

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

August 1, 1934

Money Market in July

The flotation of new security issues other than direct obligations of the United States Government has been increasing during the past few months, and in July the volume reached the largest monthly total since the first part of 1931. The accompanying diagram measures the extent of the resumption of borrowing through the capital market which has occurred thus far. Despite this considerable increase, the volume of security issues remains limited in comparison with the flotations during the period of 1925-1930.

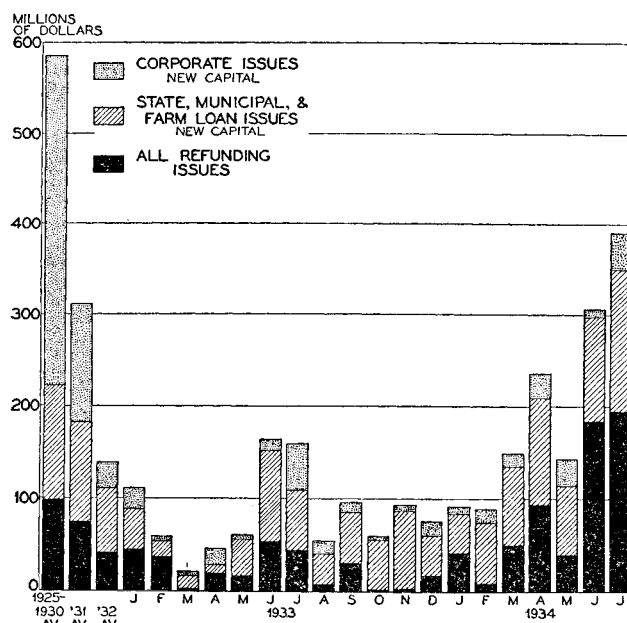
For the first half of this year, the volume of new security issues totaled \$1,007,000,000, exclusive of direct obligations of the United States Government. This amount is more than twice the flotations in the corresponding period of 1933 but is considerably less than half the total for the first six months of 1931. Refunding issues of all kinds aggregated over \$400,000,000 which is a larger volume than in any of the past four years except 1931. Issues for the raising of new capital totaled nearly \$600,000,000, of which State, municipal, and farm loan issues accounted for about \$500,000,000.

A considerable resumption of private capital issues has characterized previous recoveries of business from depressions. In the 1920-1922 period, for example, new security issues increased considerably in advance of a rise in commercial loans of the banks. After depression, the primary needs for funds appear to be for meeting maturing obligations, and for improvement and expansion of plant and equipment. These are long term needs normally financed by security issues rather than by short term commercial accommodation. Increases that occur in commercial loans during the early stages of a recovery tend to be offset in the aggregate by continuing liquidation of old loans. As indicated above, most of the corporate issues so far offered have been in the nature of refunding operations to cover requirements which up to this time have been provided for by the banks or the Reconstruction Finance Corporation or by extensions granted by security holders.

Among the July corporate security offerings, the principal issues were \$50,000,000 Pennsylvania Railroad long term bonds, yielding 4.37 per cent, \$50,000,000 Baltimore and Ohio Railroad 5 year notes, yielding

4½ per cent, and \$35,000,000 of Edison Electric Illuminating Company of Boston 3 year notes, yielding 3 per cent. One of the purposes of the Baltimore and Ohio issue is to retire indebtedness to the Reconstruction Finance Corporation. The railroad issues, as has been the case for many years, were subject to approval by the Interstate Commerce Commission, but not the Federal Trade Commission. The public utility issue was floated after its registration with the Federal Trade Commission had become effective and was the first issue subject to such registration which has been offered since the Securities Act of 1933 was amended.

In the State and municipal financing field, the sale of \$72,000,000 of securities by the City of New York was an important step in reducing interest charges on outstanding debt. The average cost to the City on \$60,000,000 of 1-15 year serial bonds was around 3.80 per cent and on \$12,000,000 of short term corporate stock notes 1½ per cent. The proceeds of this sale will be used to retire securities bearing higher coupons. In addition to the interest saving, this refunding will allow the City to issue



Offerings of New Domestic Security Issues, Exclusive of Direct Obligations of the United States Government (Commercial and Financial Chronicle figures without investment trust issues; July estimated from weekly data)

new corporate stock in payment of contract and land purchase liabilities.

On July 23 the Secretary of the Treasury, on behalf of the Federal Farm Mortgage Corporation, offered \$100,000,000 of 3 per cent Federal Farm Mortgage Corporation bonds maturing in 1944-49. These bonds were sold to the highest bidders at an average price of 100.559 and an average yield of 2.92 per cent to the earliest call date. The Corporation on receipt of the funds on August 1 is to use the greater part of the proceeds to repay advances by the Reconstruction Finance Corporation to the Federal Land Banks and to return deposits of public moneys made in these banks by the Treasury.

Toward the end of the month, the offering and distribution of new security issues were retarded by declines in the prices of outstanding securities.

EXCESS RESERVES

Currency requirements for the June month end and Independence Day holiday amounting to about \$100,000,000 and some increase in Treasury cash and deposits at the Reserve Banks resulted in a reduction in the excess reserves of all member banks to about \$1,600,000,000 in the opening days of July. In the succeeding weeks, a decline in currency circulation to its seasonal low point and a large excess of Treasury disbursements over receipts caused excess reserves to rise to a new high figure of around \$1,900,000,000.

In New York City, surplus bank reserves dropped from around \$575,000,000 at the end of June to \$425,000,000 in the first week of July; one of the principal losses of funds resulted from the repurchase by several New York City institutions of the capital notes which they had previously sold to the Reconstruction Finance Corporation, and other losses occurred through holiday currency requirements and Treasury transactions. A substantial inflow of funds to New York from other parts of the country soon developed, however, which together with continued gold imports had the effect of raising excess reserves of the City banks to the neighborhood of \$600,000,000 toward the end of July. With the exception of yields on short term Government securities which declined slightly further, there was no change during July in short term money rates in the New York market,

Money Rates at New York

| | July 31, 1933 | June 29, 1934 | July 31, 1934 |
|--|---------------|---------------|---------------|
| Stock Exchange call loans | 1 | 1 | 1 |
| Stock Exchange 90 day loans | *1 1/4-1 1/2 | *3/4-1 | *3/4-1 |
| Prime commercial paper—4 to 6 months | 1 1/2 | 3/4-1 | 3/4-1 |
| Bills—90 day unindorsed | 1/2 | 1/2-1/4 | 1/2-1/4 |
| Customers' rates on commercial loans | †3.24 | †2.13 | †2.10 |
| Treasury securities | | | |
| Maturing December (yield) | 0.08 | No yield | No yield |
| Maturing March (yield) | 0.40 | No yield | No yield |
| Maturing December 1935 (yield) . . . . . | .... | 0.28 | 0.22 |
| Average rate on latest Treasury bill sales | | | |
| 91 day issue | 0.37 | 0.07 | 0.09 |
| 182 day issue . . . . . | .... | 0.07 | 0.09 |
| Federal Reserve Bank of New York re-discount rate | 2 1/2 | 1 1/2 | 1 1/2 |
| Federal Reserve Bank of New York buying rate for 90 day indorsed bills | 1 | 1/2 | 1/2 |

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

which continued at unusually low levels as the accompanying table indicates.

