasing payrolls in several industries.

There was some evidence during January of an increased inclination on the part of the banks to employ excess funds, perhaps due in part to the passing of the peak of seasonal requirements and in part to the insurance of deposits, which gave the banks greater confidence in the stability of their deposits. A considerable volume of bankers acceptances and short term Government securities which had accumulated in dealers' hands near the end of the year was distributed in January, and new offerings of Government securities were readily absorbed. The bond market also reflected a considerable increase in demand. Prices of a number of high grade corporation bonds rose to the highest levels in more than two years, and prices of lower grade securities also advanced substantially.

As banks and others sought employment for their funds in the New York money and security markets there was a substantial inflow of funds from other districts during the past month. This movement, together with the return flow of currency from circulation, more than offset further large withdrawals of funds from New York by the Government; so that the excess reserves of the principal New York City banks rose to the highest levels since the beginning of November. During the past two years, more than half of the new money raised by the Government to finance its disbursements throughout the country has been obtained in New York,



Gain to Reserve Balances of Member Banks in Second Federal Reserve District Through Movement of Banking and Commercial Funds, and Loss Through Treasury Transactions (Cumulative from beginning of 1932)

and, as a result, there have been almost continuous withdrawals of funds from New York by the Treasury. This movement, which is shown in the preceding diagram, is estimated to have totaled \$1,500,000,000 during 1932 and 1933, and continued at an accelerated rate in January 1934.

In 1932, withdrawals of funds from New York by the Government were largely offset by the accumulation of out-of-town bank funds and commercial funds in the New York banks. This process, however, was interrupted during the bank crisis of early 1933 by very heavy withdrawals of funds from New York by banks in other localities, which absorbed all the excess reserves that had accumulated in New York previously, and also forced the New York banks to have recourse to the Reserve Bank. Immediately after the bank holiday, however, funds again returned to New York in large volume, and the movement continued until June. At that time the elimination of interest on demand deposits under the Banking Act of 1933 was followed by withdrawals of substantial amounts of out-of-town funds from New York, and during the autumn there was a fairly steady outflow of commercial funds to other parts of the country. The inflow during the past few weeks, therefore, is the first substantial movement of commercial and bank funds to New York of its kind in several months.

#### MONEY RATES

Money rates in the New York market on the whole showed no material change during January, although at times there was some uncertainty concerning rates because of the heavy program of Government financing. Early in the month there was some decline in yields on short term Government securities, and increased offerings of new Government securities subsequently were followed by only a very gradual rise in yields. Commercial paper quotations also moved slightly lower during the first three weeks of the month, but the tendency toward the close of the month was toward slightly higher rates. Other money rates remained the same as at the end of December.

Money Rates at New York

	Jan. 31, 1933	Dec. 29, 1933	Jan. 31, 1934
Stock Exchange call loans.....	1	1	1
Stock Exchange 90 day loans.....	$\frac{1}{2}$	*1	*1- $\frac{1}{4}$
Prime commercial paper.....	$1\frac{1}{4}$ - $1\frac{1}{2}$	$1\frac{1}{2}$	$1\frac{1}{4}$ - $1\frac{1}{2}$
Bills—90 day undorsed.....	$\frac{1}{4}$	$\frac{1}{2}$	$\frac{1}{2}$
Customers' rates on commercial loans..	†3.38	†2.23	†2.46
Treasury securities			
Maturing March (yield).....	No yield	0.27	No yield
Maturing June (yield).....	No yield	0.25	0.25
Maturing September (yield).....	0.13	....	1.14
Federal Reserve Bank of New York discount rate.....	$2\frac{1}{2}$	2	2
Federal Reserve Bank of New York buying rate for 90 day indorsed bills	1	$\frac{1}{2}$	$\frac{1}{2}$

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

#### MEMBER BANK CREDIT

During the two weeks ended January 10, the total loans and investments of the principal New York City banks declined \$220,000,000, but in the subsequent two weeks there was an increase of \$33,000,000 and in the last week of January a large increase occurred due to heavy purchases of new Government securities. The year end reduction appears to have been due largely to

some decrease in Government security holdings of the New York banks and a considerable decrease in loans to security dealers in response to a heavy demand for short term Government securities and other high grade paper by other investors. Loans to dealers had increased considerably during December, reflecting in part the credit needed by the dealers to carry portfolios of Government securities acquired during the peak of the seasonal demands on the banks.

Reporting member banks in other principal cities of the country showed a decrease of \$83,000,000 in their total loans and investments during the four weeks between December 27 and January 24. Their loans showed a reduction of \$117,000,000, probably largely seasonal in character, while their investments in Government securities increased \$30,000,000.

#### BILL MARKET

During the first half of January, there was a large distribution of bills from dealers' portfolios, which had been built up in December through purchases of bills from the banks. The active investment demand, which came both from New York City and out-of-town institutions, reflected the large increase in member bank reserve accounts due to the return of currency from holiday circulation. Purchases of bills at first were principally of maturities of less than 60 days, but as the supply of these bills became exhausted, the investment of excess funds extended to maturities up to 90 days. In the second half of the month, dealers' sales continued to exceed new offerings of bills by accepting and discounting institutions, although the market was considerably less active than in the first part of the month.

No change in open market bill rates occurred during January, following the reduction effected on December 29 in anticipation of the good investment demand which developed in January. The bill portfolio of the Federal Reserve Banks declined only slightly in January, due to the fact that most of the bills sold to the Reserve Banks in late November and the first part of December were of maturities beyond the end of January.

On December 31, the volume of dollar acceptances outstanding amounted to \$764,000,000, an increase of \$6,000,000 over the end of November, reflecting chiefly a larger volume of export bills. Of the amount outstanding, accepting banks and bankers held \$442,000,000, or 58 per cent, as compared with 79 per cent of the amount outstanding at the end of November.

