MONTHLY REVIEW
of Credit and Business Conditions
Second Federal Reserve District

Federal Reserve Agent — *Federal Reserve Bank, New York* — *September 1, 1934*

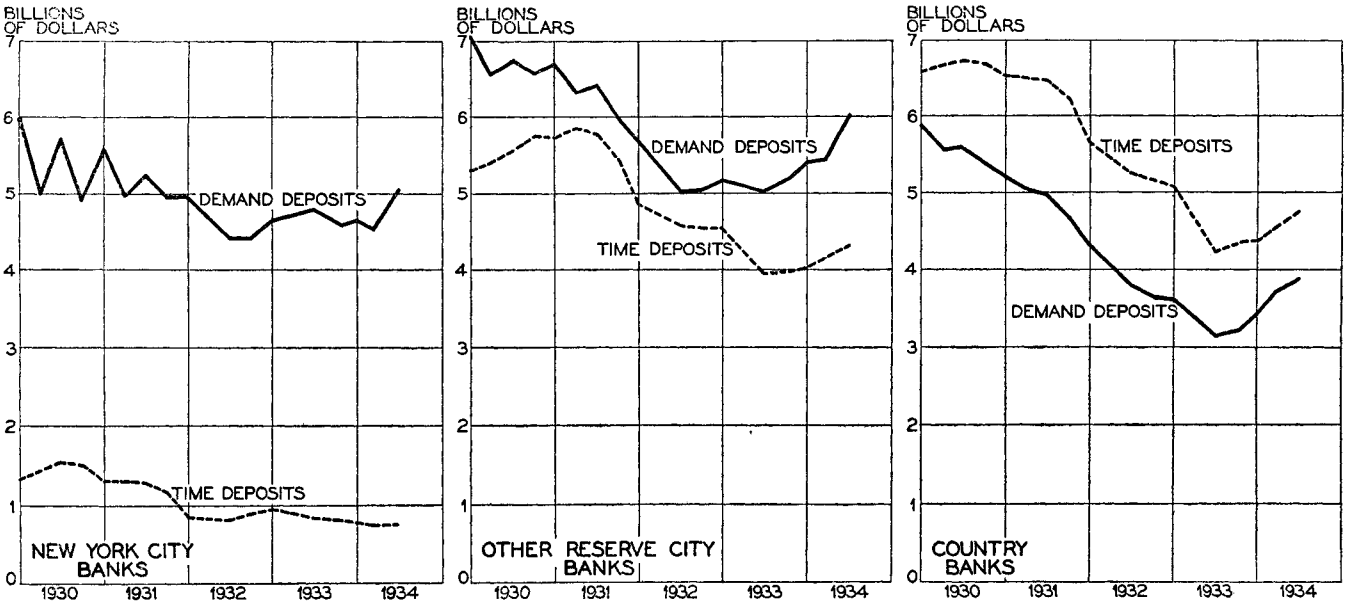
Money Market in August

During the past month bank loans other than security loans, which presumably represent largely commercial borrowing, have shown their first substantial increase since the autumn of 1933. This increase amounted to approximately $100,000,000 in the four weeks ended August 22, and apparently reflects a fairly early beginning of the financing of seasonal business activity. Of the total increase during this period, $22,000,000 was in New York City and the remainder was widely distributed among the other cities throughout the country which are covered by the weekly member bank reports. Notwithstanding the recent increase, the total volume of these loans remained $225,000,000, or about 5 per cent, below the volume of a year ago, but it is probable that at least a part of this reduction represents the charging off of old loans classified by examiners as being of doubtful value.

The weekly member bank reports also showed an increase of $141,000,000 in holdings of securities other than Government obligations during the four week period. Although detailed data are not available as to the character of these investments, it is probable that the principal factor in the increase was the purchase by these banks of Government guaranteed bonds of the Federal Farm Mortgage Corporation and the Home Owners' Loan Corporation which were issued during the first half of August. Holdings of United States Government issues showed a small net decline during the past month, probably due to the fact that maturities of Treasury bills exceeded new issues of such bills during the period.

The total loans and investments of the reporting banks have shown no increase during the past month, however, due to a substantial liquidation of security loans accompanying weakness in the security markets during a considerable part of this period. The reduction amounted to $222,000,000 in the four weeks ended August 22, which, following some reduction in the preceding month, carried the volume of security loans in the reporting banks to a new low level for at least the past ten years.

The reduction in deposits caused by the liquidation of security loans largely offset the increase in deposits caused by the increases in commercial loans and in investments, but a further moderate increase in the deposits of reporting banks, exclusive of Government deposits, again occurred, apparently due largely to Government expenditures. Government deposits in these banks declined during the four week period by about the same amount as other demand deposits increased. The further moderate increase of the past month carried



Demand and Time Deposits of All Member Banks in the United States on Call Dates
(Interbank and Government deposits excluded; last date June 30, 1934)

net demand and time deposits of weekly reporting banks to a level at least $2,000,000,000 higher than at the beginning of the year. This increase includes a substantial expansion of interbank deposits, but in addition there has been a large increase in individual deposits subject to check which are available for personal and business uses.

Data on the character and distribution of the increase in bank deposits are contained in the detailed report of the condition of all member banks on June 30, recently issued, and are shown in the preceding diagram. The demand deposits shown in this diagram consist largely of individual deposits subject to check, and exclude interbank deposits representing largely secondary reserves and excess funds deposited by the smaller banks with their city correspondents. The data after the beginning of 1933 include only deposits in licensed banks, and a considerable part of the drop in deposits in the first half of that year is due to the exclusion of deposits in unlicensed banks.

The first increase in deposits following the substantial shrinkage in the early years of the depression occurred in New York, as the first section of the diagram indicates. The elimination of interest payments on demand deposits was followed by some withdrawal of deposits from the New York banks during the latter half of 1933, however, and the greatest expansion in both demand and time deposits during the past year has occurred in other reserve city banks and in the so-called "country banks." For the country as a whole the increase in demand deposits amounted to $1,271,000,000, or more than 9 per cent, between March 5 and June 30 of this year, and was more than $2,000,000,000, or about 16 per cent, during the year ended June 30. At the same time there was a substantial rise in time deposits, chiefly in the form of deposits evidenced by savings pass books, which increased more than $1,000,000,000, or approximately 17 per cent, during the year.