MEMBER BANK CREDIT

The total loans and investments of weekly reporting member banks in principal cities showed a moderate net increase during the five week period ended July 25, following a large rise during the preceding month. United States Government security holdings advanced \$89,000,000 further, and there was a rise of \$93,000,000 in other security holdings, but the effect of these increases was offset to a considerable extent by declines in security loans and in other loans. In New York City, total member bank credit outstanding showed no material net change, as a reduction in loans, especially in security loans in the last two weeks of the period, was nearly as large as the increases which occurred in Government and miscellaneous security holdings.

Net demand deposits both in all reporting banks and in New York City recovered the loss sustained around the middle of June through Treasury transactions. Time deposits tended lower in New York, but were slightly higher for the country as a whole, while Government deposits were reduced by recent withdrawals of part of the proceeds of Government security issues.

BILL MARKET

The amount of business transacted in the discount market during July continued in much the same small volume as for a number of months past. In the closing days of June offerings of bills to the market had increased slightly, due to sales by banks in connection with the mid-year statements, but immediately after the turn of the month bank investment demand quickly absorbed these bills. Throughout the remainder of July the small amounts of bills that came into the market moved out into investors' portfolios and the amount of bills in dealers' lists remained at a minimum. Rates continued to be quoted by the dealers only upon application, but it was indicated that most of the trading again was done at a buying rate of 3/16 per cent and a selling rate of 1/2 per cent.

The volume of bankers acceptances outstanding at the end of June reached \$534,000,000 as a result of a drop of 6 per cent during that month, the fifth consecutive monthly decline. The amount outstanding was \$237,000,000 smaller than at the end of January and \$153,000,000 smaller than in June 1933. The decline in outstandings has been the largest in domestic warehouse credits and, secondly, in bills based on export transactions. Aside from the small demand for commercial accommodation of any kind, the decline in the use of bankers acceptances has been attributed to some extent to the offering of rates on direct commercial loans which are lower than the costs of acceptance credits, including commissions and discount charges. At the end of June 90 per cent of the bills then outstanding were held by the accepting banks and bankers, leaving only about \$50,000,000 of bills available for other investors.

COMMERCIAL PAPER MARKET

Drawings of new commercial paper showed a considerable increase during the first part of July and moderate additions continued to occur until late in the month when there was some slowing down in the rate at which paper was being created. For the month as a whole, the amount of new paper drawn represented a continuation of the increase which occurred in June when the volume of paper outstanding rose 7 per cent to \$151,000,000, the largest amount since November 1931. The July drawings included a diversified list of commercial and industrial borrowers located in various parts of the country. This paper moved quickly from the dealers into investors' portfolios, as the active bank investment demand that has prevailed in recent months continued throughout most of July.

Somewhat greater importance in the rate structure was attained by the $\frac{3}{4}$ per cent quotation for prime four to six month paper around the middle of the month, but the movement was not sufficiently marked to cause a general lowering of the prevailing rates. Toward the close of the month, the range of dealers' offering rates was $\frac{3}{4}$ -1 per cent with the lower rate pertaining principally to four month maturities and the higher rate to five and six month maturities.

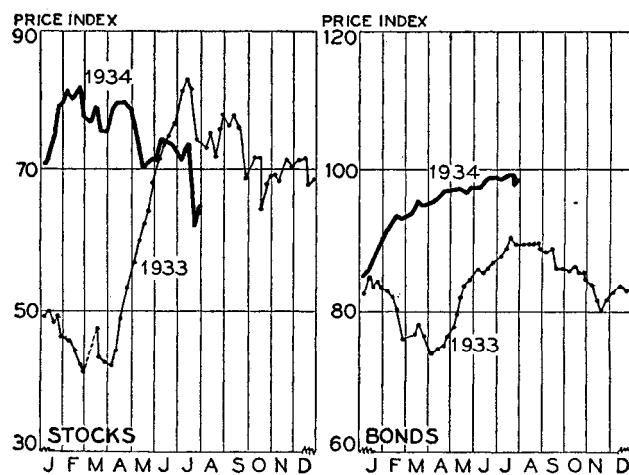
Loans to Industry

Early in July, announcement was made of the membership of the industrial advisory committee for the Second Federal Reserve District, which is to consider applications for loans by the Reserve Bank for the purpose of providing established industrial and commercial businesses with working capital, under the terms of the amendment to the Federal Reserve Act enacted on June 19. The committee consists of Mr. John B. Clark, president of the Clark Thread Company, Newark; Mr. John A. Hartford, president of the Great Atlantic and Pacific Tea Company, New York; Mr. Albert A. Hopeman of the A. W. Hopeman & Sons Company, Rochester; Mr. Charles R. Palmer, president of Cluett, Peabody & Company, Troy; and Mr. William H. Pouch, president of the Concrete Steel Company, New York. Mr. Pouch subsequently was elected chairman of the committee and Mr. Hartford, vice-chairman.

A moderate number of formal applications for this type of loan were filed with the Federal Reserve Bank of New York during July, but in addition there were a large number of inquiries concerning the possibilities of obtaining loans under this section of the Federal Reserve Act.

Security Markets

Stock prices tended to advance in a continued small volume of trading during the early part of July, reaching a point some 7 per cent above the lowest quotations touched in May and June. After the middle of July, however, stock prices declined, at first moderately, but toward the end of the month the decline was very sharp, accompanying reports of widespread crop damage inflicted by the drought and reports of the disturbances in Austria. This recession, which was accompanied by a



Movements of Stock and Bond Prices (Standard Statistics Company indexes of 421 stocks and 60 bonds)

considerable increase in turnover for a few days, resulted in a drop of 16 per cent in the general level of stock prices to the lowest level since May 1933. The public utility price averages, as a result of the decline, reached a new low since July 1932. In the closing days of July, the market steadied, and trading volume diminished, but only one-fifth of the decline in prices was recovered.