#### COMMERCIAL PAPER MARKET

An active bank investment demand for open market commercial paper existed during the entire month of January, but inquiry was limited principally to prime paper maturing within 4 months. Rates showed an easing tendency and around mid-month the prevailing rates reverted to the  $1\frac{1}{4}$ - $1\frac{1}{2}$  per cent range which was quoted in the latter part of November and the first half of December. In the closing week of January, however, slightly firmer conditions were reported, with a reduction in the amount of paper moving at  $1\frac{1}{4}$  per cent and an increase in sales at  $1\frac{1}{2}$  per cent; some paper priced at  $1\frac{3}{4}$  per cent also reappeared in the market, but this

represented drawings of the smaller and less well-known concerns.

The supply of new paper coming into the market in January increased seasonally, and included a diversified list of commercial and industrial borrowers. The dealers' acquisitions of new material, however, were reported to have been inadequate to meet the potential investment demand. The increased supply of paper in January followed a seasonal reduction during December in the amount of commercial paper outstanding through reporting dealers to \$109,000,000 on December 31. The December decline of 19 per cent, however, was less than occurred in the corresponding month of the previous three years, and the volume outstanding remained 13 per cent higher than in 1932.

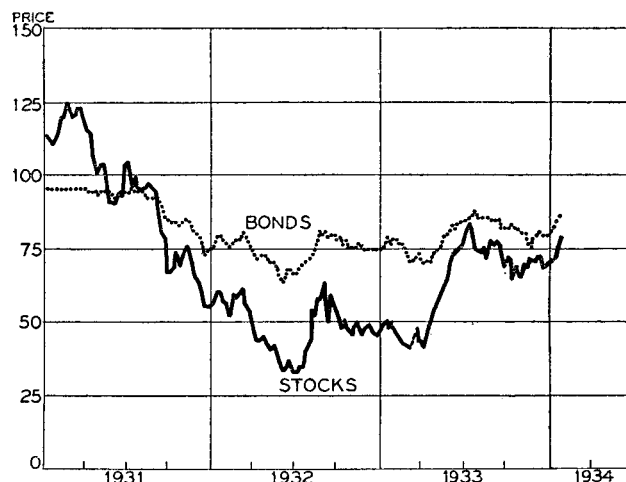
### Security Markets

Domestic corporate securities, both bonds and stocks, showed substantial price advances for the month of January, and the volume of trading in the security markets was somewhat more active than in recent months.

In the bond market, domestic corporation issues, after showing little change in the first week of the month, rose steadily during the balance of the month. Price averages of representative corporate bonds registered successive advances in the twelve trading sessions between January 9 and 22, and after halting one day resumed the advance. As a consequence corporate bond averages showed total advances of 4 to 7 points for the month, extending the recovery made in December, and toward the close of January prices on the whole were at about the same level as was reached on the recovery which ended in the summer of 1933, the highest level since September 1931. All grades of bonds participated in the rise, although the medium grade issues showed the largest advances. Prices of a number of individual bonds, both high and medium grade issues, were noticeably higher than last July and consequently were at the best levels in nearly 2½ years. Foreign bonds on the whole showed movements comparable with domestic corporation issues, but there was a sharp drop in German issues late in the month on reports of difficulties encountered in the German external debt conference.

United States Government bonds showed a moderate net advance for the month of January. After the presentation to Congress of the 1934 and 1935 budget data, long term Treasury bonds dropped about 1½ points, but largely recovered by the 17th of the month, and toward the close of January advanced somewhat further.

In the stock market, prices of representative issues showed no important variation until the middle of the month. On January 15, however, the day of the President's monetary message to Congress, there was a rise in stock prices which averaged about 6 per cent. Stock prices thereafter pursued an irregular upward course, closing the month about 12 per cent higher than the end of December and within 7 per cent of the July 1933 peak, as the accompanying diagram indicates. On a percentage basis, railroad and public utility shares made somewhat greater advances than industrial stocks. Bank



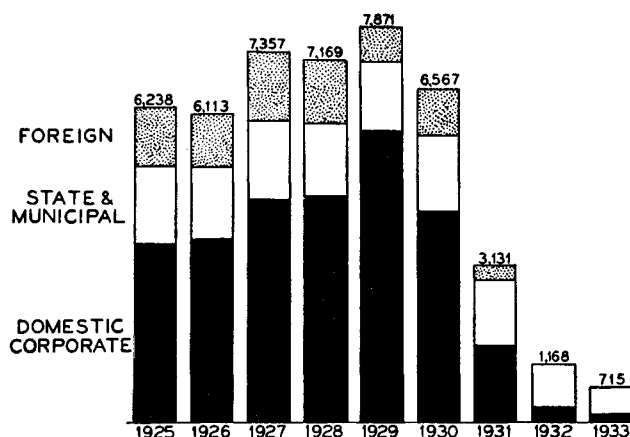
Price Movements of Stocks and Bonds (Standard Statistics)  
Company index of 421 stocks and Federal Reserve Bank  
of New York composite of domestic corporation  
bond averages)

stocks were rather consistently strong throughout January, with prices on January 24 some 35 per cent above the low quotations prevailing around the middle of December.

### New Financing

During January, the amount of new securities offered for public subscription, other than United States Government issues, continued to be extremely limited. The aggregate was not much over \$50,000,000, of which the principal issues were \$28,000,000 of Federal Intermediate Credit Bank short term debentures and \$8,453,000 of Commonwealth of Massachusetts serial bonds. In addition to the public offerings, however, there was a \$50,000,000 issue of New York State 2 per cent 1 year notes, which was allotted to banks and financial houses and only a small part subsequently reoffered to other investors.