Excess Reserves and Money Rates

Excess reserves of member banks for the country as a whole remained during most of August around the level of $1,900,000,000 reached near the end of July. A further net increase in the monetary gold stock, due to an excess of imports during the first half of the month over the exports of the latter half, contributed some additional funds, as did also an increase of smaller proportions in Treasury currency consisting chiefly of new silver certificates. On the other hand, there was an increase in the amount of currency in circulation which presumably represents the beginning of the usual seasonal increase. In New York City excess reserves rose to new high levels, at times exceeding $675,000,000. This increase was attributable partly to gold imports and partly to an inflow of funds from other parts of the country.

Reflecting the large supply of funds available in the money market, money rates remained at very low levels throughout the month. The only noteworthy change was a slight increase in yields on short term Government securities which accompanied some recession in the prices of longer term Government obligations during the month.

Money Rates at New York

	Aug. 31, 1933	July 31, 1934	Aug. 31, 1934
Stock Exchange call loans	¾	1	1
Stock Exchange 90 day loans	*¾	*¾–1	*¾–1
Prime commercial paper—4 to 6 months	1½	¾–1	¾–1
Bills—90 day unindorsed	¼	⅛–¼	⅛–¼
Customers' rates on commercial loans	†3.19	†2.10	†2.25
Treasury securities			
Maturing December (yield)	No yield	No yield	No yield
Maturing March (yield)	0.11	No yield	No yield
Maturing December 1935 (yield)	....	0.22	0.37
Average rate on latest Treasury bill sales			
91 day issue	0.14	....	....
182 day issue	....	0.07	0.22
Federal Reserve Bank of New York rediscount rate	2½	1½	1½
Federal Reserve Bank of New York buying rate for 90 day indorsed bills	1	½	½

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

Bill Market

The bill dealers transacted a somewhat larger volume of business during the first part of August due to a moderate increase in the supply of bills coming into the market. These new bills represented to a considerable extent drawings arising from cotton transactions. The continued active investment demand for acceptances quickly absorbed these new offerings and dealers' portfolios remained at a minimum. Subsequently, conditions in the discount market again became extremely quiet. Most of the bills sold by the dealers were at a rate of ⅛ per cent, and their purchases were made largely at 3/16 per cent.

During July a further decline of 3 per cent occurred in the volume of bankers acceptances outstanding. The total of $516,000,000 at the end of the month was $255,000,000 below the January figure and $222,000,000 lower than a year ago. The principal decline for the month was in export bills, but other types of bills generally showed some reduction. The amount of bills held by the accepting banks and bankers increased further in July to 92 per cent of the total then outstanding.

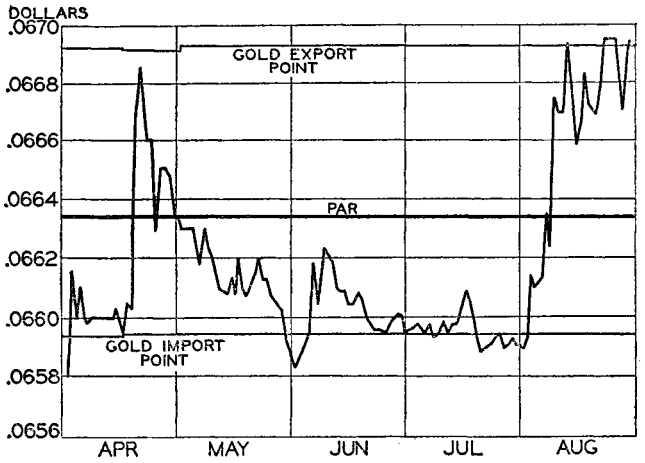
Commercial Paper Market

The volume of new commercial paper entering the open market during the first part of August showed a moderate increase, reflecting to some extent borrowings by milling concerns, but subsequently there was a decline in the amount of business notes drawn. Banking investors continued throughout the month to inquire actively for commercial paper, and current offerings by dealers of high grade paper were readily absorbed at rates ranging from ¾ to 1 per cent for the four to six month maturities. Although the ¾ per cent rate continued to be quoted more frequently than the 1 per cent rate, the range of rates remained the same as that which has prevailed since the first part of June.

In July the volume of commercial paper outstanding showed a further increase of 11 per cent. This is the sixth consecutive increase, and the volume outstanding reached $168,000,000, which is 74 per cent above a year ago and is the largest amount since November 1931.

Foreign Exchange

During August, the position of the dollar in the foreign exchange market shifted from the gold import point to the export point. Nearly all the major foreign exchanges advanced steadily against the dollar during



Daily Quotations for the French Franc at New York (Latest rate is for August 29)

the first two weeks of August, in several cases to the highest quotations since the new parity rates were established. As the accompanying diagram indicates, the French franc rose sharply from below the estimated gold import point on August 1 to above the export point from New York on the 11th, and then, coincident with some export of gold, declined through the 15th. On August 22 to 25 and again on August 29 to 31 the franc reattained the export point from New York and in each case gold shipments resulted. Belgas, Swiss francs, and guilders moved with the French franc; in fact the Belgian and Swiss exchanges were frequently stronger than the French currency. Reichsmarks gained fairly steadily during the first three weeks of August to a high of $0.4021 on the 20th, which was closer to their new parity than at any time since its establishment, but later quotations were somewhat lower. Lire advanced to $0.0872½ on the 13th and were quoted only slightly below that level thereafter.

The course of sterling was an exception to the general tendency of the principal foreign exchanges in the second half of the month. After advancing from $5.03⅜ on August 1 to $5.11¾ on the 11th, along with a rise in other currencies, the pound declined to $5.01½ on the 30th and was below $5.00 on the 31st for the first time since early February.

