

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

October 1, 1934

Money Market in September

Data on the banking situation that have become available during the past month indicate a further increase in the available money supply in the form of demand deposits and currency outstanding, but a considerably less active use of funds recently than in the early months of this year. During the past year the money supply has increased by approximately 15 per cent, but in the same period the average rate of turnover of demand deposits in the principal cities has declined by about 14 per cent. In the first four months of this year there was an increase in the activity of demand deposits accompanying an expansion of business activity, but subsequently the rate of turnover of deposits has declined substantially, even after allowance for seasonal changes, and, as the accompanying diagram shows, was only slightly higher in August of this year than in the early months of 1933.

The rate of turnover or velocity of deposits is largely a reflection of changes in business activity. It is an element of flexibility by which a given money supply can be made to serve the varying monetary needs of a fluctuating volume of business. The experience of past years indicates that if the present money supply were actively used it could finance a substantially larger volume of business than at present.

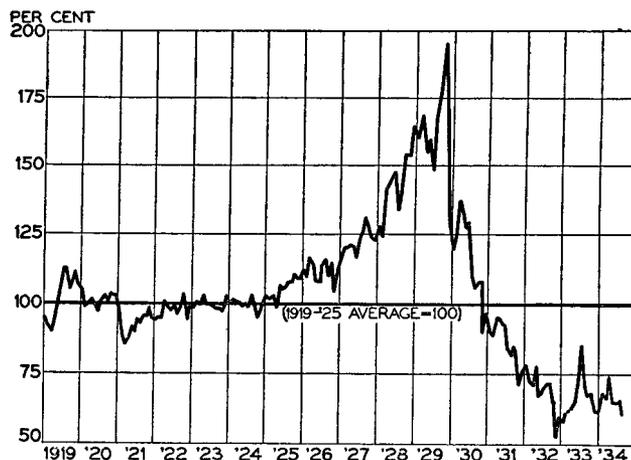
The volume of bank deposits has shown an almost continuous increase for a number of months. Demand deposits, exclusive of inter-bank deposits, in the reporting member banks in principal cities now show an increase of approximately 17 per cent over a year ago. In the same period the amount of currency outstanding has increased about 2 per cent, notwithstanding some further return flow of hoarded money to the banks. In banks outside of the principal cities, for which current reports are not available, the June 30 condition reports showed demand deposits 24 per cent larger than a year previous. The aggregate increase in the volume of demand deposits in all banks throughout the country during the past year has probably amounted to more than \$2,500,000,000, and in addition the amount of currency outstanding has increased nearly \$100,000,000 over the relatively high level of a year ago.

The increase in the volume of demand deposits has resulted chiefly from gold imports, and from purchases of Government securities by banks. New loans made by

the banks to finance commodity and other business transactions have been more than offset during the year by the repayment or charging off of old commercial loans and by a further shrinkage in the volume of loans on securities. This net decline in the volume of loans has tended to diminish the volume of bank deposits somewhat, but any reduction in deposits due to repayment of loans has been much more than offset by the large increase in deposits produced by the increase in bank investments in Government securities and in securities guaranteed by the Government.

Reports on member banks' assets and liabilities and on bank debits during the past month have indicated much the same tendencies as in preceding months. Demand deposits in the reporting member banks increased somewhat further, principally as a result of disbursements of Government funds, but the volume of checks and other items drawn on deposit accounts remained at a comparatively low level.

Loans, other than security loans, in the reporting banks—largely commercial loans—increased \$161,000,000 in the four weeks ended September 19, following an increase of approximately \$100,000,000 in the preceding month, but security loans declined \$176,000,000 further to a new low point for recent years. Holdings of Government securities showed a net decline of \$20,000,000 during the four weeks ended September 19, but holdings of other securities, including securities guaranteed by the Government, as well as municipal and corporation securities, increased \$66,000,000. The net result of



Rate of Turnover of Demand Deposits in Principal Cities (Federal Reserve Bank of New York index)

these changes was an increase of \$31,000,000 in the total loans and investments of the reporting banks.

MONEY RATES

During the first half of September yields on short term Government securities rose somewhat accompanying a decline in prices and a rise in yields on the longer term Government securities. Subsequently there appeared to be a tendency towards slightly higher levels for other money rates, which presumably represented a move to conform with the rise in yields on short term Government securities rather than a reflection of a reduction in the supply of funds. No material change in rates occurred, however, and in the latter part of the month money rate quotations were not appreciably above those of a month earlier.

Excess reserves of member banks were reduced somewhat in September, due partly to a gold export movement early in the month, but more largely to a considerable accumulation of Treasury balances in the Reserve Banks through the sale of Treasury bills in excess of maturities and withdrawals of funds from depository institutions. The volume of excess reserves for the entire country, however, remained around \$1,700,000,000 or higher, and excess reserves in New York City were above \$500,000,000 throughout the month.

Money Rates at New York

	Sept. 29, 1933	Aug. 31, 1934	Sept. 28, 1934
Stock Exchange call loans.....	$\frac{3}{4}$	1	1
Stock Exchange 90 day loans.....	$\frac{3}{4}$ - $\frac{3}{4}$	$\frac{3}{4}$ -1	$\frac{3}{4}$ -1
Prime commercial paper—4 to 6 months	$1\frac{1}{4}$	$\frac{3}{4}$ -1	$\frac{3}{4}$ -1
Bills—90 day unindorsed.....	$\frac{1}{2}$	$\frac{1}{2}$ - $\frac{1}{4}$	$\frac{3}{16}$
Customers' rates on commercial loans..	†2.92	†2.25	†2.08
Treasury securities			
Maturing December (yield).....	No yield	No yield	No yield
Maturing March (yield).....	No yield	No yield	No yield
Maturing December 1935 (yield)....	....	0.37	0.72
Average rate on latest Treasury bill sales			
91 day issue.....	0.10	....	....
182 day issue.....	....	0.22	0.29
Federal Reserve Bank of New York re- discount rate.....	$2\frac{1}{2}$	$1\frac{1}{2}$	$1\frac{1}{2}$
Federal Reserve Bank of New York buying rate for 90 day indorsed bills	1	$\frac{1}{2}$	$\frac{1}{2}$

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

BILL MARKET

Although the bill market generally remained quiet during September, there was some increase in activity occasioned by the seasonal appearance of grain bills. Dealers' portfolios tended to increase slightly in the second half of the month, as the distribution of bills was narrowed by reluctance on the part of banks to buy bills at the $\frac{1}{8}$ per cent rate at which most of the business had been transacted in the previous few months. Accordingly, in the closing days of the month it was reported that the dealers' offering rates on bills up to 90 day maturity had been advanced from $\frac{1}{8}$ to $\frac{3}{16}$ per cent. Rates continued to be quoted by the dealers only on application, however.