The United States Treasury obtained \$210,000,000 of new funds during January through the sale of five 91 day Treasury bill issues totaling \$600,000,000, which were put out partly to replace bill maturities of \$390,000,000. Despite the increase in the amount of securities of this type outstanding, the rates at which they were sold showed only a slight upward tendency and averaged less than the rates on the last two December issues. Toward the end of the month, the Treasury announced two issues of somewhat longer maturity for the purpose of raising approximately \$1,000,000,000 of the funds required to meet the heavy emergency expenditures outlined in the President's budget message. These issues were in the form of \$500,000,000 of 2½ per cent notes maturing March 15, 1935, and \$500,000,000 of 1½ per cent certificates of indebtedness maturing September 15, 1934. Subscriptions for these issues totaled \$4,770,000,000 during the one day the subscription books remained open—\$3,415,000,000 for the notes and \$1,355,000,000 for the certificates—and the notes quickly advanced to a premium of about ½ of a point and the certificates to a premium of at least ⅛ of a point.



New Security Offerings in 1933 Compared with Preceding Years  
(Commercial and Financial Chronicle figures for domestic issues and Federal Reserve Bank of New York data for foreign flotations; in millions of dollars)

For the year 1933, a compilation of public offerings of new securities places the total at \$715,000,000, exclusive of United States Government financing, investment trust and corporate trust issues, and all refunding issues. This amount is considerably less than even the small total for 1932, and is less than 10 per cent of the 1929 amount, as the accompanying diagram indicates. New capital issues by domestic corporations aggregated only \$160,000,000, and total domestic corporate issues including refunding issues about \$380,000,000. As corporate bond and note maturities during this year were in the neighborhood of \$1,000,000,000, it appears that the new flotations through the American capital market were far from sufficient to replace maturities, to say nothing of providing new capital for industry in the aggregate. In part the excess of maturities over new issues was met by the loaning operations of the Reconstruction Finance Corporation, such as loans to railroads. The remainder presumably was met largely out of earnings or bank loans, but in some few instances default occurred.

State and municipal securities publicly offered declined to about \$550,000,000 in 1933, a decrease of 35 per cent from the 1932 total. In addition to this amount, States and municipalities obtained very substantial sums from the Federal Government in the form of grants and loans for relief and public works.

### Gold Movement

During the month of January the monetary gold stock of the United States declined slightly due to gold exports of \$1,261,000 to England and \$248,000 to France, under licenses granted by the Secretary of the Treasury. Reductions in gold held under earmark at this bank for foreign account totaled \$12,200,000, of which \$1,678,000 was exported to Holland, but these transactions were without effect upon the monetary gold stock of this country.

Reconstruction Finance Corporation purchases of newly mined domestic gold under the Executive Order of October 25 were reported by the Chairman of the Corporation to have totaled 695,000 ounces, costing \$23,364,000, for the period through January 15, when

such purchases by the Reconstruction Finance Corporation ceased. For this same period it was announced that Reconstruction Finance Corporation purchases of gold abroad had aggregated 3,335,000 ounces, at a cost of \$108,308,000. After January 15, the gold operations which had been carried on by the Reconstruction Finance Corporation were taken over by the Treasury.

### Central Bank Rate Changes

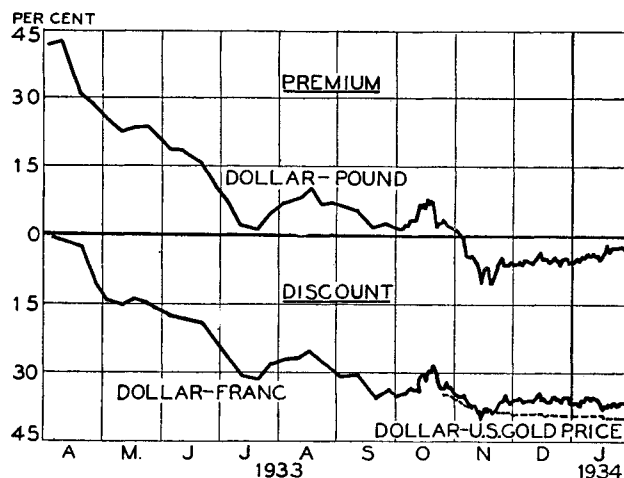
Effective January 2, the National Bank of Bulgaria lowered its discount rate from 8 to 7 per cent, and the Bank of Lithuania reduced its rate from 7 to 6 per cent.

### Foreign Exchange

The international value of the dollar rose during the first week of January. The discount on the dollar in terms of the French franc fell from 37.0 per cent on January 2 to 35.8 per cent on the 8th. The higher quotation for the dollar was fairly well maintained throughout the second week of the month, but on the 15th, the day on which the President delivered his message on monetary legislation, the discount quickly increased to 38.6 per cent. The dollar strengthened immediately afterward, however, and the discount receded to 37.6 per cent on the 16th, and thereafter declined irregularly to 37.0 per cent on January 26. In the closing days of the month, the discount on the dollar increased slightly again to 37.7 per cent on January 30.

The accompanying diagram shows that since the end of November the discount on the dollar against the French franc has been continually less than its discount from gold parity as measured by the Government's price for newly mined gold. The latest change in the domestic gold price—to \$34.45 per fine ounce effective January 16—represented the fixing of a gold valuation for the dollar of 40 per cent less than the parity of \$20.67 which has been maintained for many years.