Movements in the bond market were similar to those in the stock market with the lower grade corporation issues, especially, tending to fluctuate with share prices. For the month as a whole, the bond averages composed largely of less high grade issues showed net declines of around 2 points with individual issues dropping much more, and the high grade bond averages registered recessions of about 1 point. United States Treasury bonds advanced $\frac{3}{4}$ of a point further in the first part of the month, but subsequent declines left prices showing a net decrease of $\frac{1}{8}$ point from the end of June. Foreign dollar bonds quoted in this market showed no material change until the latter part of the month when a representative price average dropped $1\frac{1}{2}$ points to the lowest level since January, reflecting general weakness in the foreign list.

In connection with the recurrent declines that have occurred in stock prices during the past three months, the accompanying diagram indicates that the current level of share prices is about 29 per cent below the highest point reached on the advance which terminated in July 1933. In contrast to the materially lower level of share prices now than a year ago, corporation bond prices are higher than in July 1933. The bond average shown in the diagram is typical of high grade issues, which have been advancing steadily since the beginning of this year and which are now nearly 10 per cent higher than a year ago, but even those bond averages that are composed of a large proportion of medium and lower grade issues show some advance over July 1933.

Gold Movement

During July gold imports at New York amounted to about \$46,000,000, representing a moderate decline from the June total. The principal amounts received were \$23,700,000 from England, \$8,200,000 from Canada,

\$8,400,000 from India, \$3,300,000 from France, and \$2,000,000 from Mexico. Imports of gold on the Pacific Coast amounted to \$2,200,000, representing shipments from China. In addition, \$2,100,000 of gold previously earmarked at this bank for foreign account was released, and receipts of scrap gold by the mints and assay offices and purchases of newly mined domestic gold each averaged at least \$2,000,000 a week. As a result of these acquisitions of gold, the monetary gold stock of the United States rose about \$75,000,000 further during July to a new high figure of about \$7,930,000,000.

Central Bank Rate Changes

On July 1 the Bank of Java lowered its discount rate from 4½ to 4 per cent, the higher rate having been in effect since August 16, 1933. The National Bank of Yugoslavia on July 16 reduced its discount rate to 6½ per cent from the 7 per cent rate which had been established on February 9, 1934; the rate on advances also was lowered to 7½ per cent from 8 per cent.

Foreign Exchange

Trading in the principal foreign exchanges was comparatively quiet during the first two weeks of July with some currencies gaining in value and others declining. During the second half of the month greater activity was evident in certain sections of the list, and three of the gold currencies were quoted for at least part of the time below their estimated gold import points to the United States. The only shipments of gold, however, came from France.

After reaching its high closing rate for the month at \$5.06½ on July 3, sterling declined to \$5.03⅞ on the 9th and remained in the vicinity of \$5.04 until late in the month when the rate was as low as \$5.03½. French francs, which fluctuated around \$0.0659¾ through July 14, rose to \$0.0660⅞ on the 16th, but this was followed by an abrupt decline to the month's low of \$0.0658⅞ on July 20, a rate below the estimated gold import point. Subsequent quotations were higher but the franc remained below the gold point. Belgas were weaker than in June and sold consistently below the estimated incoming gold point and guilders, which moved irregularly downward from a peak of \$0.6790 on July 3, were the third currency to drop below the gold import point when they closed at \$0.6760 on the 21st.

Swiss francs were stronger than in June and registered a small net gain for the month of July after touching their parity of \$0.3267 on the 16th. Reichsmarks fluctuated with considerable irregularity between a low of \$0.3833 on July 6 and a peak of \$0.3925 on the 19th, most of this gain being lost before the end of the month. Lire moved more narrowly than for several months past at a level slightly below their June average of \$0.0860⅞.

Japanese yen, the Scandinavian currencies, and the Argentine peso moved in close conjunction with sterling and showed in the main a similar measure of steadiness. The Brazilian milreis did not deviate at all from a closing rate of \$0.0850 and the Canadian dollar pursued an almost unwavering upward course. The Chinese currencies showed a small net loss during July in common with the price of silver.

Closing Cable Rates at New York

| Exchange on | Par of Exchange | July 31, 1933 | June 30, 1934 | July 30, 1934 |
|------------------|-----------------|---------------|---------------|---------------|
| Belgium..... | \$.2354 | \$.1885 | \$.2335 | \$.2345 |
| Denmark..... | .4537 | .2010 | .2256 | .2251 |
| England..... | \$.2327 | 4.4800 | 5.0450 | 5.0375 |
| France..... | .0663 | .05280 | .06595 | .06591 |
| Germany..... | .4033 | .3222 | .3861 | .3865 |
| Holland..... | .6806 | .5440 | .6778 | .6760 |
| Italy..... | .0891 | .0709 | .0856 | .0857 |
| Norway..... | .4537 | .2252 | .2536 | .2533 |
| Spain..... | .3267 | .1128 | .1366 | .1366 |
| Sweden..... | .4537 | .2315 | .2603 | .2599 |
| Switzerland..... | .3267 | .2610 | .3250 | .3261 |
| Canada..... | 1.6931 | .9300 | 1.0100 | 1.0169 |
| Argentina..... | .7187 | .3413 | .3363 | .3358 |
| Brazil..... | .2026 | .0829 | .0850 | .0850 |
| Uruguay..... | 1.7511 | .6000 | .8000 | .8000 |
| Japan..... | .8440 | .2770 | .2990 | .2991 |
| India..... | .6180 | .3380 | .3800 | .3796 |
| Shanghai..... | ..... | .2850 | .3431 | .3381 |

Foreign Trade

Total merchandise exports from the United States during June amounted to \$171,000,000, and general imports totaled \$136,000,000. Exports were considerably larger than in May, contrary to seasonal tendency, while imports showed about the average decline for this time of year. The value of exports was 42 per cent larger than in June 1933, while imports gained only 11 per cent, the smallest increase in a year.

Compared with a year ago, shipments of raw cotton from the United States to all of the major importing countries except Canada and the Far Eastern countries showed declines both in volume and value; the total quantity exported was reduced 25 per cent and the value was slightly less. Imports of raw silk were about one-third smaller in quantity and 40 per cent less in value than in June 1933. In contrast to the reduced foreign trade in textiles, the value of automobiles and accessories shipped abroad was nearly three times the small value of a year ago, and the value of imports of rubber increased almost six times. The quantity of rubber imports was more than twice the June 1933 volume.