The volume of bankers acceptances outstanding at the end of August amounted to \$520,000,000, a total \$4,400,000 higher than at the end of July. This was the first increase to be shown since January. During August domestic warehouse acceptances outstanding rose \$7,700,000 and bills drawn to finance exports from this country rose \$4,300,000. On the other hand, import

bills declined \$5,300,000 and bills drawn to finance goods stored in or shipped between foreign countries decreased \$3,600,000. Accepting banks and bankers held 93 per cent of all bills outstanding at the end of August, leaving only \$37,000,000 of bills in the hands of others.

COMMERCIAL PAPER MARKET

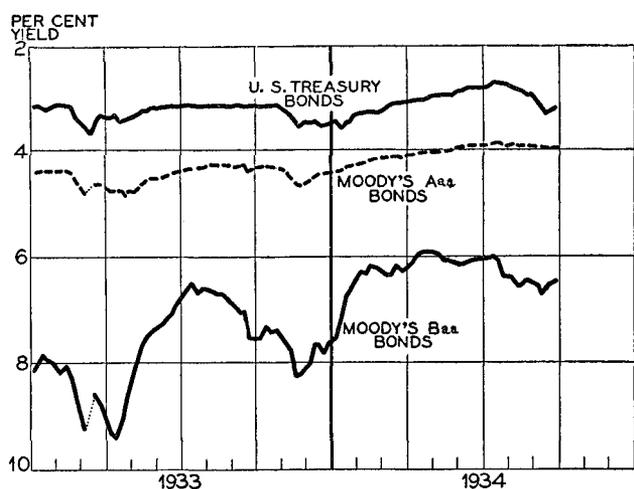
The supply of new commercial paper coming into the market increased during the first week of September, due to additional drawings by concerns in a number of lines of business, and throughout the month the supply remained of moderately large proportions. Bank investment demand was also generally active and readily absorbed this new paper, although after the middle of the month some banks no longer were interested in acquiring paper at $\frac{3}{4}$ per cent. On the whole, however, dealers continued to report that a considerable portion of their sales were made at $\frac{3}{4}$ per cent, and therefore the prevailing range of rates remained throughout September at $\frac{3}{4}$ -1 per cent, a level which has been unchanged since June.

Open market commercial paper outstanding at the end of August totaled \$188,000,000, an amount 12 per cent larger than on July 31 and 75 per cent above the level of a year ago. Although outstandings were more than three times as large as in May 1933 when the low total of \$60,000,000 was reached, they represent only a small amount when compared with figures for earlier years.

Security Markets

During the first half of September, stock prices moved lower in a light volume of trading, continuing the movement of the last week of August, and by September 17 representative price averages for all groups combined were at about the same level as was reached near the end of July when a new low since May 1933 was established. The industrial shares remained slightly above the July low while the railroad and public utility groups declined even further. After reaching these levels, stock prices turned upward and in the succeeding week or so recovered nearly two-thirds of the ground lost since August 25. In the closing days of the month a fairly steady market prevailed. The bank stock group declined rather steadily during the first part of the month to the lowest level since early January, and the subsequent recovery was less than in other stocks, so that average prices of bank stocks closed the month about 9 per cent lower than at the end of August.

All sections of the domestic bond market were also subject to price declines in the first part of September, as the accompanying diagram indicates. During this period, United States Treasury bonds showed an average decline of $2\frac{1}{4}$ points, highest grade domestic bonds receded about $1\frac{3}{8}$ points, and medium grade bonds dropped around 3 points. These declines which carried prices down to the lowest levels in a number of months were followed by some recovery in the second half of the month when Treasury bonds moved up between $\frac{1}{2}$ and $\frac{3}{4}$ of a point, highest grade corporate issues about 1 point, and medium grade bonds about $2\frac{1}{2}$ points. Furthermore, near the close of the month the prevailing price tendency in the bond market was toward higher levels. Foreign dollar



Average Yield on Various Groups of Bonds (Moody's Investors Service average yields for Aaa and Baa corporate bonds, and Federal Reserve Bank of New York average yield on Treasury bonds; scale inverted to show movement of prices)

bonds quoted in the market began to move up after the first week of the month and a representative list showed a net advance of about $1\frac{1}{2}$ points for September, in contrast to the net declines that occurred in domestic bonds during the month.

New Financing

Public offerings of new securities, other than United States Government issues, continued at a low level during September, accompanying further unsettlement in prices of outstanding securities. State and municipal issues amounted to about \$25,000,000, and there was a \$13,000,000 issue of Federal Intermediate Credit Bank short term debentures which replaced in part a maturity of \$21,800,000. Corporation financing amounted to only \$2,000,000. In addition to these public security offerings, the State of New York allotted \$75,000,000 of $\frac{7}{8}$ per cent short term revenue anticipation notes to 40 financial institutions; some of these concerns were reported to have sold portions of their allotments, but there was no general offering to the public of these securities.