The diagram also shows that the discount on the dollar in terms of sterling was reduced somewhat during January. From a premium of over 40 per cent against



Premium or Discount on the Dollar from Parity, in terms of Sterling, French Franc, and Government Price for Newly Mined Gold (Latest quotations January 29)

sterling in the early months of 1933, the dollar declined following the suspension of gold payments by the United States to a discount of as much as 11 per cent in November. As 1934 opened, the discount on the dollar against sterling was 5.6 per cent, but dropped to 1.9 per cent on the 18th, and held around 2 to 3 per cent during the remainder of the month. This movement of the dollar-sterling rate occurred despite little net change in the dollar-franc relationship and reflected a decline in the sterling-franc quotation from above 83 francs to the pound early in January to below 80 later in the month.

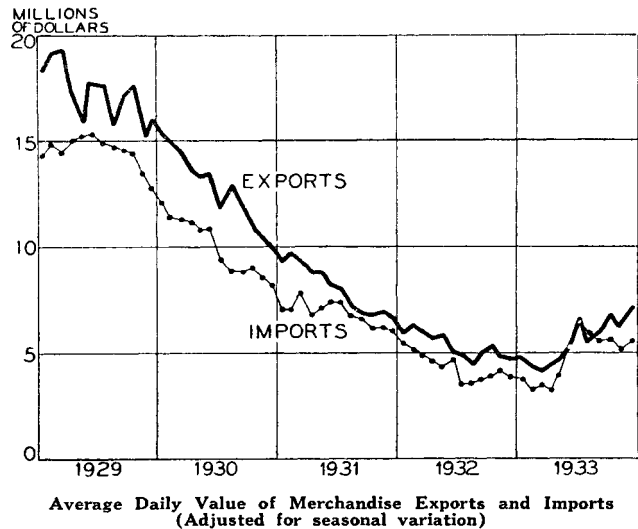
Closing Cable Rates at New York

Exchange on	Par of Exchange	Jan. 31, 1933	Dec. 30, 1933	Jan. 30, 1934
Belgium.....	\$ .1390	\$ .1391	\$ .2209	\$ .2235
Denmark.....	.2680	.1520	.2302	.2240
England.....	4.8666	3.3950	5.1550	4.9850
France.....	.0392	.03903	.06210	.06285
Germany.....	.2382	.2377	.3775	.3805
Holland.....	.4020	.4019	.6367	.6440
Italy.....	.0526	.0511	.0832	.0843
Norway.....	.2680	.1740	.2590	.2520
Spain.....	.1930	.0820	.1304	.1290
Sweden.....	.2680	.1840	.2660	.2587
Switzerland.....	.1930	.1934	.3070	.3107
Canada.....	1.0000	.8375	1.0019	.9925
Argentina.....	.9648	.5865	.3383	.3323
Brazil.....	.1196	.0763	.0876	.0850
Uruguay.....	1.0342	.4750	.7500	.7800
Japan.....	.4985	.2119	.3100	.2988
India.....	.3650	.2570	.3890	.3780
Shanghai.....	.....	.2875	.3413	.3400

## Foreign Trade

In December, both merchandise exports and imports showed increases over the previous month, contrary to seasonal tendency. Exports amounting to \$192,000,000 were 46 per cent higher than in December 1932, and imports of \$133,000,000 were 37 per cent larger. The accompanying diagram shows the course of exports and imports in dollar volume over the past five years, reduced to a daily average basis and adjusted for seasonal variations. As the diagram shows, the value of export trade has increased considerably since the first quarter of 1933. The depreciation in the external value of the dollar and the accompanying rise in the prices of international commodities at first appeared to stimulate imports more than exports, but more recently seem to have fostered increased takings of American products by other countries. As a result, the dollar value of export trade of the United States ended the year 1933 at the highest level since August 1931. Imports into the United States, which showed a considerable rise through July of last year, apparently due to the attempt to anticipate further price advances, have shown no further increase since that time, but rather some recession, so that this country's favorable balance of merchandise trade tended to widen as the year drew to a close.

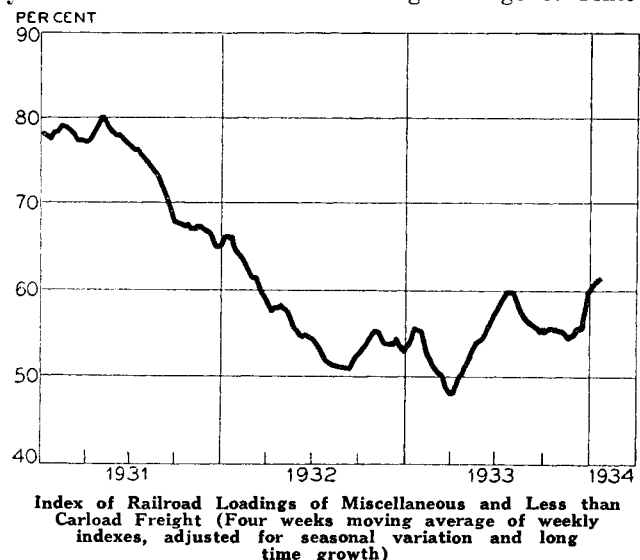
For the calendar year 1933, exports totaled 4 per cent larger than in 1932, and imports showed an increase of 10 per cent, due to the recovery in foreign trade as the year progressed which more than offset the declines reported in the first five months of the year. These increases in the annual figures may be accounted for partly by larger quantity shipments of some types of



goods, and partly by the higher average level of commodity prices. In the case both of exports and imports the largest percentage increases in dollar value were in semi-manufactures—20 per cent for exports and 35 per cent for imports. Among the leading individual items of this country's foreign trade, exports of raw cotton were somewhat smaller in quantity than in 1932, with prices averaging considerably higher, and the quantity of raw silk imported was somewhat less than in the preceding year. On the other hand, the volume of crude rubber and coffee imported was somewhat larger than in 1932.