Closing Cable Rates at New York

Exchange on	Par of Exchange	Aug 31, 1933	July 31, 1934	Aug. 30, 1934
Belgium	$ .2354	$ .1990	$ .2346	$ .2380
Denmark	.4537	.2025	.2251	.2242
England	8.2397	4.5275	5.0350	5.0150
France	.0663	.05578	.06591	.06694
Germany	.4033	.3395	.3875	.3995
Holland	.6806	.5730	.6762	.6869
Italy	.0891	.0748	.0857	.0870
Norway	.4537	.2275	.2532	.2520
Spain	.3267	.1190	.1367	.1388
Sweden	.4537	.2335	.2598	.2586
Switzerland	.3267	.2748	.3260	.3314
Canada	1.6931	.9500	1.0169	1.0225
Argentina	.7187	.3605	.3357	.3343
Brazil	.2026	.0839	.0850	.0850
Uruguay	1.7511	.6600	.8000	.8000
Japan	.8440	.2681	.2991	.2998
India	.6180	.3410	.3790	.3789
Shanghai	.....	.2875	.3388	.3431

Gold Movement

The gold import movement to this country which began last February continued to about the middle of August, and the receipts for the month totaled $44,500,000, including $20,000,000 from England, $9,300,000 from India, $6,700,000 from Canada, $6,300,000 from France, and $1,800,000 from China. After the middle of August gold imports largely ceased, owing to the decline in dollar exchange to the gold export point, and between August 15 and the end of the month a total of $13,700,000 of gold was exported, of which $11,700,000 went to France and $2,000,000 to Belgium.

Other transactions during the month affecting the monetary gold stock included the release of $1,100,000 of gold previously earmarked at this bank for foreign account, and receipts by the mints and assay offices of newly mined domestic gold and of scrap gold averaging about $1,700,000 and $1,600,000, respectively, a week. There was also an import of $2,100,000 of gold from Colombia which was immediately earmarked and consequently had no effect on the monetary stock of the country. In the aggregate, this country's gold stock showed a net rise of about $50,000,000 for the month.

Central Bank Rate Changes

Effective August 28 the National Bank of Belgium reduced its rate of discount for acceptances from 3 to 2½ per cent. The previous rate had been in effect since April 26 when it was lowered from 3½ per cent.

Security Markets

Some recovery in stock prices has occurred since the latter part of July, although trading on the Exchange has been very inactive. The advance in August was highly irregular but nevertheless was of sufficient proportions so that near the end of the month about one-half of the sharp decline in average prices that occurred toward the end of July had been canceled. In the closing days, however, a declining tendency prevailed. Industrial shares showed the greatest recovery in August. Railroad stocks remained close to the lowest levels since the spring of 1933 and utility stocks rose only slightly above the lowest levels in recent years. Bank stocks showed a further net decline in August.

High grade investment bonds declined further in the first part of August; domestic corporation issues dropped 1 to 2½ points between the 1st and 13th of the month and United States Treasury bonds showed an average decline of about 1½ points through August 11. Lower grade corporate issues also receded during this period, accompanying the issuance of unfavorable reports on important lines of business activity. As a result, the currently available daily averages of corporate bond prices reached the lowest levels since the first quarter of this year. Subsequently, lower and medium grade bonds recovered coincident with a net advance in stock prices, and toward the end of the month were at about the same levels as at the beginning of August. The recovery in high grade bonds, however, was of smaller proportions and these issues remained at lower levels than at the beginning of August. For high grade cor-

porate issues the net decline for the month was around ½ to 1½ points, and in Treasury bonds the net recession was about 1 point.

New Financing

Accompanying some unsettlement in the prices of outstanding bonds, public offerings of new securities proceeded in August at a slower rate than during July. A large part of the month's total was represented by an offering by the Secretary of the Treasury of $150,000,000 of Home Owners' Loan Corporation bonds, guaranteed both as to principal and interest by the United States. Tenders for these bonds were received from the public in the amount of $233,000,000, but only $127,000,000 were accepted by the Treasury—at prices which gave an average yield of 1.15 per cent on the 2 year series, 1.77 per cent on the 3 year series, and 2.01 per cent on the 4 year series. The remainder of the bonds was taken up by the Treasury for its various investment funds. The Federal Intermediate Credit Banks also sold an issue of $15,000,000 of short term debentures, largely to replace maturities of $11,000,000.

Public offerings of other securities were limited to a total of about $20,000,000, which comprised a $8,500,000 public utility issue and several small municipal issues aggregating $11,000,000. In addition a $50,000,000 loan was arranged by a group of New York City banks for the Dominion of Canada to refund securities which have been called for payment on September 1, but no public offering of securities was entailed in this financing. There was also $10,500,000 of oil company refunding which was arranged through the private placement of the new securities.

Direct financing by the United States Government in August was entirely in the form of Treasury bills. Maturities of 91 and 182 day bills aggregating $451,000,000 were largely replaced by sales of $376,000,000 of 182 day bills. The cost of Treasury bill issues advanced slightly, the rate on the issue dated August 29 being 0.22 per cent as compared with 0.07 per cent on the last July issue.

Business Profits

Reflecting the maintenance of a somewhat higher level of industrial output than in 1933, earnings reports which have become available from 276 industrial and mercantile companies indicate that aggregate profits during the second quarter of this year were double those of the corresponding period of last year, which was the first quarterly period in nearly two years in which business generally earned any appreciable amount of net profits. Profits of these companies were also about 20 per cent larger than in 1931. These companies represent numerically only a small sampling of all businesses in the country, and in the main constitute the largest and strongest concerns. Consequently the comparison is a much more favorable one than would be shown if interim reports were available for all concerns.

Despite the large percentage increase in corporate profits, the return on invested capital remained low relative to previous years; as compared with the average for the 1925-1929 period, second quarter profits were only about one-half as large. The increase in aggregate profits over 1933 was due in large part to the fact that the steel and oil companies earned some net profit this year, whereas their operations last year resulted in sizable deficits. The profits of the chemical and electrical groups of companies also increased considerably over a year ago. These increases, however, were offset to some extent by smaller profits reported by the automobile group, despite a materially larger volume of business.

For the first six months of the year, reports available for 407 industrial and mercantile companies indicate that net profits were about five times those of the first half of 1933, due chiefly to the much larger year to year increases in the first quarter than occurred in the second quarter of this year. Virtually all groups of companies reported better earnings for the half year than in 1933, the exceptions being the aviation and shipping groups, which showed deficits this year as against some net profit last year. The only other group to show a combined deficit was the railroad equipment companies, but in this case the deficit was smaller than last year's. The number of companies of all kinds reporting deficits through operations in the first half of the year decreased from 46 per cent of the total in 1933 to 24 per cent in 1934.