For the fiscal year ended June 30, exports totaled somewhat over \$2,000,000,000 and imports \$1,700,000,000. These totals represent increases over the small figures for the preceding twelve month period of 42 per cent in exports and 47 per cent in imports. Available statistics covering the quantity of commodities in foreign trade during the past fiscal year show a gain of 59 per cent in imports of crude rubber and a decrease of 13 per cent in receipts of raw silk. Exports of raw cotton were also slightly less than in the year ended June 30, 1933, with the largest reductions occurring in shipments to European countries, notably Germany and Belgium. Japan imported 20 per cent more of American cotton than in the previous fiscal year.

Commodity Prices

Prices of important farm commodities rose substantially during July, owing chiefly to reports of serious crop damage caused by insufficient rainfall and intense heat. Sharp advances in cotton and in wheat, corn, and other grains followed the release of the July 1 Government crop reports and were stimulated by indications of further crop damage in July.

The price of cotton rose 1¼ cents to 13.35 cents a pound for spot delivery, and despite the subsequent loss of a small part of this advance, cotton prices in July were generally at the highest level in four years, as the accompanying diagram indicates. The rise in cotton prices was due in part to an indicated decrease of over 30 per cent in cultivated acreage under the reduction program of the Agricultural Adjustment Administration, and in part to reports of subnormal rainfall in the western part of the cotton belt.

Wheat advanced 16⅞ cents to \$1.12 a bushel for the cash price of Number 1 Northern grade. The level of wheat quotations established in July was somewhat below the temporary peak of the summer of 1933, but with that exception was the highest since 1930. A total domestic wheat crop of 484,000,000 bushels was forecast in the July 1 Government report, as compared with a short harvest of 528,000,000 bushels last year and average production of 886,000,000 bushels in 1927-31. A short wheat crop for the world as a whole is also indicated by available estimates, with a marked decline in the indicated European harvest and some reduction in the Australian and Argentine production. The prices of corn and other grains also rose considerably, accompanying reports of serious crop damage. Following a sharp advance in the previous month hog quotations fluctuated irregularly but showed little net change during July, while cattle and hide prices moved somewhat lower.

Price reductions were announced by the principal steel manufacturers early in July. As the diagram shows, these reductions tended to offset in part the sharp advances made in April, but the present level of steel prices is considerably higher than in 1932 or in 1933. Silk declined 9 cents further to the lowest price on record at \$1.07½ a pound. In general, however, the prices of basic commodities other than domestic farm products showed comparatively little change during July, and despite the large advances in the prices of principal agricultural commodities the widely inclusive index of wholesale commodity prices computed by the Bureau of Labor Statistics advanced only 0.3 of a point, standing

at 75.1 per cent of the 1926 average in the third week of July as compared with 74.8 per cent in the last week of June.

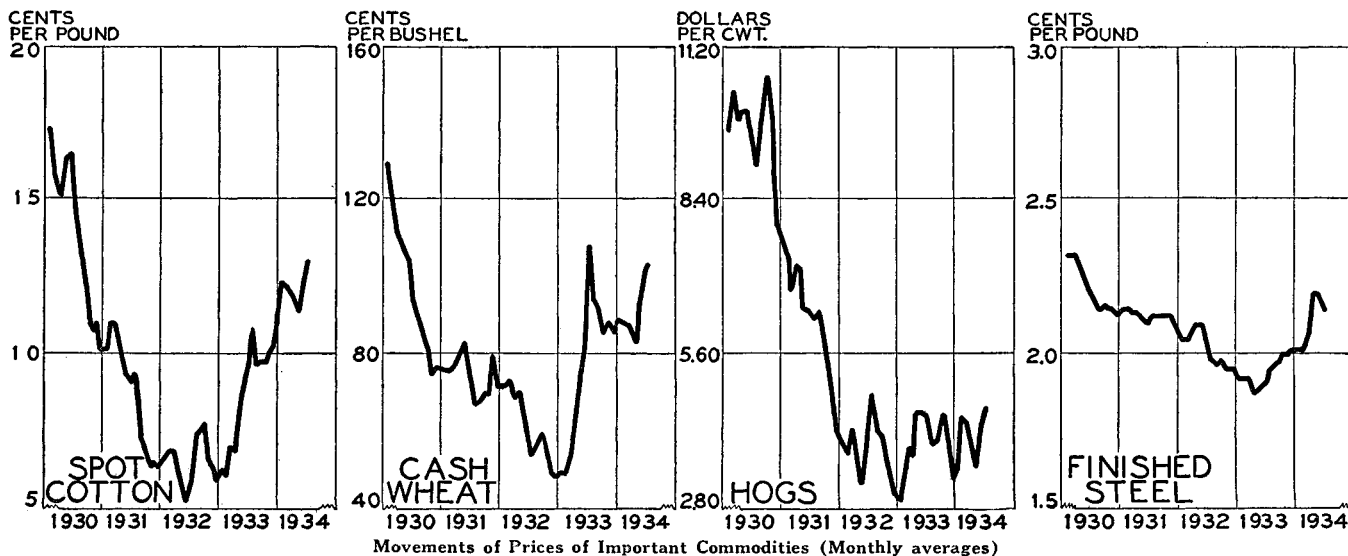
Employment and Payrolls

Employment at factories in the United States declined somewhat more than seasonally from the middle of May to the middle of June, the Federal Reserve Board adjusted index showing a decrease of 1.3 per cent. Reductions in employment appeared in manufacturing industries producing both durable and non-durable goods, but were slightly more pronounced in the non-durable group owing largely to a marked recession in the textile industry. Systematic curtailment at cotton mills as a measure to avoid overproduction was responsible in considerable part for the decreased employment in the textile group. Substantial declines were also reported in the number of factory workers in the shoe and lumber industries.

In spite of a decline in farm employment in drought stricken areas there was a small seasonal increase during June in the number of farm workers employed for the country as a whole. Little change was shown in employment in wholesale and retail trade, in private building operations, or on the railroads.

According to Government reports, the number of workers directly employed on projects financed by the Public Works Administration was increased by about 100,000 from May to June, and approximately 50,000 were added to other Federal emergency payrolls. About 1,800,000 workers in all had employment in June on the various projects financed by extraordinary Federal expenditures. The estimate of the American Federation of Labor places the total number of persons without employment of any sort in June at about 8,500,000.