## Indexes of Business Activity

General business activity appears to have shown further improvement during the first half of January, in continuation of the upward movement which developed in the previous month. The advancing tendency was reflected in this bank's weekly index of the railroad movement of merchandise and miscellaneous freight, which is presented in the accompanying diagram, somewhat smoothed by the use of a four-week moving average to remove



erratic fluctuations from week to week. The course of the index has been upward since the middle of November and the advance so far recorded has been larger than any previous increase in several years, with the exception of the rapid rise of March to July last year.

Increases, after seasonal adjustment, were rather general in December in the various indexes representing distribution and general business activity. Advances occurred in this bank's indexes of railroad freight traffic, foreign trade, department store and chain store sales, and check payments outside New York City. In addition, business failures were less numerous than in November, although failures usually increase at the year end.

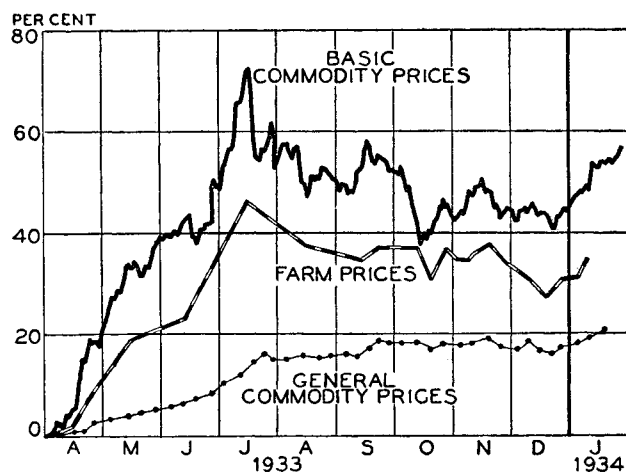
(Adjusted for seasonal variations, for usual year to year growth, and where necessary for price changes)

	1932	1933			
	Dec.	Oct.	Nov.	Dec.	
<b>Primary Distribution</b>					
Car loadings, merchandise and misc. ....	53	56	56	59	
Car loadings, other. ....	58	56	57	58	
Exports. ....	43	56	53	60p	
Imports. ....	57	64	59	63p	
Waterways traffic. ....	40	48	55		
Wholesale trade. ....	85	76	78		
<b>Distribution to Consumer</b>					
Department store sales, U. S. ....	70	71	65	69p	
Department store sales, 2nd Dist. r ....	78r	74r	69r	72r	
Chain grocery sales. ....	64	53	51	52	
Other chain store sales. ....	67	70	70	73	
Mail order house sales. ....	61	64	63	61	
Advertising. ....	52	58	58	56	
Gasoline consumption. ....	71	71	72		
Passenger automobile registrations. ....	28	51	49p	35p	
<b>General Business Activity</b>					
Bank debits, outside of New York City..	58	57	55	58p	
Bank debits, New York City. ....	53	46	43	42p	
Velocity of demand deposits, outside of New York City. ....	70	77	72	72	
Velocity of demand deposits, New York City. ....	48	56	51	50	
Shares sold on N. Y. Stock Exchange. .	57	90	75	86	
Life insurance paid for. ....	77	72	73	67	
Employment in the United States. ....	62	76	74	73	
Business failures. ....	102	56	59	47	
Building contracts. ....	23	29	42	54	
New corporations formed in N. Y. State	73	69	69	63	
Real estate transfers. ....	52	44			
General price level*. ....	128	133	133p	132p	
Composite index of wages*. ....	174	177	178p	177p	
Cost of living*. ....	132	136	136	135	

p Preliminary r Revised \* 1913 average=100

## Commodity Prices

Commodity prices turned upward in the last week of December, and the advance continued throughout January, as the accompanying diagram indicates. The price of farm products at the farm, which after advancing some 45 per cent between April and July had lost nearly half of the gain, recovered to a point approximately 35 per cent above the April level. Actively traded basic commodities, represented by an index prepared by Moody's Investors Service, which includes several international commodities that have been especially responsive to the depreciation in the exchange value of the dollar, advanced 12 per cent between December 21 and January 29, reaching a level some 55 per cent higher than that of April 1 and within 10 per cent of the July peak. The Bureau of Labor Statistics weekly price index, which is composed of a diversified list of 784 price series, advanced about 3 per cent between the week ended Decem-



Percentage Changes from April 1, 1933 in Prices of Actively Traded Basic Commodities, Farm Prices at the Farm, and General Wholesale Commodity Prices (Moody's Investors Service, Department of Agriculture, and Bureau of Labor Statistics data)

ber 23 and that ended January 20 to a level about 20 per cent above that of last April, and the highest since the middle of 1931.

Finished goods prices were relatively steady during January at about the levels which had been held since October, while raw material prices showed a generally upward tendency. One of the most important increases of the month was in the price of cotton, which rose to 11.70 cents a pound at New York, only slightly beneath the July level. The price of scrap steel was increased from \$12.50 a ton to \$13.50, and price advances also occurred in wheat, corn, hogs, steers, hides, wool, silk, sugar, and rubber, while a comparatively small decline occurred in lead.

## Production

On the whole basic industrial activity appears to have been maintained in January at about the same general level as in December, judging by the currently available data covering several of the principal industries. Automobile production increased considerably despite continued delays in the output of new models, and operations in the cotton textile industry are reported to have shown more than the usual seasonal rise. On the other hand, no marked change occurred in steel production following the sharp advance of the previous month, although the seasonal tendency in this industry is to increase production during January. Bituminous coal output increased no more than seasonally, and this bank's weekly index of electric power production, which largely reflects changes in the industrial consumption of electric energy, remained fairly steady in January at about the previous month's level.