Net operating income of telephone companies, both for the second quarter and half year, was somewhat larger than in 1933, but was less than in 1932. Net earnings of other public utility companies, however, declined further to a new low level for recent years, despite a generally higher level of business than a year ago. Net

(Net profits in millions of dollars)

Corporation groups	Second quarter				First six months			
	1931	1932	1933	1934	1931	1932	1933	1934
Automobile	61.1	1.3	47.7	41.3	89.7	3.4	45.5	69.9
Automobile parts and accessories (excl. tires)	5.2	— 1.8	4.1	8.6	9.0	— 6.5	— 0.4	17.2
Aviation	1.0	— 1.5	2.9	— 0.4	1.8	— 1.3	3.1	— 1.0
Building supplies	1.9	— 2.3	— 1.1	0.9	5.5	— 3.6	— 3.7	1.9
Chemicals and drugs	27.1	11.7	17.4	25.0	54.8	30.9	30.1	51.6
Clothing and textiles	0.1	— 2.2	0.7	0.2	— 0.3	—15.6	0.6	1.6
Coal and coke	0	— 1.5	— 1.4	0.5	0.6	— 2.2	— 2.4	2.2
Copper	— 0.7	— 1.4	— 1.3	0.3	— 1.3	— 3.9	— 4.2	2.2
Electrical equipment	11.6	0.4	0.3	7.4	19.8	2.1	— 2.2	10.5
Food & food products	38.2	28.3	29.5	28.6	96.6	71.8	63.9	67.9
Household supplies	2.0	— 0.1	1.9	2.5	18.3	— 3.1	8.2	14.2
Leather and shoes	....	....	....	....	6.1	2.1	4.3	7.2
Machinery	0.6	— 2.3	— 1.9	3.0	3.3	— 7.8	— 7.2	3.5
Metals & mining (excl. copper, coal, & coke)	5.3	2.0	5.9	9.7	13.3	7.1	11.2	24.2
Motion picture	— 2.1	— 6.8	— 1.3	1.6	3.4	—10.3	— 2.4	6.0
Office equipment	3.2	0.9	1.6	3.2	5.6	2.6	2.7	5.9
Oil	—28.1	13.8	— 6.7	12.7	—40.6	12.6	—34.1	28.2
Paper	1.1	— 0.2	0.3	0.8	3.0	— 0.5	0.2	2.6
Printing and publishing	3.7	2.1	0.3	2.3	10.7	5.8	2.2	5.1
Railroad equipment	2.1	— 1.7	— 1.7	1.4	4.6	— 4.4	— 5.9	— 0.5
Rubber and tires	....	....	....	....	— 1.2	— 5.8	— 4.1	3.5
Shipping	0.9	0.3	0.4	0	0.3	— 0.6	0.1	— 0.7
Steel	8.0	—36.4	—14.4	20.3	16.9	—69.2	—51.2	14.6
Stores	....	....	....	....	10.5	— 0.4	5.2	15.6
Tobacco	1.2	0.6	0.5	1.2	2.7	1.2	0.5	1.6
Miscellaneous	9.0	4.1	6.9	9.8	27.9	14.7	15.1	30.0
Total {276 cos. 2nd quar. / 407 cos. 1st half	152.4	7.3	90.6	180.9	361.0	19.1	75.1	385.0
102 Telephone cos. (net operating income)	72.3	51.2	47.1	e50.1	141.8	102.0	88.5	e99.3
72 Other public utility cos. (net earnings)	101.1	85.7	78.0	72.9	212.2	186.0	161.2	155.2
Total public utilities	173.4	136.9	125.1	123.0	354.0	288.0	249.7	254.5
148 Class I railroads (net operating income)	129.2	44.2	120.2	113.6	235.4	109.6	154.7	225.8

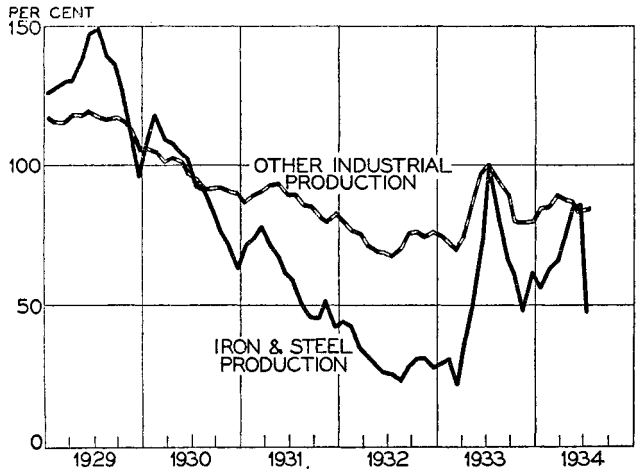
— Deficit e Partly estimated

operating income of Class I railroads in the second quarter was somewhat less than a year ago, but the total for the half year was about 50 per cent higher than in 1933, due to the rather favorable showing made in the first quarter. It appears that as a result of the decline in operating income in the second quarter there was a deficit after payment of interest and other fixed charges for these railroads as a group.

Production

Some further recession during August in basic industrial activity is indicated by the preliminary data now available. Steel mill operations were reported at 19 per cent of capacity in the latter part of the month, the lowest level since the spring of 1933, and output of the industry for August as a whole appears to have been lower than in July. Some further decline was also reported in the production of automobiles, the output of bituminous coal showed a moderate contra-seasonal recession, and the production of electric power showed a gradual decline after seasonal adjustment. Operations in the cotton textile industry remained at the curtailed level of the previous two months.

