

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

November 1, 1934

Money Market in October

Total loans and investments of weekly reporting member banks, which remained almost stationary from the beginning of July to the middle of September, showed a renewed increase on a moderate scale during the past month, and on October 24 reached the highest point since the early part of January 1932.

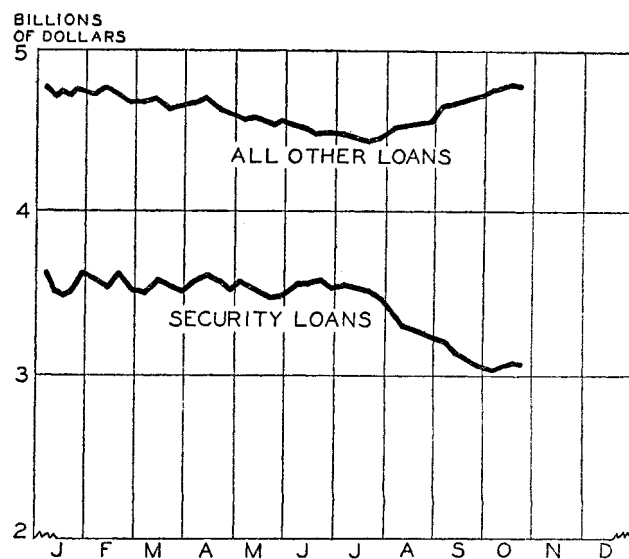
One factor in this upturn in member bank credit was the first increase in security loans in several months. From the beginning of July until the end of September there was a steady reduction in security loans in the reporting banks, which probably reflected in part the weakness in security prices during much of that period. Regulation T concerning the "Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges" was issued by the Federal Reserve Board near the end of September, and its application was deferred until October 15 to enable those affected to familiarize themselves with its provisions. No further reduction in security loans has followed the announcement of this regulation, but in fact the volume of such loans in reporting member banks, which in September had reached the lowest level since 1922, has since shown a slight increase.

A further moderate increase in all other loans, consisting largely of credit extended to finance agriculture, commerce, and industry, also contributed to the upturn in total loans and investments during the past month. On October 24 the volume of loans other than security loans in the weekly reporting member banks showed an increase of approximately \$320,000,000 over the seasonal low point reached on July 18. This increase is the largest for the corresponding period of any year since 1929, when the increase for a somewhat larger group of banks was of about the same amount. The increase during the past three months has been about equally divided between the large New York City banks and the reporting member banks in 90 other cities throughout the country.

The accompanying diagram traces the changes since the beginning of this year in the volume of security loans and of all other loans made by all reporting member banks. As the diagram indicates, the shrinkage in security loans between July and September exceeded the expansion in "all other" loans, even though the increase in loans of that category was considerably greater than usual for the time of year. The decline in the total volume of loans, however, was about offset by an increase in bank investments in securities other than direct obligations of the United States. The new classification of

member bank loans and investments which was used for the first time in the report issued by the Federal Reserve Board on October 22 indicates, however, that the increase in bank investments was probably due chiefly to purchases of securities of Government agencies that are fully guaranteed as to both principal and interest by the Government. The amount of such securities shown by the report of October 22 was \$446,000,000, which is an amount more than sufficient to account for all of the increase in holdings of securities other than direct obligations of the Government during the past year.

Net demand deposits of the reporting member banks increased \$293,000,000 further in the four weeks ended October 24, due partly to extensions of credit by the reporting banks, and partly to Government expenditures of funds raised previously through the sale of United States securities and placed temporarily in dormant Government deposits, which are not included in the reported net demand deposits. These expenditures during the past month are reflected in a reduction of \$239,000,000 in the amount of Government deposits in these banks. The increase in net demand deposits in the reporting New York City member banks during the month amounted to \$130,000,000 and carried the volume of such deposits to a level never before attained except for a short time in the autumn of 1929. The increase of \$160,000,000 in reporting member banks in other cities carried net demand deposits of those banks to the highest



Movement of Security Loans and All Other Loans of Weekly Reporting Member Banks in Principal Cities During 1934

level since 1931. For all reporting member banks the increase in net demand deposits since the Bank Holiday now amounts to nearly \$4,000,000,000.

The continued rapid expansion of member bank deposits involves the utilization of a substantial amount of the reserves which have been acquired by member banks since March 1933, and in addition currency requirements have provided seasonal employment for some of the idle reserves of member banks. Consequently, excess reserves of member banks have shown no further increase for a number of weeks. The present volume of excess reserves is more than double that of a year ago, however, as the actual amount of reserve balances held by member banks in the Reserve Banks has increased nearly \$1,300,000,000 during the past year, while the amount of funds used as required reserve against deposits has increased about \$400,000,000.