Diverse tendencies were shown in the rate of operations of the principal industries during December. Activity in the steel industry advanced sharply, largely as a result of the demand for prompt shipment of certain types of finished steel for which higher prices were scheduled to become effective on January 1. In the automobile industry, the production of trucks increased con-

siderably, but passenger automobile output rose only moderately after seasonal adjustment, owing largely to technical obstacles which tended to delay the production of new models. In addition, the output of tobacco products increased sharply. On the other hand, rather large declines occurred in the output of the textile and meat-packing industries. As a result of these divergent movements, no marked change occurred in the average level of industrial activity. The Federal Reserve Board's seasonally adjusted index of industrial production advanced 1 point between November and December to 74 per cent of the 1923-1925 average, indicating that the downward tendency which had prevailed since July had been checked. In December, the index was 28 per cent above the low of July 1932, and 26 per cent below the peak reached in the middle of 1933. The movement of this index during 1933 was in marked contrast to the almost continuous downward tendency of 1930 and 1931; during each of the past five years, except 1933, the level of industrial activity at the end of the year was below that of the final month of the previous year.

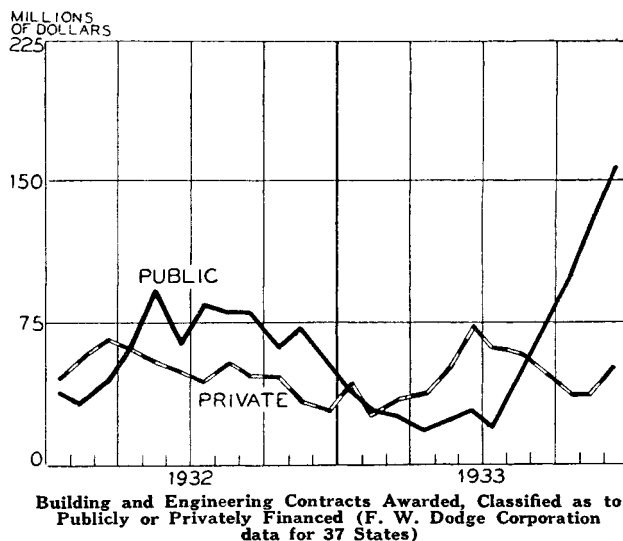
(Adjusted for seasonal variations and usual year to year growth)

	1932	1933			
	Dec.	Oct.	Nov.	Dec.	
<b>Metals</b>					
Pig iron.....	19	44	37	41	
Steel ingots.....	23	52	44	52	
Lead.....	35	55	60	59	
Zinc.....	34	67	66	58	
Tin deliveries.....	46	68	59		
<b>Automobiles</b>					
Passenger cars.....	33	40	18	21 <sub>p</sub>	
Motor trucks.....	51	52	39	73 <sub>p</sub>	
<b>Fuels</b>					
Bituminous coal.....	65	62	67	65	
Anthracite coal.....	81	61	80	75	
Coke.....	41	57	54	56	
Petroleum, crude.....	60	72	68	68 <sub>p</sub>	
Petroleum products.....	69	69	66		
Electric power.....	66	66	64 <sub>p</sub>	64 <sub>p</sub>	
<b>Textiles and Leather Products</b>					
Cotton consumption.....	78	83	78	65	
Wool mill activity.....	80	88	86	73 <sub>p</sub>	
Silk consumption.....	72	46	54	42	
Rayon deliveries.....	114	95	98		
Shoes.....	87	94	92 <sub>p</sub>	92 <sub>p</sub>	
<b>Foods and Tobacco Products</b>					
Livestock slaughtered.....	84	94	101	95	
Wheat flour.....	94	74	83	82	
Sugar deliveries.....	78	71	69	84 <sub>p</sub>	
Tobacco products.....	77	74	66	80	
<b>Miscellaneous</b>					
Cement.....	38	30	36	30	
Tires.....	47	62	69		
Lumber.....	25	37	33	34	
Printing activity.....	59	64	66		
Newsprint paper.....	74	77	82	80	

*p* Preliminary

## Building

As the result of a further unseasonal rise of 28 per cent in building contracts during December, this bank's index of contract awards in 37 States advanced to 54 per cent of the long term trend computed from data for past years, as compared with the low point of 11 per cent in April 1933. The accompanying diagram shows that the largest part of the increase represented construction financed by public funds, but a moderate in-



crease also occurred in contracts for privately financed building. Publicly financed projects in December were about three times as large as in the corresponding period of 1932 and nearly nine times as large as in April, when this type of work reached its lowest point. Privately financed projects were about 75 per cent larger than in December 1932. Total building contracts consequently were more than two and one-half times the dollar volume reported a year earlier. The large rise in publicly financed building reflects contracts for the construction of public works, such as highways, sewerage systems, and water front developments, which in the aggregate have been the most important factor in the increase, and also expenditures on certain other non-residential construction including public buildings and parks, educational buildings, hospitals, and publicly owned utilities.

During the first three weeks of January 1934, awards of building and engineering contracts showed little change from the December rate. A large unseasonal rise occurred in non-residential work other than public works and utilities, while residential contracts declined considerably. Public works and utility contracts registered a small recession following the sizable advances of the previous five months.

The 1933 total of all building and engineering contracts reported by the F. W. Dodge Corporation was \$1,256,000,000, a drop of only 7 per cent from the 1932 total, as the recovery in building during the last quarter of the year, when contracts exceeded the previous year's amount by 75 per cent, largely offset the 30 per cent decline which occurred in the total for the first nine months of the year. For the year as a whole, publicly financed building totaled 11 per cent less than in 1932, despite the rapid increase toward the end of the year, and privately financed work was 2 per cent less. Residential contracts showed a further decrease of 11 per cent from the small volume in 1932.