As measured by the index of the Bureau of Labor Statistics, factory payrolls declined 3.1 per cent from May to June which is estimated to represent a reduction of \$4,000,000 in the weekly wages of factory workers. The income of factory workers as a group is much higher, however, than in the early months of 1933 even when allowance is made for the increase in living costs during

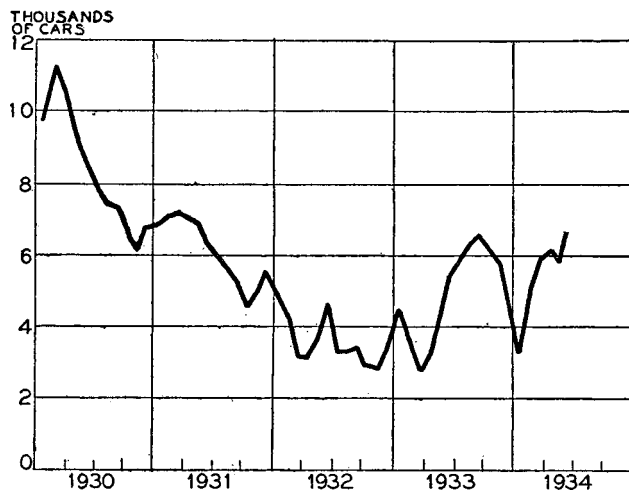


the intervening period, and the real earnings of employed factory workers have recovered virtually to pre-depression levels.

Indexes of Business^{*} Activity

For the first half of July, there was some indication that general business activity showed a slight recession. Owing in part to a marked falling off in steel shipments, a decline occurred in the volume of merchandise and miscellaneous railroad freight, which had previously remained quite stable apart from seasonal fluctuations for a number of months. As a result, this bank's adjusted index of these two classifications of freight traffic receded to the lowest level since last December. The movement of bulk commodities by rail showed no advance from the June level although the beginning of harvesting operations is usually reflected in some increase in this type of freight traffic in July. No definite reports on the volume of retail trade for the country as a whole are as yet available. In the New York Metropolitan area, sales of department stores showed a smaller than seasonal decline for the first half of the month, but labor disturbances on the Pacific coast and intense heat in much of the farming region undoubtedly tended to restrict business in these sections. Retail sales of automobiles, however, were reported to have held up in comparatively large volume for this time of year.

Divergent movements were shown during June by the various business indexes computed by this bank, but the level of business activity appears to have remained about the same as in the previous month. Among the principal measures of activity, the largest increase occurred in retail sales of passenger automobiles. Although automobile buying usually reaches a seasonal peak in May, and falls off rather sharply thereafter, June sales this year were fully maintained at the previous month's level owing chiefly to price reductions announced early in the month by most of the principal manufacturers. As the accompanying diagram shows, the volume of sales in June, after seasonal adjustment, was the highest in three years and was more than double the extremely low volume of March 1933. Increases occurred also in the



Daily Average Retail Sales of New Passenger Automobiles (Adjusted for seasonal variation)

volume of check payments and in sales of chain stores other than grocery chains. Railroad freight traffic continued at the level of the previous two months. Declines were reported, however, in sales of department stores and mail order houses, and business failures were more numerous than in the previous month.

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

| | 1933 | 1934 | | |
|--|-----------------|------------------|------------------|------------------|
| | June | April | May | June |
| <i>Primary Distribution</i> | | | | |
| Car loadings, merchandise and misc. | 58 | 60 | 60 | 60 |
| Car loadings, other. | 55 | 60 | 60 | 61 |
| Exports. | 47 | 59 | 51 _p | 56 _p |
| Imports. | 64 | 58 | 62 _p | 63 _p |
| Waterways traffic. | 55 | 70 | 67 | |
| Wholesale trade. | 100 | 86 | 94 | 88 |
| <i>Distribution to Consumer</i> | | | | |
| Department store sales, U. S. | 76 | 72 | 75 | 72 |
| Department store sales, 2nd Dist. | 79 | 73 | 74 | 69 |
| Chain grocery sales r. | 79 _r | 66 _r | 68 _r | 68 _r |
| Other chain store sales. | 75 | 73 _r | 75 _r | 78 _r |
| Mail order house sales r. | 71 _r | 71 _r | 72 _r | 67 _r |
| Advertising r. | 54 _r | 61 _r | 63 _r | 60 _r |
| Gasoline consumption. | 81 | 68 | 74 | |
| Passenger automobile registrations. | 45 | 51 _p | 48 _p | 56 _p |
| <i>General Business Activity</i> | | | | |
| Bank debits, outside New York City. | 62 | 66 | 62 | 64 |
| Bank debits, New York City. | 58 | 56 | 47 _r | 47 |
| Velocity of demand deposits, outside New York City. | 78 | 77 | 72 | 73 |
| Velocity of demand deposits, New York City. | 62 | 63 | 51 | 53 |
| Shares sold on N. Y. Stock Exchange. | 310 | 64 | 54 | 41 |
| Life insurance paid for. | 67 | 74 _r | 72 _r | 69 |
| Employment in the United States r. | 68 _r | 83 _r | 84 _r | 82 _r |
| Business failures. | 77 | 46 | 42 | 47 |
| Building contracts. | 19 | 22 | 23 | 20 |
| New corporations formed in N. Y. State. | 85 | 60 | 57 | |
| Real estate transfers. | 47 | 47 | | |
| General price level*. | 128 | 137 | 136 | 137 _p |
| Composite index of wages*. | 173 | 184 | 183 | 183 _p |
| Cost of living*. | 128 | 136 _r | 136 _r | 136 |

_p Preliminary _r Revised * 1913 average=100

Production

Apart from a sharp decline in the output of steel, no considerable change in the level of basic industrial activity, other than seasonal, is indicated by the available weekly data for July. Operations in the steel industry, which usually reach a spring peak not later than May, were maintained this year until the final week of June but subsequently declined sharply. The average rate of operations in July was less than 30 per cent of capacity as compared with a June rate of 53 per cent. The exceptional magnitude of the decline was due in part to the drawing down of inventories accumulated by industrial consumers during the second quarter. In addition there was some evidence of a recession in the demand for steel in connection with publicly financed construction and railroad equipment projects. Automobile production, however, was reported to have shown a smaller than seasonal recession, and although enforced curtailment of cotton mill operations was continued the seasonal low point in this industry is usually reached in July. The production of electric power showed little change either before or after seasonal adjustment.

During June the average level of basic industrial output showed some recession, and the Federal Reserve Board seasonally adjusted index of production of min-

erals and manufactures declined 2 points to 84 per cent of the 1923-25 average. The principal decline occurred in the textile industry, owing largely to enforced curtailment of operations at cotton mills to permit a reduction of accumulated inventories. Declines were reported also in the output of shoes, coal, lumber, and non-ferrous metals. These losses were not fully offset by recessions of considerably less than seasonal proportions in the steel and automobile industries.