The United States Treasury on September 10 announced its program for the refunding of September 15 maturities and of that part of the Fourth Liberty Loan which had been called for payment on October 15. In exchange for the \$525,000,000 of certificates maturing September 15, a $1\frac{1}{2}$ per cent two year note issue was offered, and substantially all of the maturing securities were exchanged for the new notes. In exchange for the \$1,250,000,000 of Fourth Liberty Loan $4\frac{1}{4}$ per cent bonds called for redemption, a $2\frac{1}{2}$ per cent four year note issue and a $3\frac{1}{4}$ per cent 10-12 year bond issue were offered. Interest on the Fourth Liberty's turned in on exchange for the notes and bonds was paid through October 15 and consequently enhanced the attractiveness of the exchange offering. The subscription books for the exchange of Fourth Liberty's for notes closed at the close of business September 24, with a total of \$596,000,000 exchanged, but the Treasury announced that subscription books for the exchange of called Liberty

Loan bonds for $3\frac{1}{4}$ per cent Treasury bonds would remain open until further notice. Through September 24, \$248,000,000 of Fourth Liberty's had been exchanged for the 10-12 year bonds, and the amount doubtless was increased further in the last week of the month.

In addition to the exchange offerings, the Treasury sold four issues of 182 day Treasury bills totaling \$300,000,000 during September, which provided for two maturities aggregating \$150,000,000 and also placed \$150,000,000 of new funds at the disposal of the Treasury. Average rates on these new bill issues ranged from 0.18 to 0.29 per cent.

Gold Movement

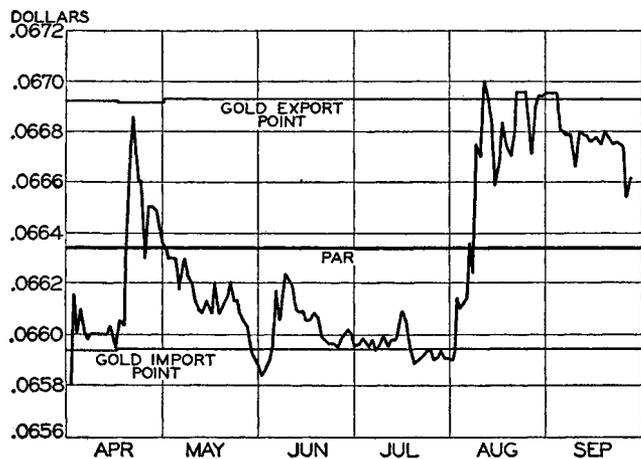
The gold export movement from this country which began around the middle of August ceased after the first week of September, accompanying a strengthening in the dollar to above the gold export point. Gold shipments for September totaled \$20,300,000, including \$17,700,000 to France, \$2,100,000 to Belgium, and \$500,000 to Holland. The total export movement, including shipments made in August, amounted to \$33,900,000.

Exports in September were largely offset by the receipt of \$500,000 from China, the release of \$1,600,000 of gold previously earmarked at this bank for foreign account, and the receipt by the mints and assay offices of newly mined domestic gold and of scrap gold averaging about \$2,500,000 and \$1,000,000 a week, respectively. Additional transactions at New York which did not affect the monetary gold stock involved the release from earmark of \$900,000 of gold for export to Chile.

Foreign Exchange

Foreign exchange movements during the early days of September were mixed; the dollar gained moderately against the gold currencies to the point where gold shipments ceased, while it declined in relation to other exchanges. Towards the end of September, however, dollar exchange rose strongly against virtually the entire list of exchanges.

On September 5, as the following diagram indicates, the French franc closed below the estimated gold export point from New York, after being above that level during much of the time since the middle of August, and fell further to \$0.0666 $\frac{5}{8}$ on the 10th. Subsequently the franc fluctuated irregularly and closed at \$0.0665 $\frac{1}{4}$ on the 27th. Guilders likewise dipped below the gold export point on the 5th and continued downward to \$0.6850 on the 10th; the export point was nearly reached again on the 19th and 20th, but this exchange weakened thereafter in accordance with the general tendency. The belga and particularly the Swiss franc declined during the first few days of the month, but in general were stronger than the French and Dutch currencies. Swiss francs closed below the estimated outgoing gold point on only four occasions before September 21, and belgas sold above or only slightly below the gold point until the general strengthening of the dollar in the final week. Lire followed the course of the gold currencies. Reichsmarks, on the contrary, advanced steadily from \$0.3992 on the 4th to \$0.4054 on the 18th, reaching their new parity of \$0.4033 on the 11th for the first time since its establishment.



Daily Quotations for the French Franc at New York (Latest rate is for September 26)

Sterling was somewhat stronger against the dollar during the early and middle portion of the month than at the opening. British exchange rose from \$4.98 $\frac{5}{8}$ on September 1 to \$5.02 on the 4th, and held above \$5.00 until the 20th when a decline developed which carried the rate to \$4.96 $\frac{3}{4}$ on the 27th. The Scandinavian currencies, the Japanese yen, and the Argentine peso fluctuated with sterling but Brazilian milreis moved more independently. The Canadian dollar rose almost without interruption from \$1.02 $\frac{3}{16}$ on the 1st to its high for the month of \$1.03 $\frac{11}{16}$ on the 22nd, but later quotations were slightly lower.

Closing Cable Rates at New York

Exchange on	Par of Exchange	Sept. 30, 1933	Aug. 31, 1934	Sept. 27, 1934
Belgium.....	\$.2354	\$.2142	\$.2381	\$.2359
Denmark.....	.4537	.2129	.2230	.2220
England.....	8.2397	4.7588	4.9900	4.9675
France.....	.0663	.05985	.06695	.06653
Germany.....	.4033	.3665	.3990	.4050
Holland.....	.6806	.6175	.6875	.6843
Italy.....	.0891	.0806	.0870	.0866
Norway.....	.4537	.2395	.2510	.2499
Spain.....	.3267	.1286	.1388	.1380
Sweden.....	.4537	.2458	.2575	.2562
Switzerland.....	.3267	.2974	.3314	.3294
Canada.....	1.6931	.9800	1.0206	1.0263
Argentina.....	.7187	.3868	.3328	.3312
Brazil.....	.2026	.0847	.0857	.0825
Uruguay.....	1.7511	.6800	.8000	.8000
Japan.....	.8440	.2819	.2987	.2960
India.....	.6180	.3580	.3783	.3745
Shanghai.....	.....	.3088	.3569	.3644