With the exception of a very sharp decline in the output of iron and steel, there was no pronounced change other than seasonal during July in the rate of basic industrial operations. Steel production, which usually reaches a seasonal peak not later than May, was maintained at a comparatively high level this year until the last week of June, owing largely to accumulation of inventories by steel consuming industries which had placed orders in advance of price increases. The sharp decline in steel mill operations during July reflected to a large extent the use of accumulated stocks, although there was also some recession in the actual steel requirements of consuming industries. As is indicated in the accompanying diagram, the level of basic industrial output, apart from iron and steel production, showed little change other than seasonal from June to July, following a moderate decline in the previous three months. Automobile production receded slightly more than seasonally, but operations in the meat packing industry were substantially increased to take care of the processing of livestock shipped from drought areas, the consumption of raw cotton by mills showed no further decline although the seasonal tendency in July is downward, and in a number of other important industries little variation was shown after allowance for the usual seasonal changes.



Indexes of Iron and Steel Production and of Other Industrial Production (Based on Federal Reserve Board's seasonally adjusted indexes; 1923-25 average=100 per cent)

(Adjusted for seasona lvariations and usual year to year growth)

	1933	1934		
	July	May	June	July
Metals				
Pig iron	59	55	59	39
Steel ingots	85	68	73	38
Lead	32	56	50	46
Zinc	61	56	48	49
Tin deliveries	98	55	54	
Automobiles				
Passenger cars	50	47	56	54*p*
Motor trucks	70	79	72	74*p*
Fuels				
Bituminous coal	82	75	71	70*p*
Anthracite coal	68	85	78	66*p*
Coke	65	69	68	55
Petroleum, crude	80	71	73	72*p*
Petroleum products	71	66	66	
Electric power	72	67	67*p*	66*p*
Textiles and Leather Products				
Cotton consumption	118	82	64	68
Wool mill activity	150	85	77	77*p*
Silk consumption	79	62	56	53
Rayon deliveries	139	76	85*p*	
Shoes	126	116	99*p*	101*p*
Foods and Tobacco Products				
Livestock slaughtered	113	110	107	126
Wheat flour	94	86	86	79
Sugar deliveries	79	95	87	62
Tobacco products	79	81	83	83
Miscellaneous				
Cement	48	48	46	43
Tires	92	70	67	
Lumber	51	37	34	32
Printing activity	64	66	67	
Newsprint paper	76	77	74*r*	74
Machine tools	30	39	30	33

p Preliminary *r* Revised

Indexes of Business Activity

During the first half of August, no consistent tendency was apparent in the available measures of general business activity. Sales of department stores in the Metropolitan area of New York appear to have shown more than the usual seasonal increase from the July level, and the dollar volume of sales was not materially different than in the first half of August last year, when consumer buying in anticipation of price increases reached its peak. Following a substantial decline in July, car loadings of merchandise and miscellaneous freight were little changed after seasonal adjustment, but the movement of bulk freight over the railroads showed a moderate contra-seasonal decline.

From June to July declines occurred in most of this bank's seasonally adjusted indexes of distribution and general business activity. After maintaining a nearly constant level since the beginning of the year, the index of car loadings of merchandise and miscellaneous freight declined 5 per cent, apparently reflecting to a considerable extent the sharp drop in shipments of steel. Furthermore, some recession occurred in sales of department stores, chain stores, and mail order houses, partly as a result of labor disturbances and intense heat in certain sections. The volume of bulk freight was maintained, however, by exceptionally heavy shipments of livestock

from drought areas, and no pronounced changes were apparent in this bank's indexes of new passenger automobile registrations and the volume of check transactions.

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

	1933	1934		
	July	May	June	July
Primary Distribution				
Car loadings, merchandise and misc.	60	60	60	57
Car loadings, other	63	60	61	60
Exports	56	51	56	55*p*
Imports	75	62	64	64*p*
Waterways traffic	59	67	67	
Wholesale trade	112	94	88	91
Distribution to Consumer				
Department store sales, U. S.	77	75	72	71
Department store sales, 2nd Dist.	77	74	69	67
Chain grocery sales	78	68	68	66
Other chain store sales	77	75	78	73
Mail order house sales	67	72	67	62
Advertising	53	63	60	58
Gasoline consumption	69	74	72	
Passenger automobile registrations	50	48	57*p*	56*p*
General Business Activity				
Bank debits, outside New York City	67	62	64	62*p*
Bank debits, New York City	64	47	47	48
Velocity of demand deposits, outside New York City	90	72	73	72
Velocity of demand deposits, New York City	75	51	53	52
Shares sold on N. Y. Stock Exchange	375	54	41	62
Life insurance paid for *r*	63*r*	65*r*	61*r*	63*r*
Employment in the United States	74	84	83	81
Business failures	71	42	47	45
Building contracts	17	23	20	21
New corporations formed in N. Y. State	83	57	60	66
Real estate transfers	44	44	49	
General price level*	132	136	137	138*p*
Composite index of wages*	176	183	183	182*p*
Cost of living*	132	136	136	137

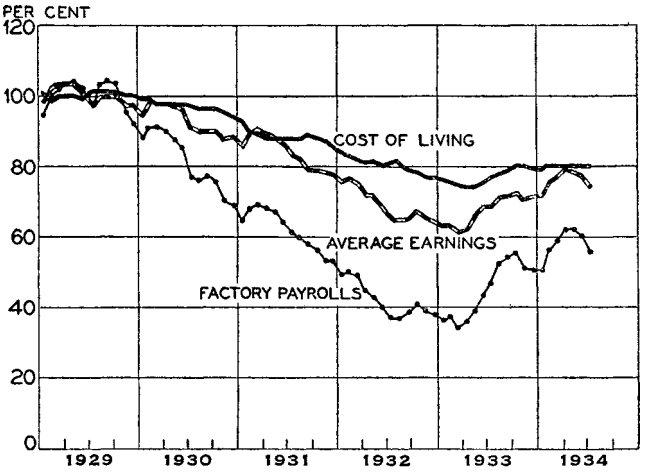
p Preliminary *r* Revised * 1913 average=100

Employment and Payrolls

Private employment continued to recede during the period from the midde of June to the middle of July. The unseasonal extent of the decline is indicated by a decrease of 2.5 per cent in the seasonally adjusted index of factory employment computed by the Federal Reserve Board. The declines in factory employment were especially pronounced in the iron and steel, textile, automobile, and building material industries, while the food products group showed a substantial increase owing in part to seasonal activity in the canning and preserving industry. The principal change in employment among the non-manufacturing groups was a larger than seasonal decline at retail establishments. A reduction was also reported in anthracite mining, while small increases occurred in private building construction and crude petroleum production. Agricultural employment declined during July in spite of harvesting operations.