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

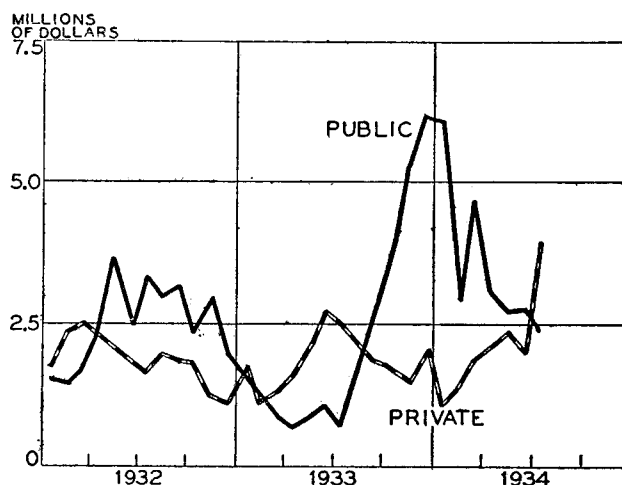
| | 1933 | 1934 | | |
|--------------------------------------|------|-----------------|------------------|------------------|
| | June | April | May | June |
| Metals | | | | |
| Pig iron..... | 39 | 49 | 55 | 59 |
| Steel ingots..... | 64 | 61 ^r | 68 | 73 |
| Lead..... | 38 | 47 | 56 | 50 |
| Zinc..... | 46 | 56 | 56 | 48 |
| Tin deliveries..... | 85 | 53 | 55 | |
| Automobiles | | | | |
| Passenger cars..... | 44 | 53 | 47 | 56 ^p |
| Motor trucks..... | 67 | 93 | 79 | 72 ^p |
| Fuels | | | | |
| Bituminous coal..... | 69 | 76 | 75 | 72 ^p |
| Anthracite coal..... | 71 | 85 | 85 | 78 ^p |
| Coke..... | 52 | 63 | 69 | 68 |
| Petroleum, crude..... | 81 | 71 | 71 | 73 ^p |
| Petroleum products..... | 71 | 66 | 66 | |
| Electric power..... | 69 | 67 | 67 ^p | 66 ^p |
| Textiles and Leather Products | | | | |
| Cotton consumption..... | 120 | 85 | 82 | 64 |
| Wool mill activity..... | 133 | 83 | 85 | 76 ^p |
| Silk consumption..... | 88 | 65 | 62 | 56 |
| Rayon deliveries..... | 150 | 76 | 76 ^p | |
| Shoes..... | 123 | 113 | 112 ^p | 103 ^p |
| Foods and Tobacco Products | | | | |
| Livestock slaughtered..... | 110 | 104 | 110 | 107 |
| Wheat flour..... | 98 | 87 | 86 | 86 |
| Sugar deliveries..... | 77 | 72 | 95 | 87 |
| Tobacco products..... | 88 | 81 | 81 | 83 |
| Miscellaneous | | | | |
| Cement..... | 43 | 45 | 48 | 46 |
| Tires..... | 79 | 86 | 70 | |
| Lumber..... | 42 | 37 | 37 | 34 |
| Printing activity..... | 59 | 64 | 66 | |
| Newsprint paper..... | 72 | 74 | 77 | 75 |
| Machine tools..... | 19 | 40 | 39 | 30 |

^p Preliminary ^r Revised

Building

The total of building and engineering contracts awarded declined about 5 per cent from May to June, despite an unseasonal rise in residential contracts, and this bank's index which is adjusted for seasonal variation, long time growth, and estimated price changes receded from 23 to 20 per cent of the trend of past years as compared with a recent high of 54 per cent reached last December. The principal element in the June decline was a recession in privately financed commercial building, following the temporary advance in May. Contracts for publicly financed construction which include chiefly Public Works Administration projects increased slightly, as the accompanying diagram indicates, while privately financed construction in the aggregate declined.

For the first half of 1934, the total of building and engineering contracts awarded in 37 States, as reported by the F. W. Dodge Corporation, was nearly twice as large as the total for the corresponding period of 1933 and 28 per cent larger than for the first half of 1932. Publicly financed construction was between three and four times as large as a year ago, and constituted two-



Average Daily Value of Building and Engineering Contracts Publicly and Privately Financed (F. W. Dodge Corporation data for 37 States; July data are for first half of the month)

thirds of all contracts, as compared with 37 per cent in 1933 and 50 per cent in 1932. Privately financed contracts this year were slightly larger than in 1933 but remained smaller than in 1932.

During the first half of July, awards of construction contracts increased considerably, whereas a seasonal decline usually occurs at this time. The rise reflected an increase in privately financed non-residential construction, while publicly financed construction declined to the lowest level since last August. The average daily amounts of contracts awarded in the first half of July are also shown in the diagram.

Department Store Trade

During the first half of July, total sales of the reporting department stores in the Metropolitan area of New York were 4 per cent higher than in the corresponding period a year ago, and excluding sales of liquor from this year's figures, the increase amounted to 2 per cent. Somewhat less than the usual seasonal recession appears to have occurred between June and the first half of July, following a counter-seasonal decline between May and June.

For the month of June, total sales of the reporting department stores in this district were approximately 31½ per cent higher than last year, a smaller percentage increase than in the previous month. A rise of 2 per cent was indicated after exclusion of sales of liquor from this year's figures. The largest percentage increases in sales were shown by the Bridgeport, Southern New York State, and Hudson River Valley District stores. The other districts also showed increases which were larger than that indicated for the Metropolitan area of New York, with the exception of the Capital district where sales were smaller than a year ago. For the first half of 1933, total department store sales in this district were 9½ per cent ahead of the corresponding period last year. Apparel store sales in June were 7 per cent larger than a year ago and the total for the first six months of this year was 15 per cent larger.