MONEY RATES

The money market has been slightly easier, on the whole, during the past month. Yields on short term Government securities, which rose somewhat in September, turned downward in October accompanying a rise in the prices of long term Government securities, and near the end of the month market rates for bankers acceptances of short maturity were reduced slightly.

Money Rates at New York

	Oct. 31, 1933	Sept. 28, 1934	Oct. 31, 1934
Stock Exchange call loans.....	$\frac{3}{4}$	1	1
Stock Exchange 90 day loans.....	$\frac{5}{8}$ - $\frac{3}{4}$	$\frac{3}{4}$ -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.....	$\frac{1}{2}$	$\frac{5}{8}$	$\frac{1}{2}$
Customers' rates on commercial loans.....	†2.71	†2.08	†2.13
Treasury securities.....			
Maturing March (yield).....	0.16	No yield	No yield
Maturing June (yield).....	0.15	No yield	No yield
Maturing December 1935 (yield).....	....	0.72	0.39
Average rate on latest Treasury bill sales.....			
91 day issue.....	0.17	....	....
182 day issue.....	....	0.29	0.19
Federal Reserve Bank of New York re-discount rate.....	2	$1\frac{1}{2}$	$1\frac{1}{2}$
Federal Reserve Bank of New York buying rate for 90 day indorsed bills.....	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$

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

BILL MARKET

The bankers acceptance market was generally quiet during October. Dealers' sales of bills to investing institutions somewhat exceeded the small amounts of new bills coming into the market during the first three weeks, and portfolios of the discount houses consequently declined somewhat. On October 24 the dealers reduced their rates by $1/16$ per cent on maturities up to 90 days, the offering rate becoming $1/8$ per cent, the same quotation that was in effect prior to the advance instituted toward the end of September. Following this reduction in rates, investment demand for bills slackened and dealers' portfolios tended to increase slightly.

During September, the volume of bankers acceptances outstanding rose \$19,000,000 further to \$539,000,000, reflecting principally an increase of \$20,000,000 in bills drawn to finance the storage of goods in domestic warehouses. Import bills also increased \$5,300,000, while export bills declined \$2,100,000 and bills based on goods stored in or shipped between foreign countries decreased \$3,500,000. Of all bills outstanding at the end of Sep-

tember approximately 93 per cent were held by accepting banks and bankers, which is the same proportion as at the end of August.

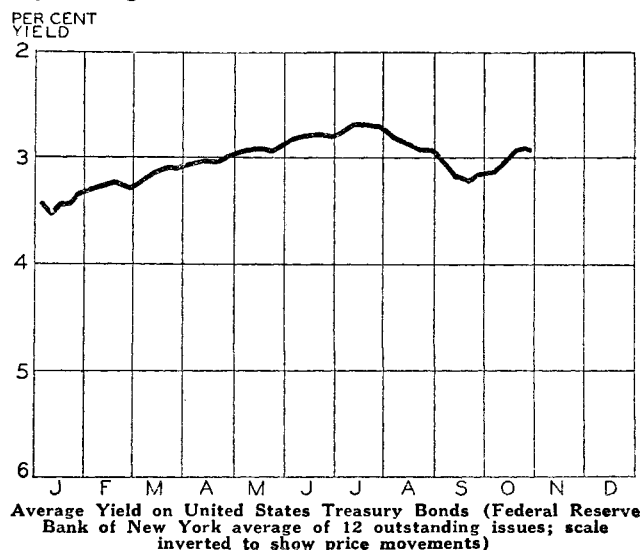
COMMERCIAL PAPER MARKET

Investment demand by the banks for commercial paper drawn by high grade industrial and mercantile concerns remained active during the month of October and dealers quickly sold the new supplies of paper coming on the market. The total volume of business transacted in the commercial paper market was about the same as in September, the turnover being limited by the comparatively small amount of accommodation sought by borrowers whose notes can be sold in the open market. Rates continued at a range of $3/4$ -1 per cent for average grade prime four to six month paper, although it was reported that more sales were made at $3/4$ per cent than at the higher rate.

The amount of commercial paper outstanding, which has increased each month since January when \$108,000,000 was outstanding, reached \$192,000,000 at the end of September, an amount 2 per cent larger than a month previous and 56 per cent above a year ago.