The net reduction in employment in all industries reporting to the Bureau of Labor Statistics was estimated at 359,000 workers. However, during the month more than 335,000 persons were added to those employed by virtue of Federal emergency outlays. Over 200,000 were engaged by the Federal Emergency Relief Administration, about 35,000 were added to those employed on projects financed by the Public Works Administration, and there was an increase of more than 100,000 in the number of men in the Civilian Conservation Corps.

Factory payrolls showed a somewhat larger decrease than employment, this bank's seasonally adjusted index



Indexes of Factory Payrolls, Average Factory Earnings, and Cost of Living in the United States (Based on Bureau of Labor Statistics data and Federal Reserve Bank of New York cost of living index converted to a 1929 base)

indicating a reduction of 3.2 per cent from the middle of June to the middle of July. In spite of the decline in payrolls during the past two months, the current position of factory workers as a group is much better than in the early months of 1933, even after allowing for the increase in cost of living during the period. As is indicated in the accompanying diagram, factory payrolls at the 1933 low were 67 per cent below the 1929 level while the cost of living had declined only 26 per cent.

The spread between the two figures reflected, in addition to the effects of the reduction in the number of workers employed, a more rapid decline in per capita earnings than in the cost of living, due to the combined effects of part time work and wage rate reductions. During the past year, however, wage rate advances have raised the average individual income of factory workers, which is also shown in the diagram, to such an extent that the index of average individual earnings is at virtually the same level relative to 1929 as the cost of living index, indicating that the purchasing power of the income received by employed workers is now close to that of 1929. The number of factory workers employed, however, is approximately 2,500,000 or 25 per cent smaller than in 1929, and this is now the principal factor restricting the aggregate purchasing power of factory workers.

Commodity Prices

The average level of commodity prices advanced considerably during August, and the Bureau of Labor Statistics wholesale price index for the week ended August 25 stood at 76.9 per cent of the 1926 average, the highest since January 1931. This was entirely due to the continued rise in prices of farm products. From the beginning of July to the latter part of August, the farm products group in the Bureau of Labor Statistics index rose 12 per cent as a result of the effects of adverse weather conditions on agricultural production. Prices of commodities other than farm products and foods remained generally steady or showed a slight downward tendency during August. The metal products and building materials groups have receded gradually during the past two or three months, while the textile products group has been declining slowly since the end of February.

Among the principal commodities, livestock prices have shown the most rapid rise recently. An average of hog prices at Chicago, which was $4.50 a hundredweight in the latter part of July, has risen $3.37 to $7.87 a hundredweight, the highest since 1931, and steers have advanced $1.33 to $8.75 a hundredweight. Corn at Chicago rose 12½ cents further to a new high since 1930 at 81⅝ cents a bushel, and cash wheat at Minneapolis showed a net gain of 4⅞ cents to $1.15⅝ a bushel. The price of hides, which had declined 2 cents to 8 cents a pound during July and the first half of August owing to exceptionally heavy cattle slaughterings, recovered 1 cent during the latter part of the month. Rubber touched a new high since 1930 at 15 13/16 cents a pound, and silk recovered moderately following the decline of the previous month. On the other hand, domestic wool prices receded to the lowest level in over a year, and scrap steel declined 75 cents further to $11.00 a ton, as compared with $14.75 last spring.

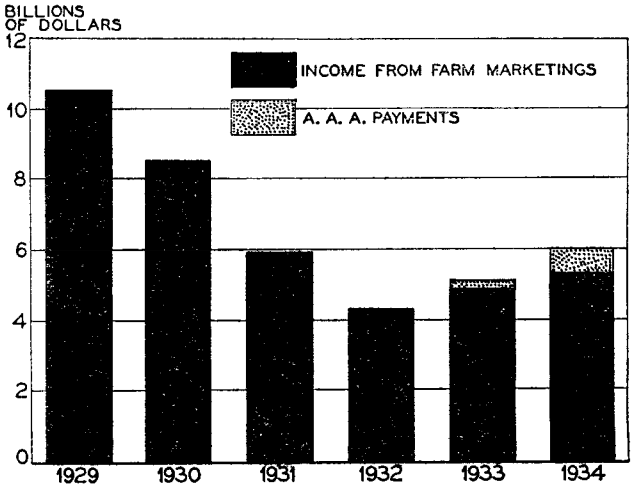
Farm Production and Income

According to the August 1 Government report, crop prospects as a whole declined nearly 11 per cent further during July as a result of continued drought and extreme heat, and on the basis of present indications yields per acre of principal crops will be about 22 per cent below the average of the last thirteen years. Since cultivated acreage also has been considerably reduced under the program of the Agricultural Adjustment Administration, the estimated production of a number of important crops, such as wheat, corn, oats, and hay, is the smallest in forty years or more. The indicated production of ten major crops, expressed as percentages of last year's harvest and of the average harvest of the past ten years, is shown in the table below. Because of a large carryover, the supply of wheat will be quite adequate for normal domestic requirements. An acute shortage of feed crops, together with extremely poor pasturage in many areas, however, accelerated the marketing of livestock and poultry, and it is expected that supplies of meat, dairy products, poultry, and eggs coming into the market during the months ahead will be smaller than for several years past, according to the Department of Agriculture report.

August 1 Indicated Production of Principal Crops

	As percentage of	
	1933 Harvest	1924-33 Av. Harvest
Cotton	70	63
Wheat	93	61
Corn	69	63
Oats	74	46
Hay (tame)	74	69
Barley	76	52
Potatoes	102	94
Tobacco	75	77
Apples	77	69
Peaches	101	84

From the point of view of aggregate farm income, the sharp advance in prices of farm products which has occurred in recent months will tend to offset the pronounced falling off in agricultural production. Farmers' cash income during 1934 is estimated by the Department of Agriculture at $6,000,000,000, which is nearly $1,000,000,000, or 19 per cent, higher than in 1933; about one-half of the increase is due to income from farm marketings and the other half to payments by the Agricultural Adjustment Administration. As the accompanying diagram shows, farmers' cash income including Agricultural Adjustment Administration payments will be the largest in four years, according to present estimates. In the first seven months of the current year farmers' receipts from marketings were about $380,000,000 larger than in the corresponding period of 1933, and an additional $183,000,000 was received this year from the Agricultural Adjustment Administration. During the remainder of the year, Government estimates indicate that farmers' income from marketings will be slightly higher than in the corresponding months of last year and that rental and benefit payments and livestock purchases by the Agricultural Adjustment Administration will total $440,000,000.