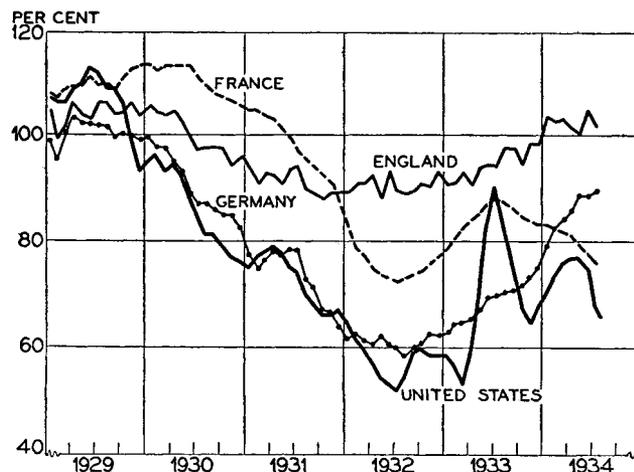
Production

The textile strike was the most important element influencing the aggregate volume of production in September, as operations in the textile industry as a whole were substantially below the curtailed level of July and August, whereas there is usually a seasonal increase in September. Automobile production decreased more than seasonally, and present tentative estimates place total output for September at approximately 30 per cent less than August. Seasonal acceleration, however, was reported in bituminous coal production, and the tendency of steel operations was also upward after the first week of September, though the average rate for the month

appears to have been somewhat lower than in August, when operations were slackening. The American Iron and Steel Institute estimated production during the final week of September at 24 per cent of capacity, as compared with 18 $\frac{1}{2}$ per cent in the first week, and an average of 23 per cent during August.

The recession in industrial output which began in June continued in August, and the Federal Reserve Board's seasonally adjusted index declined to 73 per cent of the 1923-25 average, as compared with 75 in July, 83 in June, and 86 in May. The July decline had been associated chiefly with the abrupt decline in steel mill activity in that month, while the August decline reflected principally a considerable recession in passenger automobile production as well as a further drop in steel output. There were also recessions in August in the adjusted indexes of coal, electric power, and shoe production. On the other hand, activity at packing plants increased after seasonal adjustment, and lumber output rose substantially more than is usual from July to August.

The course of industrial activity in the United States, England, France, and Germany during recent years is shown in the accompanying diagram. Although an exact comparison of the month to month changes in industrial activity in various countries is not possible in view of the differences in the composition of the available indexes and in the economic life of the countries represented, certain significant similarities and differences may be noted in the movements of the indexes. The low point in three of these four countries was reached around the middle of 1932; in England, however, the 1932 low point was slightly above the level reached in October 1931, following Great Britain's suspension of gold payments, and in the United States the index declined again nearly to the 1932 low point during the banking crisis of March 1933. The magnitude of the decline from 1929 to 1932 was much greater in the United States and Germany than in France and England. The recovery of the past two years has been much more nearly continuous in



Volume of Production in Principal Industrial Countries, Adjusted for Seasonal Variation (1928 average=100 per cent; latest data available are for United States and July for other countries)

England and Germany than in the United States, while in France a steady decline in industrial activity since the middle of 1933 has canceled the greater part of the advance in the previous year. Of the four countries shown in the diagram England is the only one in which the present level of activity compares favorably with 1929; recovery in England has been particularly pronounced in a few of the durable goods industries.

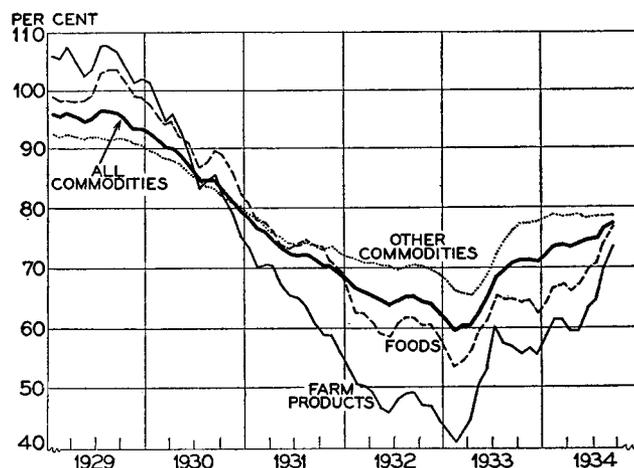
(Adjusted for seasonal variations and usual year to year growth)

	1933	1934		
	Aug.	June	July	Aug.
Metals				
Pig iron.....	60	59	39	34
Steel ingots.....	70	73	38	32
Lead.....	31	50	46	38
Zinc.....	62	48	48 ^r	48
Tin deliveries.....	90	54	53	
Automobiles				
Passenger cars.....	45	56	54	41 ^p
Motor trucks.....	68	72	74	82 ^p
Fuels				
Bituminous coal.....	82	71	70	66 ^p
Anthracite coal.....	69	78	66	58 ^p
Coke.....	69	68	55	
Petroleum, crude.....	80	73	71	68 ^p
Petroleum products.....	70	66	67	
Electric power.....	70	67	67 ^p	66 ^p
Textiles and Leather Products				
Cotton consumption.....	102	64	68	72
Wool mill activity.....	131	77	82	70 ^p
Silk consumption.....	63	56	53	53
Rayon deliveries.....	121	85	87 ^p	
Shoes.....	97	101 ^r	101	87 ^p
Leather.....	92	91	90	
Foods and Tobacco Products				
Livestock slaughtered.....	117	107	126	132
Wheat flour.....	66	86	79	77
Sugar deliveries.....	73	87	62	71 ^p
Tobacco products.....	83	83	83	82
Miscellaneous				
Cement.....	43	46	43	39
Tires.....	76	55	51	49 ^p
Lumber.....	51	34	32	39
Printing activity.....	64	66 ^r	71	
Newsprint paper.....	78	74	74	73
Machine tools.....	27	30	33	

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Commodity Prices

The advance of the previous four months in the prices of farm products was interrupted early in September, and moderate recessions occurred subsequently in the prices of several of the actively traded domestic agricultural commodities. The average price of hogs declined \$1.14 from the late August peak of \$7.87 a hundredweight, and in grain prices an upward tendency during the first week of the month was followed by an irregular downward movement, so that fractional net recessions were shown for September as a whole. The price of cotton held steady early in September but subsequently declined to 12.65 cents a pound, as compared with 13.35 cents at the end of August, and an average of steer quotations closed the month considerably below the high level reached in the previous month. On the other hand, the price of hides advanced 1 cent in September to 10 cents a pound. On the whole prices of farm products, despite some recession during the month, averaged higher during September than in any month in about 3½ years.