Security Markets

During October considerable price advances occurred in the bond market, continuing the recovery which developed in the latter part of September. United States Treasury bonds were especially strong, and the average price of these issues showed a net advance of $2\frac{1}{8}$ points for the month. The average yield on all outstanding Treasury bonds receded to about 2.90 per cent, as compared with 3.25 per cent at mid-September and 2.70 per cent around the middle of July, as the accompanying diagram indicates, reflecting the recovery of nearly two-thirds of the late summer decline in Government bond prices. The Government bond market was particularly strong just after the announcement of a call for redemption on April 15, 1935 of a further \$1,870,000,000 of Fourth Liberty bonds, representing three-fifths of the Fourth Liberty Loan bonds now outstanding. Prices of Government guaranteed issues also advanced substantially during October.



In the domestic corporation bond division also, prices continued to follow the upward course which prevailed in the second half of September. All classes of bonds advanced from 1 to 2 points; the highest grade bond group rose virtually to the high level attained in July, and slightly less high grade issues advanced to within 1 point of this level. Medium and lower grade issues, however, remained 4 or more points below the highest levels of the summer. Foreign bonds on the whole showed some further gain also.

In contrast to the advance in bond prices, stock price movements were irregular and trading continued quiet during October. The general average of prices fluctuated within a range of about 4 per cent, although toward the end of October quotations, especially for public utility stocks, were somewhat below the end of September level. Bank stocks, which are not included in the general stock price averages, made some net gain for the month, however.

New Financing

The largest new security offerings during October were a \$50,000,000 issue of 3 per cent Home Owners' Loan Corporation bonds due in 1952 and callable in 1944, and a \$30,000,000 refunding issue of Federal Intermediate Credit Bank short term debentures. Both of these quasi-governmental issues were quickly taken by subscribers. The Home Owners' Loan Corporation bonds which are fully guaranteed as to principal and interest by the United States Government were distributed by a syndicate of bond houses that included a large number of firms, and to facilitate a wide distribution of the issue the bonds were obtainable in denominations as low as \$25. The greater part of the Home Owners' Loan Corporation bonds now outstanding have been put out in exchange for mortgages, although some bonds have been sold previously under competitive bidding by the Treasury acting as agent for the Home Owners' Loan Corporation.

Other new security issues during October included about \$20,000,000 of small State and municipal security flotations and \$31,000,000 of corporation issues, principally a \$20,000,000 issue of Edison Electric Illuminating Company of Boston 3 year notes, and \$9,000,000 of Shell Union Oil Corporation notes which were reported to have been placed privately. There were also some public offerings of previously issued securities, including \$8,000,000 of Scovill Manufacturing Company debentures and also some municipal bonds previously acquired by the Public Works Administration and recently purchased by banking houses from the Reconstruction Finance Corporation.

New financing by the United States Government was limited to five \$75,000,000 issues of 182 day Treasury bills which replaced five \$50,000,000 maturities and provided \$125,000,000 of additional funds. Rates on Treasury bill issues tended downward during October, the average rate on the issue dated October 31 being 0.19 per cent, compared with 0.28 per cent on the October 3 issue. Other public debt transactions during October represented the completion of the refinancing of the \$1,250,000,000 of Fourth Liberty Loan bonds which had been called for payment on October 15. The

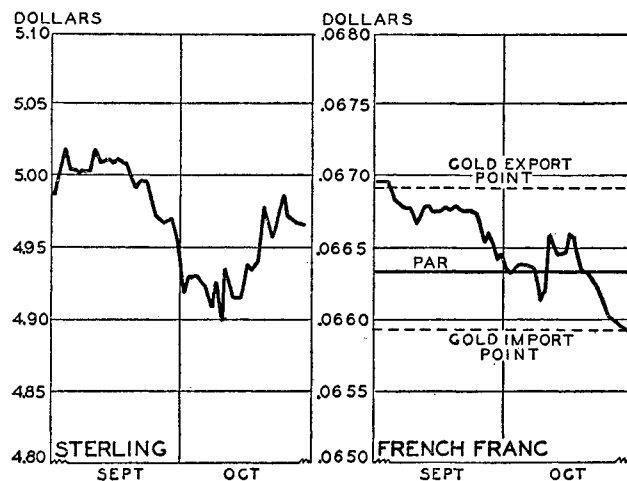
subscription books for the exchange of these bonds into $3\frac{1}{4}$ per cent Treasury bonds of 1944-46 remained open through October 11, and a total of \$424,000,000 of Fourth Liberty's were so exchanged. These exchanges, together with the \$596,000,000 exchanged for 4 year Treasury notes in September left about \$230,000,000 of called Liberty's to be redeemed in cash on October 15. These remaining bonds were presented for payment slowly because of their wide distribution, only about \$95,000,000 being turned in by October 25.