Cash Income of Farmers from Agricultural Marketings and Payments by Agricultural Adjustment Administration (Department of Agriculture data for all years—1934 partly estimated)

Foreign Trade

The foreign merchandise trade of the United States showed slightly more than the customary recession during July, which month usually marks the seasonal low point of the year. Exports valued at $162,000,000 were 12 per cent above a year ago, while imports amounting to $127,000,000 were 11 per cent below the relatively high figure for July 1933, despite increases during this period in the prices of imported goods and materials. This was the first decrease from a year previous in import values since May 1933, and the increase in exports was considerably smaller than in preceding months.

Exports of finished manufactures continued to gain substantially over a year ago, showing a 43 per cent increase in July. Shipments abroad of passenger automobiles and trucks, a considerable factor in this group of exports, were somewhat less than in June, but remained almost three times the small number of last year. The value of exports of semi-manufactures, chiefly copper and iron and steel mill products, increased 35 per cent over July 1933. Meanwhile, exports of crude materials declined sharply from the preceding month and

were 28 per cent less in value than a year ago, due largely to a 56 per cent drop in exports of raw cotton from the substantial volume of last year.

The July decline in imports was due largely to a reduction of approximately $14,000,000 from last year in the value of imports of sugar, the bulk of which recently has come from the Philippines and the Virgin Islands. This exceptional decrease, which reduced imports of sugar to a negligible amount in July, was attributed by the Department of Commerce to the exhaustion of the sugar quota for the Philippines. In quantity, a number of other leading import commodities showed substantial declines from the comparatively high volume of a year ago, when the United States was purchasing larger quantities of basic materials in anticipation of price advances and increased consumption.

Building

In July, the amount of construction work financed by private funds showed a sizable increase and as publicly financed building receded further, privately financed contracts were of larger value than publicly financed contracts for the first time since August of last year. The larger amount of private contracts was entirely in non-residential work, representing increased construction of chemical and textile plants. Residential building declined considerably from June to July and was the only major classification that was in smaller amount than a year ago. The aggregate value of building and engineering contracts reported by the F. W. Dodge Corporation was 6 per cent below June, but this decline was partly due to a difference in number of business days and the reduction in the average daily volume of contracts was less than seasonal, so that this bank's index rose 1 point in July to 21 per cent of the trend of past years.

During the first half of August, privately financed building receded from the higher level temporarily attained in July, while publicly financed construction increased.

Department Store Trade

During the first half of August total sales of the reporting department stores in the Metropolitan area of New York showed an increase of about 1 per cent over the corresponding period a year ago. Excluding sales of liquor from this year's figures, a decrease of about 1½ per cent in the volume of business was indicated, but, seasonal factors considered, August 1933 was the best month of that year for retail trade in this district.

For the month of July, total sales of the reporting department stores in this district were only a trifle above a year ago, and when liquor business is excluded from this year's figures sales were approximately 1½ per cent below last year. The year to year comparison, however, becomes somewhat more favorable when allowance is made for differences in the number of business days; stores in the Metropolitan area of New York were generally closed on the four Saturdays this year, but were open on the Saturday before Independence Day in 1933, remaining closed on the other four Saturdays. Districts which showed sales at least slightly higher than a year ago included New York, Bridgeport, Northern New York State, Southern New York State, Hudson River Valley District, and the Capital District. The Rochester stores reported a rather substantial gain in sales, but in the remaining localities sales were not as large as last year. Sales of the leading apparel stores in this district continued considerably above a year ago.

Locality	Percentage change July 1934 compared with July 1933		Per cent of accounts outstanding June 30 collected in July	
	Net sales	Stock end of month	1933	1934
New York	+ 0.4	+ 5.0	45.4	47.7
Buffalo	— 4.8	— 3.8	39.6	41.8
Rochester	+11.6	+ 0.1	39.2	42.3
Syracuse	— 2.1	— 3.3	25.0	33.3
Northern New Jersey	— 0.8	+ 6.6	38.0	40.1
Bridgeport	+ 2.9	— 4.8	36.4	37.6
Elsewhere	+ 2.0	— 2.1	30.0	29.3
Northern New York State	+ 4.4	.....	....	....
Southern New York State	+ 2.0	.....	....	....
Hudson River Valley District	+ 2.0	.....	....	....
Capital District	+ 1.0	.....	....	....
Westchester District	— 1.5	.....	....	....
All department stores	+ 0.4	+ 3.8	41.1	43.7
Apparel stores	+ 9.0	+33.4	41.6	41.9

Wholesale Trade

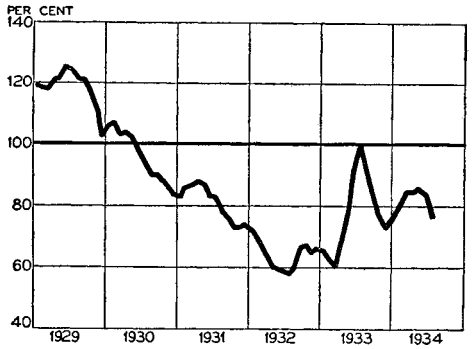
July sales of the reporting wholesale firms in this district averaged 9½ per cent below a year ago, but in this connection it should be noted that wholesale trade in July of last year was at the highest point in several years. Many lines including hardware, drugs, shoes, paper, cotton goods, and jewelry showed the least favorable comparisons in sales in over a year; in nearly all cases, however, the July 1933 sales were far above the sales of a year previous. Grocery sales exclusive of liquor declined 6 per cent from a year ago, following more than a year of uninterrupted increases. Sales of silk goods, reported on a yardage basis by the National Federation of Textiles, and sales of men's clothing and diamonds, contrary to the general tendency, showed smaller reductions from a year ago than in June, and sales of stationery concerns registered an advance over a year ago.