## Employment

A further small recession in private employment, largely seasonal in character, occurred during the period between the middle of November and the middle



of December. In manufacturing industries working forces were reduced somewhat more than usually, and the seasonally adjusted index of factory employment computed by the Federal Reserve Board receded about 1 per cent. The most pronounced decline was shown in the textile and clothing industries. In automobile factories, working forces were increased in connection with the introduction of new models. Employment on private construction projects was sharply reduced and the number of hired farm laborers also declined in accordance with the seasonal tendency. On the other hand, the staffs of retail stores were substantially increased in order to take care of Christmas trade.

The seasonal reduction in private employment was much more than offset by the jobs which became available through the emergency expenditures of the Federal Government. The number of workers engaged in conservation work and on projects financed by the Public Works Administration was increased moderately, but the principal factor in expanding employment during December was the temporary relief work provided by the Civil Works Administration. It is reported that the C. W. A. quota of 4,000,000 jobs was nearly filled by the end of December, and as a result the number of workers without employment at the year end was probably the lowest in three years.

### Department Store Trade

During the first half of January 1934, sales of department stores in the Metropolitan area, of New York showed an 8 per cent increase over the corresponding period of 1933, and although nearly a third of the advance was attributable to the addition of liquor departments by a number of the stores, the increase in the sales of other departments, averaging over 5 per cent, was the largest since August.

In December, total department store sales in this district were about  $4\frac{1}{2}$  per cent higher than in the corresponding period of 1932, including the sales of liquor departments in some of the stores, the operation of which was begun in the first part of the month. Exclusive of liquor sales, the increase in sales amounted to about  $1\frac{1}{2}$  per cent. Although the year to year comparisons, both for total sales and for average daily sales, were more favorable than in several months, it should be noted that December 1932 was a month of particularly poor business. All localities, with the exception of Newark and Northern New York State, reported total sales higher in December 1933 than in the corresponding month of the previous year. On an average daily basis, sales of the New York City department stores showed the most favorable year to year comparison since April 1930, and sales of the Buffalo, Rochester, Syracuse, Newark, Southern New York State, and Hudson River Valley district reporting department stores showed the most favorable comparisons since last August. December sales of the leading apparel stores in this district were 11 per cent higher than in December 1932, and average daily sales showed the largest increase in several years.

For the year 1933, sales of the reporting department stores were 6 per cent lower than for 1932, despite the improvement in business after March, and sales of apparel stores showed a decline of 4 per cent.

Locality	Percentage change from a year ago			Per cent of accounts outstanding November 30 collected in December	
	Net sales		Stock on hand end of month	1932	1933
	Dec.	Jan. to Dec.			
New York .....	+ 5.4	- 5.7	+16.7	43.7	46.4
Buffalo .....	+ 6.7	- 6.3	- 0.3	38.6	42.3
Rochester .....	+10.4	- 7.8	+ 2.8	42.8	45.8
Syracuse .....	+12.7	+ 2.4	- 1.9	29.9	33.0
Newark .....	- 3.4	-11.2	+15.9	32.1	37.4
Bridgeport .....	+ 9.2	- 2.2	+ 1.9	34.9	36.6
Elsewhere .....	+ 4.2	- 4.8	- 9.9	33.2	29.4
Northern New York State .....	- 2.1	-10.2	.....	.....	.....
Southern New York State .....	+ 7.2	- 0.9	.....	.....	.....
Hudson River Valley District .....	+ 0.9	- 7.5	.....	.....	.....
Capital District .....	+ 1.9	- 5.1	.....	.....	.....
All department stores .....	+ 4.4	- 6.3	+12.8	39.3	42.6
Apparel stores .....	+10.7	- 4.0	+13.2	43.0	44.1

### Wholesale Trade

Total December sales of the reporting wholesale firms averaged 16 per cent higher than in the corresponding month of the previous year. This was approximately the same percentage increase as occurred in November. Sales of hardware, drug, grocery, paper, men's clothing, and jewelry firms showed increases over December 1932, but only in the case of the grocery and paper concerns were the advances larger than those reported in the previous month. The increase in grocery business was largely influenced by the inclusion of liquor sales in the December 1933 figure; total sales were  $43\frac{1}{2}$  per cent higher than in December 1932, but excluding liquor sales an increase of only  $3\frac{1}{2}$  per cent occurred. The remaining lines of wholesale trade showed smaller sales than in December 1932, following increases in most of the immediately preceding months.

For the year 1933, total sales of the wholesale concerns averaged 7 per cent higher than in 1932, as the rather large increases in the last eight months of the year exceeded the substantial declines which occurred in the first four months.

Of those wholesale firms that report changes in merchandise stocks, grocery and hardware firms continued to show increases over the previous year in December, while diamond and jewelry firms again reported decreases. The rate of collections of accounts outstanding at the end of the previous month averaged considerably higher in December 1933 than in December 1932.

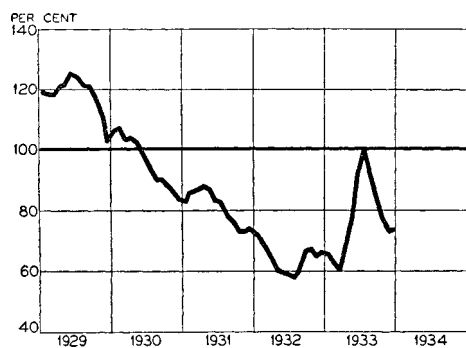
Commodity	Percentage change		Per cent of accounts outstanding		Percentage change	
	December 1933 compared with December 1932		November 30 collected in December		net sales	
	Net sales	Stock end of month	1932	1933	Dec. 1933 compared with Nov. 1933	Year 1933 compared with Year 1932
Groceries .....	+43.5	+57.1	79.9	101.9	+25.4	+13.7
Men's clothing .....	+ 5.1	.....	38.7	42.1	-43.3	+ 8.2
Cotton goods .....	- 2.4	.....	37.1	39.3	-10.8	+ 3.9
Silk goods .....	*	*	66.9	65.0	*	*
Shoes .....	-18.1	.....	39.3	35.4	-13.1	- 3.2
Drugs .....	+25.7	.....	.....	.....	-30.0	+ 8.4
Hardware .....	+ 5.5	+12.4	44.7	44.0	- 0.2	+ 1.8
Stationery .....	- 0.5	.....	56.0	46.0	- 0.2	- 9.9
Paper .....	+18.0	.....	41.8	48.4	+ 1.4	- 5.0
Diamonds .....	- 2.6	-19.4	23.0	26.4	+ 6.7	+ 3.9
Jewelry .....	+ 9.6	-31.3	.....	.....	-20.5	+ 3.5
Total average .....	+15.7	.....	54.1	61.0	- 7.0	+ 6.6