Bureau of Labor Statistics Monthly Indexes of Wholesale Commodity Prices (1926 average=100 per cent; September data are indexes for week ended September 22)

In general, changes in the prices of other actively traded commodities were rather narrow during September. Small recessions occurred in scrap steel, lead, zinc, and rubber, while raw silk advanced 9 cents to \$1.19½ a pound, and sugar prices increased moderately.

The advance in the general level of wholesale commodity prices during recent months has been wholly the result of sharp increases in the prices of farm products and foods, as the accompanying diagram shows. The farm products group of the Bureau of Labor Statistics index rose 25 per cent from April to September and wholesale food prices increased 16 per cent. The general level of non-agricultural prices showed only minor fluctuations during this period, advances in fuel prices offsetting declines in textile and leather products. The rise in agricultural prices was the result of a reduction in the supply of many farm products owing to exceedingly adverse weather conditions over a large part of the farming area and the curtailment of cultivated acreage under the program of the Agricultural Adjustment Administration. As the diagram indicates, the recent rise in farm prices during a period when other commodity prices remained stable has removed a large part of the disparity between agricultural and non-agricultural prices which developed from 1929 to 1933. Relative to 1926 agricultural prices now show a decline only slightly greater than non-agricultural prices. The general level of wholesale commodity prices is about midway between the 1929 average and the low of March 1933.

Employment

Factory employment in the United States showed an increase of about the usual seasonal proportions from the middle of July to the middle of August, and the seasonally adjusted index of the Federal Reserve Board showed virtually no change between these two months. There was a pronounced seasonal increase in activity in the canning and preserving, and clothing industries, but employment in the durable goods industries continued to decline, the recessions being most pronounced in the steel and automobile industries, and at railroad repair

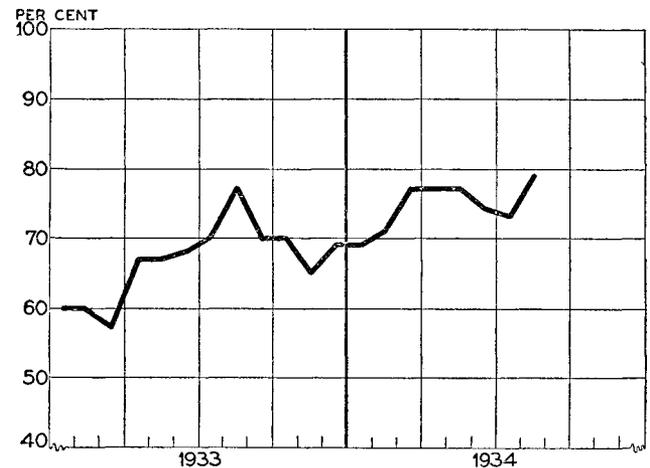
shops. The increase in the number of persons employed in factories was estimated by the Department of Labor at about 75,000. Declines in a number of the non-manufacturing industries, however, reduced the gain in private employment for all of the industries from which monthly data are collected by the Bureau of Labor Statistics to about 15,000. Among the non-manufacturing industries, anthracite coal mining showed the largest percentage drop in employment and the selling forces of retail establishments were reduced moderately, but a small increase occurred in private building construction. During September, aggregate factory employment was adversely affected by the textile strike.

The number of workers engaged on projects financed by extraordinary Federal outlays increased only slightly from July to August. There were nearly 2,240,000 persons on the Government's emergency payrolls—over 1,210,000 with the Federal Emergency Relief Administration, more than 625,000 with the Public Works Administration, 385,000 in the Civilian Conservation camps, and 18,000 on construction projects financed by loans of the Reconstruction Finance Corporation. It is estimated by the American Federation of Labor that the number of workers without jobs of any sort in August was nearly 8,600,000.

Indexes of Business Activity

A considerable increase in the volume of retail trade during August, following declines in the two preceding months, is shown by the seasonally adjusted indexes of retail distribution computed by this bank. Substantial advances occurred in the indexes of department store and mail order house sales, while chain store and automobile sales indexes remained at the previous month's level. The amount of advertising in newspapers and magazines, which is related to changes in the volume of retail business, also showed a moderate increase from July to August. Retail trade reports covering the first half of September for the New York Metropolitan area indicated at least the usual seasonal expansion in sales over August, and the dollar volume of sales was 7 per cent larger than in the corresponding period a year ago.

In general, retail trade during the past year and a half has not shown the wide variations which have characterized the movements of basic industrial activity. This is indicated in the accompanying diagram, which is based on the Federal Reserve Board's seasonally adjusted index of the dollar value of sales of reporting department stores throughout the country. In August this index was 3 per cent higher than in the corresponding month of 1933, when consumer buying in anticipation of price increases reached its peak, and was one-third above the low level reached during the first quarter of 1933, but the increase in the actual volume of goods sold has been considerably smaller, as much of the increase in dollar sales has been due to the rise in retail selling prices during the past year and a half. At the same time, a quite substantial increase has occurred in sales of durable consumers goods, such as automobiles and electric refrigerators, which are not a very large element in department store business. In general, it appears that while retail trade expanded less rapidly than industrial



Daily Average Value of Department Store Sales, Adjusted for Seasonal Variation (Federal Reserve Board index; 1923-25 average=100 per cent)

production in the early stages of recovery, it has been better sustained during recent months.

Railroad freight traffic did not show the seasonal expansion which is usual during August and while the movement of bulk commodities by rail increased seasonally in the first half of September, the rise in loadings of merchandise and miscellaneous freight was of somewhat smaller than seasonal proportions. Most of this bank's other indexes of business activity, such as bank debits and life insurance sales, receded very slightly from July to August, while merchandise imports dropped considerably, but the wholesale trade index rose moderately.