Commodity	Percentage change July 1934 compared with July 1933		Per cent of charge accounts outstanding June 30 collected in July	
	Net sales	Stock end of month	1933	1934
Groceries	+ 3.8	+ 7.2	84.3	90.4
Men's clothing	—12.3	.....	31.7	37.2
Cotton goods	—30.8	.....	32.4	37.9
Silk goods	—43.7*	+22.7*	64.8	63.8
Shoes	—40.7	.....	37.4	39.6
Drugs	—16.2	+28.1	20.3	18.1
Hardware	— 3.8	— 0.5	40.7	45.9
Stationery	+14.4	.....	62.3	59.0
Paper	— 0.5	.....	39.3	45.2
Diamonds	— 4.9	+14.1	21.0	27.9
Jewelry	—11.9	— 2.2		
Weighted average	— 9.6	.....	50.5	54.5

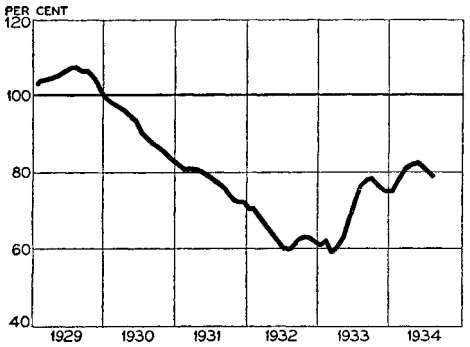
* Quantity figures reported by the National Federation of Textiles, Incorporated, not included in weighted average for total wholesale trade.

FEDERAL RESERVE BANK OF NEW YORK

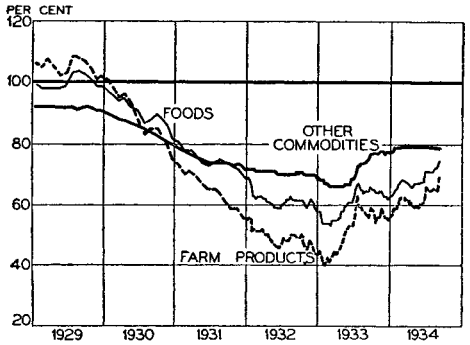
MONTHLY REVIEW, SEPTEMBER 1, 1934



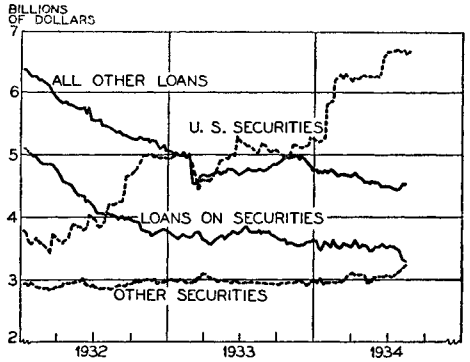
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average= 100 per cent)



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



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



Wednesday Figures for Reporting Member Banks (Latest figures are for August 15)

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL production declined in July. Factory employment and payrolls also decreased. Diminished output of steel was the chief factor in the decline of industrial activity which was larger than is usual at this season of the year. The general level of wholesale commodity prices showed little net change for July and advanced in the first three weeks of August.

Production and Employment

Volume of industrial output, as measured by the Board's seasonally adjusted index, decreased from 83 per cent of the 1923-25 average in June to 76 per cent in July. This decline reflected chiefly a sharp reduction in the output of steel, due in part to previous accumulation of stocks by consumers; and there was a further decline in steel operations during the first three weeks in August. Activity in the automobile industry decreased and there were considerable reductions in the output of pig iron and anthracite. At textile mills, where operations had been at a low level in June, activity showed little change in July Output of shoes showed a seasonal increase. Accompanying heavy marketings of cattle from drought areas there was a considerable increase in activity at meatpacking establishments.

Factory employment decreased between the middle of June and the middle of July by 3 per cent, an amount larger than is usual at this season. There were reductions in many industries producing durable manufactures, such as iron and steel products and building materials, and also at establishments producing knit goods and women's clothing. At canning establishments the number of employees increased by less than the usual seasonal amount. Employment on public projects increased further in July.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was about the same in July as in June.

Department of Agriculture estimates, based on August 1 conditions, indicate that yields per acre for principal crops are 22 per cent smaller than the ten year average, reflecting the effects of the drought. The wheat crop is estimated at 491,000,000 bushels, 37,000,000 bushels less than last year's small harvest, and the corn crop at 1,607,000,000 bushels, as compared with a five year average of 2,516,000,000 bushels. The cotton crop estimate is 9,195,000 bales, about 4,000,000 bales less than last season and smaller than in any other year since 1921.

Distribution

Total volume of freight car loadings declined in July, reflecting chiefly a reduction in miscellaneous freight, including steel shipments, offset in part by an increase in shipments of livestock. Department store sales showed a decrease of somewhat more than the estimated seasonal amount.

Commodity Prices

Wholesale prices of farm products, after fluctuating widely in July, advanced considerably in the first three weeks of August. Between the beginning of July and the third week of August, cotton, wheat, and hog prices showed substantial increases while cattle prices declined somewhat. During this period prices of commodities other than farm products and foods as a group showed little change.

Bank Credit

Member bank reserve balances increased further between the middle of July and the middle of August and on August 15 were about $1,900,000,000 in excess of legal requirements. The increase in reserve balances reflected principally a further growth in monetary gold stock offset in part during the first half of August by a seasonal increase in the total volume of money in circulation. The volume of Reserve Bank credit showed little change.

In the four weeks ended August 15, loans and investments of New York City banks decreased by $141,000,000, while those of weekly reporting banks in other leading cities increased by $116,000,000. The decrease at New York banks reflected a reduction of nearly $200,000,000 in loans to brokers and dealers in securities, following a sharp decline in security prices in the latter part of July, and a decline of $52,000,000 in holdings of United States Government securities. All other loans and holdings of securities other than United States Government obligations increased substantially at New York banks and at banks outside New York City. At outside banks holdings of United States Government securities also increased.

Average rates of discount on United States Treasury bills issued rose from .07 per cent in July to .23 per cent on August 22. Other open market money rates remained unchanged at low levels.