On October 12, the Secretary of the Treasury called an additional \$1,870,000,000 of Fourth Liberty bonds for redemption on April 15, 1935. The bonds included in this third call for redemption are those bearing serial numbers ending in the digit 5, 6 or 7. A year ago approximately \$6,268,000,000 of Fourth $4\frac{1}{4}$'s were outstanding, but the amount has been reduced to \$3,138,000,000 as a result of the first two calls and will be further reduced to about \$1,268,000,000 by April 15, 1935, by the third call. During the past year about \$2,750,000,000 of Fourth Liberty Loan bonds have been refunded into other interest bearing securities and about \$380,000,000 of the bonds included in the first two calls either have been paid off or will be redeemed on presentation.

Foreign Exchange

Wide fluctuations in the foreign exchanges occurred in October as in the previous month. After declining sharply at the beginning of the second week, the gold currencies recovered and maintained a varying premium against the dollar until a resumption of the downward tendency in the second half of the month carried them to a discount and in some cases to the gold import points. Meanwhile, the sterling currencies, which had weakened in September and early October, registered net gains for the month.

The French franc held comparatively steady at a level somewhat below its end of September quotation for several days at the beginning of October, dipped to \$0.0661 $\frac{1}{4}$ on the 9th, and then recovered to \$0.0666 on the 11th. This higher level was maintained until the 16th, after which a steady decline developed which carried quotations to the estimated gold import point on the



Course of Sterling and French Franc Exchanges at New York
(Latest quotations are for October 29)

29th, as the accompanying diagram indicates. No gold shipments were reported, however. The belga, the Swiss franc, and the guilder moved similarly to the French franc; the belga, which was the weakest of the four currencies, was quoted below parity consistently and fell below the gold import point on the 24th. Lire followed the same general trend.

Sterling opened the month at its lowest quotation since February—\$4.91 $\frac{3}{4}$ —and after recovering slightly, dropped to \$4.90 on the 10th. On the 16th, however, the pound began to strengthen, and, as the diagram also shows, rose more than 7 cents in the following week, while the gold currencies declined. On October 24, sterling closed at \$4.98 $\frac{7}{8}$ and again on the 30th was above \$4.98. Reichsmarks, independent of the tendencies of both sterling and the gold currencies, were stronger than in September and reached a new high of \$0.4073 on the 16th; they remained above their parity of \$0.4033 until the 24th when they dropped to \$0.4028, their low for the month.

Argentine pesos and the Scandinavian currencies followed sterling, but the yen, which moved with the pound during most of the month, did not recover as much as sterling and closed the month with a net loss. Brazilian milreis held closely to a level of about \$0.0825. The silver currencies rose sharply on the 11th with the price of silver, but fell considerably after imposition of a duty and equalization charge on silver exports by the Chinese government. The Shanghai dollar was quoted at 15 to 20 per cent discount from its theoretical parity, based on current silver prices, during the latter part of the month. Canadian dollars, which had ruled above \$1.03 throughout most of September, fluctuated between \$1.01 $\frac{7}{8}$ and \$1.02 $\frac{1}{2}$ during October.

Closing Cable Rates at New York

Exchange on	Par of Exchange	Oct. 31, 1933	Sept. 29, 1934	Oct. 30, 1934
Belgium.....	\$.2354	\$.2105	\$.2357	\$.2333
Denmark.....	.4537	.2135	.2217	.2227
England.....	8.2397	4.7725	4.9613	4.9838
France.....	.0663	.05918	.06646	.06591
Germany.....	.4033	.3605	.4056	.4028
Holland.....	.6806	.6105	.6834	.6767
Italy.....	.0891	.0795	.0865	.0855
Norway.....	.4537	.2400	.2495	.2506
Spain.....	.3267	.1265	.1378	.1366
Sweden.....	.4537	.2465	.2560	.2571
Switzerland.....	.3267	.2927	.3290	.3259
Canada.....	1.6931	.9863	1.0275	1.0231
Argentina.....	.7187	.3825	.3308	.3323
Brazil.....	.2026	.0847	.0825	.0819
Uruguay.....	1.7511	.6800	.8000	.8000
Japan.....	.8440	.2874	.2910	.2908
India.....	.6180	.3585	.3744	.3758
Shanghai.....	.....	.3094	.3661	.3325

Central Bank Rate Changes

Information has been received indicating an advance in the discount rate of the Bank of Danzig from 3 to 4 per cent on September 21. On October 1 the Bank of Estonia lowered its rate from 5 $\frac{1}{2}$ to 5 per cent.