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

	1933		1934	
	Aug.	June	July	Aug.
<i>Primary Distribution</i>				
Car loadings, merchandise and misc.	56	60	57	56
Car loadings, other	62	61	60	58
Exports	44	54	52	50p
Imports	72	63	62	49p
Waterways traffic	63	67	52	
Wholesale trade	88	88	91	94
<i>Distribution to Consumer</i>				
Department store sales, U. S.	85	72	71	78p
Department store sales, 2nd Dist.	83	69	67	74
Chain grocery sales	77	68	66	66
Other chain store sales	75	78	73	74
Mail order house sales	73	67	62	67
Advertising	58	60	58	60
Gasoline consumption	75	72	69	
Passenger automobile registrations.	52	57	56p	56p
<i>General Business Activity</i>				
Bank debits, outside New York City.	61	64	62	61
Bank debits, New York City	50	47	48	43
Velocity of demand deposits, outside New York City	80	73	72	68
Velocity of demand deposits, New York City	60	53	52	48
Shares sold on N. Y. Stock Exchange r.	188r	54r	46r	
Life insurance paid for r.	64r	61r	63r	62r
Employment in the United States	77	83	81	80p
Business failures	71	47	45	44
Building contracts	20	20	21	21
New corporations formed in N. Y. State.	75	60	66	63
Real estate transfers	45	49	45	
General price level*	132	137	138	138p
Composite index of wages*	177	183	182	182p
Cost of living*	133	136	137	138

p Preliminary r Revised * 1913 average=100

Building

The total value of building and engineering contracts awarded in August was about the same as in July. As there were more business days in August, the average daily amount of contracts was about 7 per cent less than in July, which, however, is in accordance with the usual seasonal movement and consequently this bank's index was unchanged at 21 per cent of the long time trend of construction volume. Privately financed building declined in August, following the higher level attained temporarily in the previous few months, but this decline was offset by an upturn in publicly financed work which had dropped in the previous month to the lowest level in a year. As compared with August 1933, the total of contracts reported by the F. W. Dodge Corporation was 13 per cent larger, publicly financed construction showing an increase of nearly 50 per cent over a year ago, while privately financed work showed a 13 per cent reduction. Residential contracts, alone, were 15 per cent below the level of a year ago in August, the fourth consecutive month to show a decline.

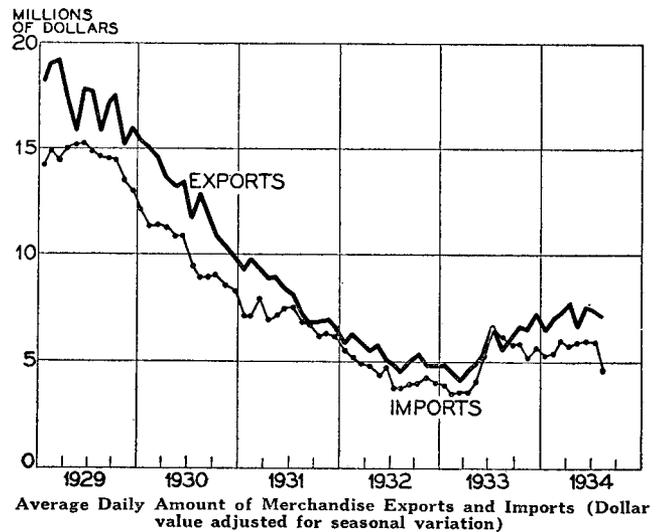
For the first eight months of 1934, total contracts awarded were about 75 per cent higher than in the corresponding period of 1933, due almost entirely to the larger amount of construction financed by public funds. In this category, the outstanding increases were in construction of highways, sewerage systems, and water front developments.

During the first half of September, total awards of building and engineering contracts were at a somewhat higher rate than in the previous month, reflecting an increase in contracts for publicly financed construction to the highest level since April. Privately financed contracts, however, were smaller than in August, as a decline in non-residential construction exceeded a slightly larger than seasonal increase in residential contracts.

Foreign Trade

During August total merchandise exports from the United States amounted to \$172,000,000, and total imports to \$120,000,000. Exports showed about the usual seasonal increase over the preceding month, and were 31 per cent larger than a year ago, and in fact were the largest for any August since 1930. Imports, however, declined contrary to their customary seasonal tendency and were smaller than in any month since May 1933. As the accompanying diagram indicates, the general course of exports has been upward since March 1933, after allowance for seasonal factors, but imports after rising rapidly in the summer of 1933 have shown no further increase in the past year.

Exports of a number of leading commodities showed considerable gains in August as compared with last year, both in volume and in value. Shipments of passenger automobiles and trucks were nearly double the small number of last year, and showed a corresponding increase in value. Exports of copper and iron and steel products also were approximately double the August 1933 value. Other exports that showed notable increases over a year ago included shipments of crude and refined petroleum and of unmanufactured tobacco, but these increases were due largely to higher prices. Large



increases also occurred in exports of canned fruits and wheat, the latter being almost negligible in 1933. Exports of raw cotton, on the other hand, continued to be only about one-half as large in quantity as last year, although the value did not show as large a decrease.

In contrast to the increase in exports, a number of major foreign products were imported into this country during August in smaller quantity and value than a year ago. Imports of raw silk were only about two-thirds the volume of August 1933 and, owing to lower prices this year, were less than half as great in value. Receipts of sugar exceeded the very small amount in July, but still were only about half those of a year ago. Tin imports were less than one-third the quantity of a year ago. The volume of coffee and crude rubber imports continued smaller than in 1933, but the value of rubber imports was nearly 50 per cent larger than a year ago, due to higher prices.

Department Store Trade

During the first half of September total sales of the reporting department stores in the Metropolitan area of New York were 7 per cent higher than in the corresponding period a year ago, the most favorable year to year comparison since March. The comparison is with a month in 1933 in which retail trade was not very good, but it appears that September business this year is at least showing the usual seasonal expansion. Excluding sales of liquor from this year's figures, the increase over a year ago amounted to 5 per cent.