Stocks of merchandise on hand at the end of June, while remaining 11 per cent higher than the year previous, showed a smaller year to year increase than in

the preceding 10 months. Both department stores and apparel stores continued to report a higher rate of collections than a year ago.

| Locality | Percentage change from a year ago | | | Per cent of accounts outstanding May 31 collected in June | |
|------------------------------|-----------------------------------|--------------|----------------------------|---|-------|
| | Net sales | | Stock on hand end of month | 1933 | 1934 |
| | June | Jan. to June | | | |
| New York | + 2.9 | + 9.6 | +11.7 | 45.7 | 50.3 |
| Buffalo | + 7.6 | +12.9 | + 5.7 | 41.0 | 45.6 |
| Rochester | + 5.2 | +12.7 | + 6.8 | 42.7 | 46.7 |
| Syracuse | + 4.7 | + 9.3 | - 0.2 | 25.6 | 36.4 |
| Northern New Jersey | + 3.0 | + 6.1 | +16.9 | 38.6 | 43.1 |
| Bridgeport | +16.4 | +18.8 | + 3.5 | 35.3 | 39.6 |
| Elsewhere | + 5.8 | +11.2 | + 2.8 | 30.0 | 31.5 |
| Northern New York State | + 5.0 | + 2.7 | ..... | ..... | ..... |
| Southern New York State | +10.8 | +14.2 | ..... | ..... | ..... |
| Hudson River Valley District | +11.1 | + 9.4 | ..... | ..... | ..... |
| Capital District | - 6.4 | +11.5 | ..... | ..... | ..... |
| Westchester District | + 7.0 | ..... | ..... | ..... | ..... |
| All department stores | + 3.6 | + 9.5 | +10.9 | 41.6 | 46.4 |
| Apparel stores | + 7.2 | +15.2 | +32.2 | 43.1 | 43.7 |

| | Net sales percentage change June 1934 compared with June 1933 | Stock on hand percentage change June 30, 1934 compared with June 30, 1933 |
|-----------------------------------|---|---|
| Men's furnishings | +10.9 | +15.0 |
| Hosiery | + 8.9 | +10.6 |
| Men's and Boys' wear | + 8.7 | +17.5 |
| Shoes | + 8.1 | +17.6 |
| Woolen goods | + 6.6 | - 7.2 |
| Women's ready-to-wear accessories | + 5.6 | + 6.7 |
| Silks and velvets | + 3.2 | - 0.5 |
| Toys and sporting goods | + 3.1 | +11.9 |
| Books and stationery | + 3.0 | + 3.7 |
| Cotton goods | - 2.1 | + 4.6 |
| Luggage and other leather goods | - 2.9 | + 1.9 |
| Toilet articles and drugs | - 3.7 | +14.0 |
| Women's and Misses' ready-to-wear | - 3.9 | +13.1 |
| Home furnishings | - 5.3 | + 7.3 |
| Silverware and jewelry | - 6.3 | + 8.7 |
| Linens and handkerchiefs | - 7.5 | +12.6 |
| Musical instruments and radio | -12.0 | + 5.1 |
| Furniture | -14.3 | -32.7 |
| Miscellaneous | + 5.3 | + 1.9 |

Wholesale Trade

During June total sales of the reporting wholesale firms in this district averaged 4 per cent below a year ago, the first decrease since April 1933, owing largely to the fact that year to year comparisons are now being made with a period in which wholesale trade showed substantial recovery. The shoe, cotton goods, men's clothing, and diamond firms reported sizable decreases in sales from a year ago, and sales of silk goods, reported on a yardage basis by the National Federation of Textiles, were only half of the 1933 volume. The hardware, paper, drug, and jewelry concerns showed moderate changes in sales from a year ago, and in no case was the comparison as favorable as in preceding months. The stationery and grocery firms, however, reported rather substantial gains in sales over last year, although in the case of grocery concerns, the exclusion of liquor sales from the 1934 figure reduces the increase to about 1/2 per cent. For the first 6 months of 1934, sales of the reporting wholesale firms averaged 25 per cent higher than in the corresponding period of 1933.

Substantial gains over a year ago in stocks of merchandise on hand were again reported by the grocery, drug, and hardware concerns, while stocks held by the

diamond and jewelry firms continued lower than a year ago. Collections continued to average higher than last year.

| Commodity | Percentage change June 1934 compared with June 1933 | | Per cent of charge accounts outstanding May 31 collected in June | | Percentage change in net sales |
|------------------|---|--------------------|--|-------|--------------------------------|
| | Net sales | Stock end of month | 1933 | 1934 | |
| | | | | | First six mos. 1934 from 1933 |
| Groceries | +12.1 | +22.1 | 83.6 | 95.1 | +27.9 |
| Men's clothing | -17.0 | ..... | 40.7 | 39.9 | +33.9 |
| Cotton goods | -12.7 | ..... | 36.0 | 39.7 | +20.9 |
| Silk goods | -50.6* | + 9.7* | 73.9 | 61.0 | -23.4* |
| Shoes | -30.0 | ..... | 44.8 | 42.7 | + 5.8 |
| Drugs | - 4.7 | +25.0 | 23.4 | 22.2 | +12.2 |
| Hardware | + 2.4 | +22.9 | 44.3 | 48.0 | +14.2 |
| Stationery | +11.6 | ..... | 52.7 | 55.4 | +24.8 |
| Paper | + 0.4 | ..... | 40.2 | 48.1 | +26.3 |
| Diamonds | -17.1 | -14.9 | 24.6 | 28.8 | +20.1 |
| Jewelry | + 3.5 | -10.1 | ..... | ..... | +85.4 |
| Weighted average | - 4.4 | ..... | 54.5 | 57.0 | +25.4 |

* Quantity figures reported by the National Federation of Textiles, Incorporated, successor to the Silk Association of America, Incorporated; not included in weighted average for total wholesale trade.

Chain Store Trade

Total June sales of the reporting chain store systems were approximately 9 1/2 per cent higher than a year ago, a somewhat smaller increase than occurred in the previous month. Sales of the candy chains again showed a substantial gain over a year ago, which after making allowance for one more Saturday this year than last was about the same as last month's increase. Ten cent and variety chain store sales also continued well above a year ago, but in each case the percentage increase was not quite as large as in May. Sales of chain drug stores were only 1 per cent higher than a year ago, the least favorable comparison in four months, and sales of grocery and shoe chains were smaller than a year ago following increases in May. For the first half of 1934, total chain store sales were 13 per cent higher than in the corresponding period of 1933.

Between June a year ago and this year the drug and shoe chains reduced considerably the number of stores operated; sales per store of these types of chains showed a very favorable comparison with sales in June of last year, which was not indicated by the figures for total sales. Candy chains reported a moderate gain in the number of units operated in June 1934 compared with a year ago, and sales per store increased less than total sales. For all reporting lines, the increase over a year ago in sales per store was slightly larger than the increase in total sales.