\* Figures reported by the Silk Association of America not yet available.

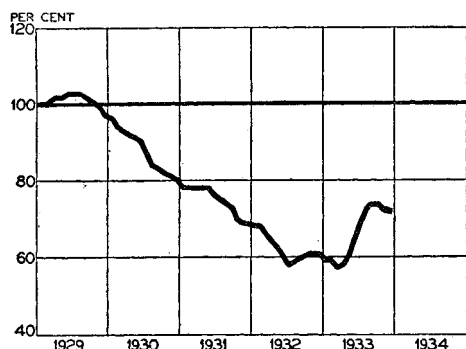


# FEDERAL RESERVE BANK OF NEW YORK

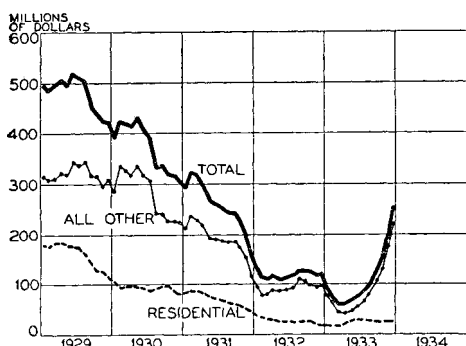
MONTHLY REVIEW, FEBRUARY 1, 1934



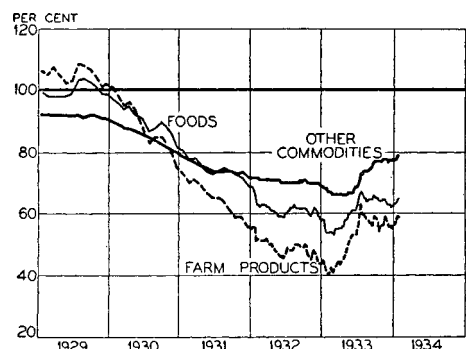
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



Index of Factory Employment With Adjustment for Seasonal Variation (1923-25 average=100 per cent)



Value of Construction Contracts Awarded (Three month moving averages of F. W. Dodge Corporation data for 37 Eastern States, adjusted for seasonal variation)



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

## Business Conditions in the United States

(Summarized by the Federal Reserve Board)

**I**NDUSTRIAL activity, as measured by the Federal Reserve Board's seasonally adjusted index, showed an increase in December, following upon four months of decline. Factory employment declined somewhat, while employment by public agencies showed a considerable increase.

### PRODUCTION AND EMPLOYMENT

The Board's index of industrial production, which is adjusted to allow for seasonal variation, advanced from 73 per cent of the 1923-1925 average in November to 74 per cent in December. For the fourth quarter of 1933 as a whole the volume of industrial output was 13 per cent larger than for the corresponding period of 1932. Activity in the steel industry, contrary to seasonal tendency, increased considerably in December and there was also an increase in the output of automobiles. Shoe production declined by an amount smaller than is usual in December. At textile mills, activity declined further by considerably more than the usual seasonal amount to about the low level of last spring.

The number of employees at factories declined between the middle of November and the middle of December by somewhat more than the usual seasonal amount, reflecting chiefly reductions in working forces at cotton, woolen, and silk mills and at clothing factories. At automobile factories there was a substantial increase in employment.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased further in December and the first half of January. There was a large increase in contracts awarded for public works and private construction also increased. In the fourth quarter of 1933 as a whole construction contracts in 37 States totaled \$500,000,000 as compared with \$300,000,000 in the last quarter of 1932.

### DISTRIBUTION

Freight car loadings, particularly of miscellaneous freight, declined in December as compared with November by less than the usual seasonal amount. Dollar value of sales by department stores showed an increase slightly larger than is usual for December.

### DOLLAR EXCHANGE

The foreign exchange value of the dollar which had fluctuated around 64 per cent of parity from the end of November to January 13, declined to 62 per cent on January 17, and subsequently advanced to a range from 62 to 63 per cent.

### PRICES

Wholesale commodity prices, which had shown a slight decline between the middle of November and the third week of December, advanced in the following month, reflecting chiefly increases in the prices of farm products and foods. Cotton and grains showed marked increases and livestock prices also advanced somewhat.

### BANK CREDIT

At the Reserve Banks the seasonal return of currency from circulation after the holiday demand amounted to about \$250,000,000 from the high point on December 22 to January 17. A large part of the funds arising from this inflow of currency to the Reserve Banks was added to the reserve balances of member banks, with the consequence that these balances increased by January 17 to \$900,000,000 in excess of legal requirements.

The return flow of currency from circulation and the reduction of balances held by commercial banks for the United States Government were reflected in an increase of demand deposits at reporting member banks. Loans of the banks declined between December 13 and January 17, while holdings of United States Government and other securities increased.

Short term money rates in the open market, which had shown a slight advance in December, declined in January to the previous level.