For the month of August, total sales of the reporting department stores in this district were at approximately the same level as a year ago, and exclusive of liquor sales were 2 per cent below last year, but in this connection it should be noted that comparison is with a month that, seasonal factors considered, showed the best retail sales record of 1933. The Westchester and Stamford department stores reported a substantial gain in sales over last year, and the Bridgeport and Southern New York State stores showed small increases, while sales of the New York City, Rochester, and Northern New York State department stores were at approximately the same level as last year. Department stores in the remaining

localities reported smaller sales this year than a year ago. Sales of the leading apparel stores in this district were 6½ per cent higher than last year.

Department store stocks of merchandise on hand, at retail valuation, were smaller than a year previous for the first time since July 1933, while apparel store stocks remained considerably larger. Collections continued larger than a year ago for the department stores, but were slightly smaller for the apparel stores.

Locality	Percentage change August 1934 compared with August 1933		Per cent of accounts outstanding July 31 collected in August	
	Net sales	Stock on hand end of month	1933	1934
New York.....	+ 0.3	- 5.2	38.9	41.4
Buffalo.....	- 4.2	- 7.4	37.9	42.1
Rochester.....	+ 0.8	- 3.0	38.4	40.8
Syracuse.....	- 2.8	- 9.3	25.0	29.7
Northern New Jersey.....	- 1.6	- 0.6	33.9	35.4
Bridgeport.....	+ 1.5	- 5.0	32.4	35.8
Elsewhere.....	+ 1.2	- 6.7	30.3	28.6
Northern New York State.....	- 0.6	.....	.....	.....
Southern New York State.....	+ 3.0	.....	.....	.....
Hudson River Valley District.....	- 7.3	.....	.....	.....
Capital District.....	- 3.4	.....	.....	.....
Westchester and Stamford.....	+ 7.8	.....	.....	.....
All department stores.....	- 0.2	- 4.9	36.2	38.7
Apparel stores.....	+ 6.6	+19.5	36.8	36.1

	Net sales percentage change August 1934 compared with August 1933	Stock on hand percentage change August 31, 1934 compared with August 31, 1933
Woolen goods.....	+24.3	-18.0
Shoes.....	+10.0	+11.8
Silks and velvets.....	+ 8.8	-19.9
Women's and Misses' ready-to-wear.....	+ 8.7	- 0.8
Women's ready-to-wear accessories.....	+ 3.2	-16.0
Luggage and other leather goods.....	+ 1.8	- 4.0
Toys and sporting goods.....	+ 0.2	- 1.3
Silverware and jewelry.....	- 0.3	+ 5.4
Hosiery.....	- 0.5	-18.3
Musical instruments and radio.....	- 1.2	- 0.3
Men's furnishings.....	- 1.7	-10.8
Books and stationery.....	- 4.4	+ 3.5
Toilet articles and drugs.....	- 5.4	+ 7.6
Furniture.....	- 9.0	+ 8.9
Home furnishings.....	-12.9	- 5.1
Men's and Boys' wear.....	-13.3	- 0.4
Cotton goods.....	-17.7	-19.5
Linens and handkerchiefs.....	-19.8	- 7.9
Miscellaneous.....	+14.2	- 6.3

Wholesale Trade

Total August sales of the reporting wholesale firms in this district averaged approximately 6½ per cent higher than a year ago, following two months in which decreases were shown. For the first time in a year sales of silk goods, reported on a yardage basis by the National Federation of Textiles, showed an increase over a year previous. Wholesale grocers reported the most substantial gain in sales since April; total sales were 18 per cent above a year ago, and exclusive of liquor sales the increase amounted to 7 per cent. Sales of the hardware, drug, shoe, cotton goods, and men's clothing concerns presented considerably more favorable yearly comparisons than in the two preceding months. Sales of the stationery, paper, and diamond concerns, on the other hand, showed the least favorable comparisons in

a number of months, due partly to the fact that sales reached relatively high levels in August 1933.

Sizable increases over last year in the amount of merchandise on hand again were reported by the silk goods, drug, and diamond firms, and jewelry concerns registered the first increase in stocks since July 1930, while grocery firms showed the first decrease in over a year, and stocks held by hardware dealers were also somewhat smaller than in August 1933. Collections of accounts outstanding at the end of the previous month continued higher than a year ago in nearly all reporting lines.

Commodity	Percentage change August 1934 compared with August 1933		Per cent of charge accounts outstanding July 31 collected in August	
	Net sales	Stock end of month	1933	1934
Groceries.....	+18.2	- 2.7	86.9	98.4
Men's clothing.....	+ 8.7	.....	44.0	45.1
Cotton goods.....	+ 6.4	.....	31.9	40.5
Silk goods.....	+12.0*	+23.4*	44.3	58.0
Shoes.....	- 5.8	.....	.....	.....
Drugs.....	+ 1.1	+24.2	23.4	24.2
Hardware.....	+ 4.9	- 3.9	41.2	46.2
Stationery.....	- 6.8	.....	46.1	50.0
Paper.....	- 1.1	.....	47.5	46.0
Diamonds.....	-21.6	+ 9.6	23.4	25.3
Jewelry.....	-11.2	+ 5.3	.....	.....
Weighted average.....	+ 6.7	.....	53.5	60.1

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

Chain Store Trade

During August, total sales of reporting chain stores were 4 per cent higher than a year ago, a more favorable year to year comparison than occurred in the preceding month. Larger increases than in July were shown by the ten cent, variety, and candy chain store systems; in the case of the candy chains the comparison with a year ago was the most favorable since March. Grocery chain store sales were at approximately the same level as last year, following two months in which decreases occurred, and the decline in sales of shoe chain systems was slightly less than that reported in the previous month. Drug chain sales, however, were lower than a year ago for the first time since February.

All groups of chain store systems with the exception of the candy chains reported fewer stores in operation in August this year than a year ago. As a result, the increase in sales per store for all reporting chains was slightly larger than the increase in total sales.