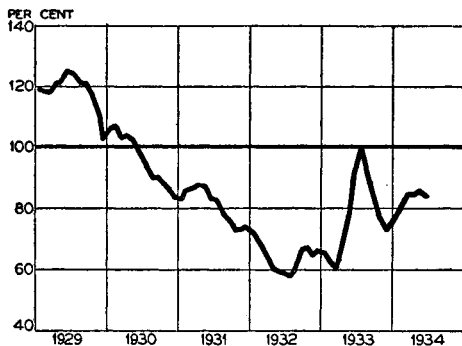
| Type of store | Percentage change June 1934 compared with June 1933 | | | Percentage change Jan.-June 1934 compared with Jan.-June 1933 | |
|---------------|---|-------------|-----------------|---|-----------------|
| | Number of stores | Total sales | Sales per store | Total sales | Sales per store |
| Grocery | - 1.4 | - 2.7 | - 1.3 | + 3.1 | + 4.6 |
| Ten cent | - 0.1 | +14.4 | +14.6 | +16.3 | +16.7 |
| Drug | -10.8 | + 1.1 | +13.3 | - 0.4 | +22.6 |
| Shoe | -22.3 | - 2.5 | +25.5 | + 8.5 | +37.3 |
| Variety | - 0.4 | +14.4 | +14.9 | +21.6 | +21.9 |
| Candy | + 6.0 | +25.4 | +18.3 | +15.0 | + 4.8 |
| Total | - 2.2 | + 9.4 | +11.9 | +13.2 | +16.1 |

FEDERAL RESERVE BANK OF NEW YORK

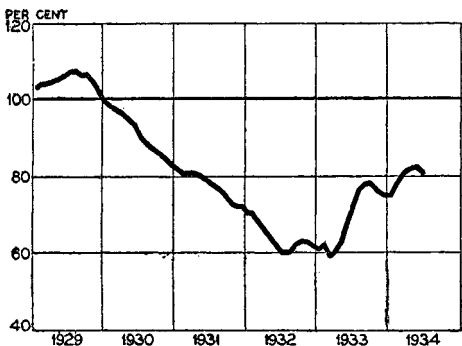
MONTHLY REVIEW, AUGUST 1, 1934

Business Conditions in the United States

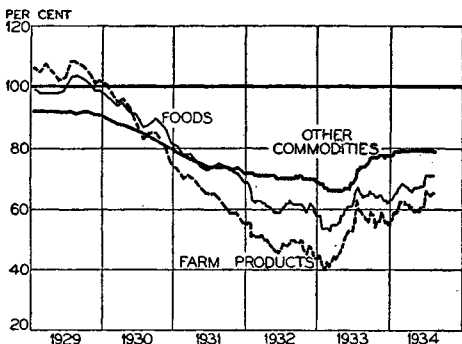
(Summarized by the Federal Reserve Board)



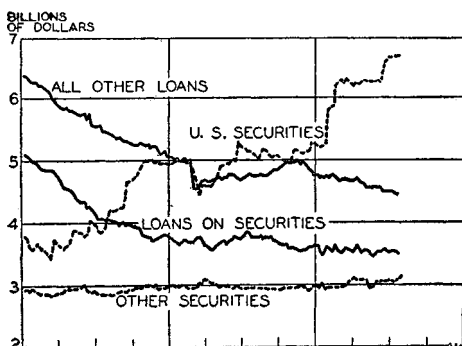
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



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



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



Wednesday Figures for Reporting Member Banks (Latest figures are for July 18)

INDUSTRIAL production, which had increased during each of the six months from December to May, declined in June by somewhat more than the usual seasonal amount. Factory employment and payrolls also showed decreases which were partly of a seasonal nature. The general level of wholesale commodity prices advanced during June and showed little change during the first three weeks of July.

PRODUCTION AND EMPLOYMENT

Volume of industrial output, as measured by the Board's seasonally adjusted index, decreased from 86 per cent of the 1923-25 average in May to 84 per cent in June, reflecting chiefly a sharp reduction in activity at cotton textile mills. Production at lumber mills and at coal mines also showed a decline. In the steel and automobile industries activity decreased in June by an amount somewhat smaller than is usual at this season. Maintenance of activity at steel mills in June reflected in part the accumulation of stocks by consumers, according to trade reports, and at the beginning of July output of steel showed a sharp decline.

Employment at factories decreased somewhat between the middle of May and the middle of June, reflecting reductions in working forces in industries producing textile fabrics, wearing apparel, leather products, automobiles, and lumber, offset in part by increases in employment at steel mills and at meat-packing establishments.

Value of construction contracts awarded, which had shown little change during May and June, showed an increase in the first half of July, according to the F. W. Dodge Corporation.

Department of Agriculture estimates, based on July 1 conditions, indicated a wheat crop of 484,000,000 bushels, compared with an average of 886,000,000 bushels for the five years 1927-1931, and a corn crop of 2,113,000,000 bushels, compared with the five year average of 2,516,000,000 bushels. Crops of other grains, hay, and tobacco were also estimated to be considerably smaller than usual. The acreage of cotton under cultivation was estimated at 28,000,000 acres, about 2,000,000 less than the acreage harvested last season. In the first three weeks of July drought conditions prevailed over wide areas, particularly in the southwest.

DISTRIBUTION

The number of freight cars loaded per working day showed a further slight increase in June followed by a decline in the first half of July. Sales by department stores decreased in June by more than the estimated seasonal amount.

WHOLESALE COMMODITY PRICES

Wholesale prices of farm products and foods generally advanced during June while other commodities as a group showed a slight decline. Hog prices increased considerably in the middle of the month while wheat declined throughout the month. In the middle of July wheat prices advanced rapidly to levels above those reached at the end of May, and there was a considerable advance in cotton, while lumber prices declined and finished steel prices were reduced somewhat from the advanced quotations previously announced.

BANK CREDIT

Between June 13 and July 18 member bank reserves increased to a new high level of nearly \$4,000,000,000, about \$1,850,000,000 in excess of legal requirements. The growth reflected chiefly a further increase in the monetary gold stock. A seasonal increase in demand for currency over the July 4th holiday period was followed by an approximately equal seasonal return flow during the succeeding two weeks. The volume of Reserve Bank credit outstanding showed little change.

At reporting member banks there was a growth of U. S. Government deposits during the five week period, reflecting chiefly the purchase in June of new issues of Government securities by the banks. Bankers' balances also increased but deposits of individuals, firms, and corporations have shown little change. Loans declined somewhat, reflecting a decrease in loans to customers, while loans to brokers showed an increase.

Money rates remained practically unchanged at the low levels prevailing in June.