Type of store	Percentage change August 1934 compared with August 1933		
	Number of stores	Total sales	Sales per store
Grocery.....	- 1.2	+ 0.1	+ 1.3
Ten cent.....	- 0.1	+ 3.0	+ 3.1
Drug.....	- 3.2	- 2.9	+ 0.3
Shoe.....	- 6.9	- 9.3	- 2.6
Variety.....	- 0.3	+12.3	+12.7
Candy.....	+ 6.9	+27.6	+19.4
Total.....	- 0.9	+ 4.2	+ 5.1

FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, OCTOBER 1, 1934

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

TOTAL output of industry, which usually increases at this season, showed little change in August. Factory employment and payrolls increased between the middle of July and the middle of August by about the usual seasonal amount. Distribution of commodities at department stores showed a more than seasonal growth.

PRODUCTION AND EMPLOYMENT

Output of basic industrial products, as measured by the Board's index, which makes allowance for usual seasonal changes, declined from 75 per cent of the 1923-1925 average in July to 73 per cent in August. At steel mills production continued to decline during August and the early part of September, contrary to seasonal tendency; in the middle of September a slight increase in activity was reported. Output of automobiles, which had been maintained at a relatively high rate during the spring and early summer, declined in August. Lumber production showed an increase. In the cotton textile industry production was in larger volume in August than in July, but was retarded by the strike in the first three weeks of September. At meatpacking establishments output in August was larger than in any other recent month, accompanying heavy marketings of cattle from drought areas.

Factory employment showed a seasonal increase between the middle of July and the middle of August, reflecting considerable growth in employment in the wearing apparel, canning, and meatpacking industries, while employment in the iron and steel industries and at railroad repair shops declined.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was about the same in August as in each of the four preceding months.

Department of Agriculture estimates as of September 1 indicate a corn crop 40 per cent smaller than the average for the five years 1927-1931 and other feed crops also are expected to be unusually small. The condition of pastures on September 1 was poorer than in any other recent year but some improvement has been reported in the early part of September. The spring wheat crop, estimated at 93,000,000 bushels, is about one-third of the five year average and the winter wheat crop is also small. The cotton crop is estimated at 9,300,000 bales, a sharp reduction from other recent years.

DISTRIBUTION

Volume of freight car loadings, which usually increases at this season, showed little change in August. Shipments of miscellaneous freight showed no seasonal expansion, while shipments of livestock increased considerably. Department store sales increased by an amount substantially larger than is usual in August and were 2 per cent higher than a year ago.

COMMODITY PRICES

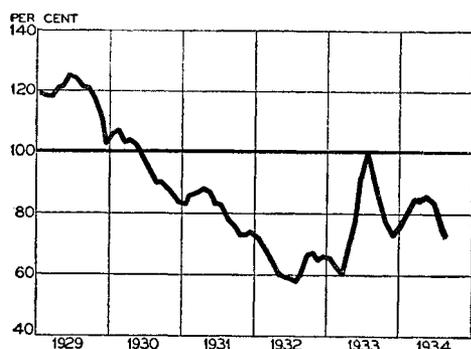
Wholesale prices of commodities increased in August and the first week of September, reflecting sharp advances in the prices of farm products and foods. Hog prices advanced rapidly during the month of August and in the latter part of the month cattle prices also showed a marked increase. Since the beginning of September, prices for both hogs and cattle have declined somewhat, and in the middle of the month there have also been decreases in the prices of wheat and cotton. In August, as in other recent months, there was little change in prices of commodities other than farm products and foods.

BANK CREDIT

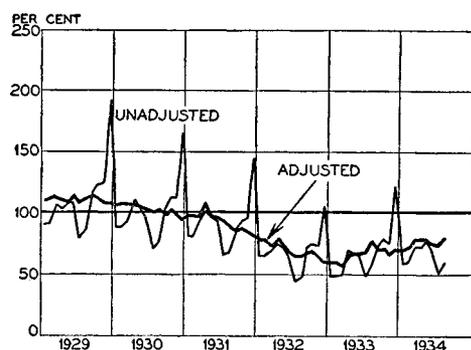
A seasonal increase in demand for currency by the public and an increase in Government deposits at the Reserve Banks were reflected in a decline in member bank reserve balances between the middle of August and the middle of September. On September 19 reserve balances were about \$1,700,000,000 in excess of legal requirements. There was little change in the volume of Reserve Bank credit during August and September.

Total loans and investments of reporting member banks showed little change between August 15 and September 19; loans, other than security loans, increased by \$170,000,000 and holdings of securities by \$50,000,000, while security loans declined by \$200,000,000. The increase in loans other than on securities occurred largely at banks in New York City and in the Western districts and reflected chiefly a growth in direct loans to customers for ordinary commercial purposes and for financing the harvesting of crops. The banks' holdings of acceptances and commercial paper, which also reflect current business financing, increased during the period.

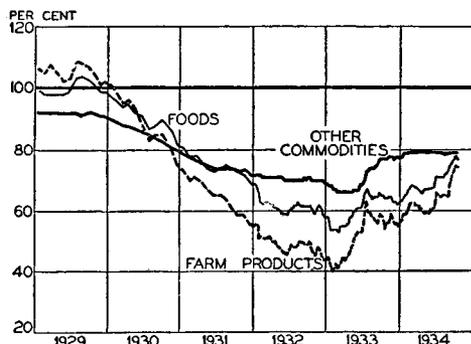
Short term money rates continued at low levels. Yields on both United States Government and corporate bonds increased during August and the first half of September.



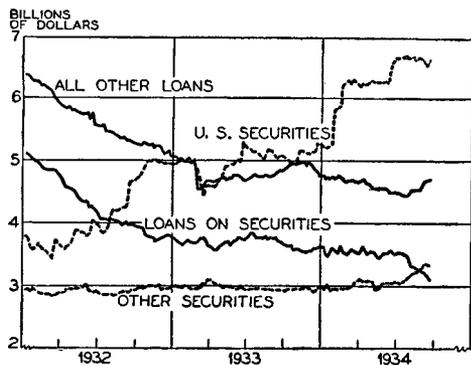
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



Indexes of Daily Average Value of Department Store Sales (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 September 19)