Gold Movement

Actual shipments of gold during October were limited to imports of \$3,400,000 from Canada and \$2,400,000 from Mexico. The effect of these transactions on the monetary gold stock of the United States was supple-

mented, however, by the release of \$350,000 of gold previously earmarked for foreign account at this bank and by the receipt by the mints and assay offices of newly mined domestic gold and scrap gold averaging about \$2,600,000 and \$1,100,000 a week, respectively, so that the gold stock rose nearly \$25,000,000 during October. Additional transactions at New York that did not affect the gold stock were the receipt of \$1,000,000 from Colombia which was immediately earmarked on arrival and the release from earmark of \$1,000,000 of gold for export to Chile.

Commodity Prices

The downward movement in the prices of most of the principal agricultural commodities, which began in the early part of September, continued with little interruption during October. The average price of hogs at Chicago showed an additional decline of \$1.16 to \$5.37 a hundredweight, but the current price remains considerably above the level prevailing prior to the substantial summer advance. It is reported that marketings of hogs have been heavier than usual this fall, owing principally to the relatively limited supply of feed grains. The price of steers also showed a further sizable recession during October. Cash wheat declined 5 cents further to \$1.08 $\frac{3}{4}$ a bushel, and corn 2 $\frac{7}{8}$ cents to 78 $\frac{3}{8}$ cents a bushel. Losses also appeared in the prices of rubber, sugar, and hides.

In contrast to these movements, some advance occurred in the prices of metals during October. Following the announcement of the establishment of a tax on silver exports from China, the price of silver at New York advanced rather substantially during the early part of the month, and by October 16 had reached a peak of 55 $\frac{5}{8}$ cents an ounce, the highest level in about five years. Subsequently, however, the price receded to 53 cents an ounce. Lead showed a moderate increase, and scrap steel advanced 25 cents to \$10.50 a ton in the latter part of October, following a downward movement since the end of February. The price of copper in the free market declined further during the first half of October, but rose considerably thereafter, although continuing below the official nominal price of 9 cents a pound.

Although most of the recession shown in the Bureau of Labor Statistics index of wholesale prices during October was due to declines in the farm products group, the greater part of the summer's advance in the prices of agricultural commodities has nevertheless been retained. The index of farm products, which had risen 25 per cent between April and September, has since receded only about 5 per cent. Following marked stability for a number of months past, the index of the prices of commodities other than farm products and foods also declined moderately in October, chiefly as a result of decreases in the prices of cotton goods and gasoline. The general index of wholesale commodity prices stood at 76.2 per cent of the 1926 average for the week ended October 20, as against an early September peak of 77.8 per cent.

Production

Following the downward movement of the previous four months the average level of basic industrial output apparently showed some slight expansion during Octo-

ber. The activity of textile mills increased considerably following the termination of the strike in the latter part of September, and operations in the cotton textile industry are estimated to have reached the highest rate since last spring. At silk mills production advanced sharply in the first half of October but declined again towards the end of the month, owing to renewed labor difficulties. Operations in the steel industry were quite stable, according to the estimates of the Iron Age, ranging between 23½ and 26 per cent of capacity, which is slightly above the September average of 22.7 per cent. In electric power output the usual seasonal expansion occurred. On the other hand, automobile production dropped rather sharply as work on current models drew towards a close; operations at meat packing plants declined substantially from the extraordinarily high level of the previous month; and the output of bituminous coal did not show the usual autumn expansion.

The Federal Reserve Board's seasonally adjusted index of industrial production for September dropped 2 points further to a level about equal to the low point of the autumn of 1933. The September decline was caused principally by the sharp contraction of textile mill output due to the strike. There was also a greater than seasonal reduction in automobile production, and the output of shoes decreased considerably. On the other hand, steel mill activity recovered slightly in the latter part of the month, and for September as a whole averaged about the same as in the previous month. Coal production increased more than seasonally, and operations at meat packing plants were expanded in September for the third successive month.

September was the fourth consecutive month in which there was a recession in industrial activity, a large part of which was due to declines in the output of textiles, steel, and automobiles. As the accompanying diagram shows, the sharp temporary decline in the textile industry during September followed several months of restricted operations, which reflected general curtailment at cotton mills as well as a comparatively low level of activity in the wool and silk industries. In the steel industry the substantial decline in output during recent months was due partly to the use by steel consuming

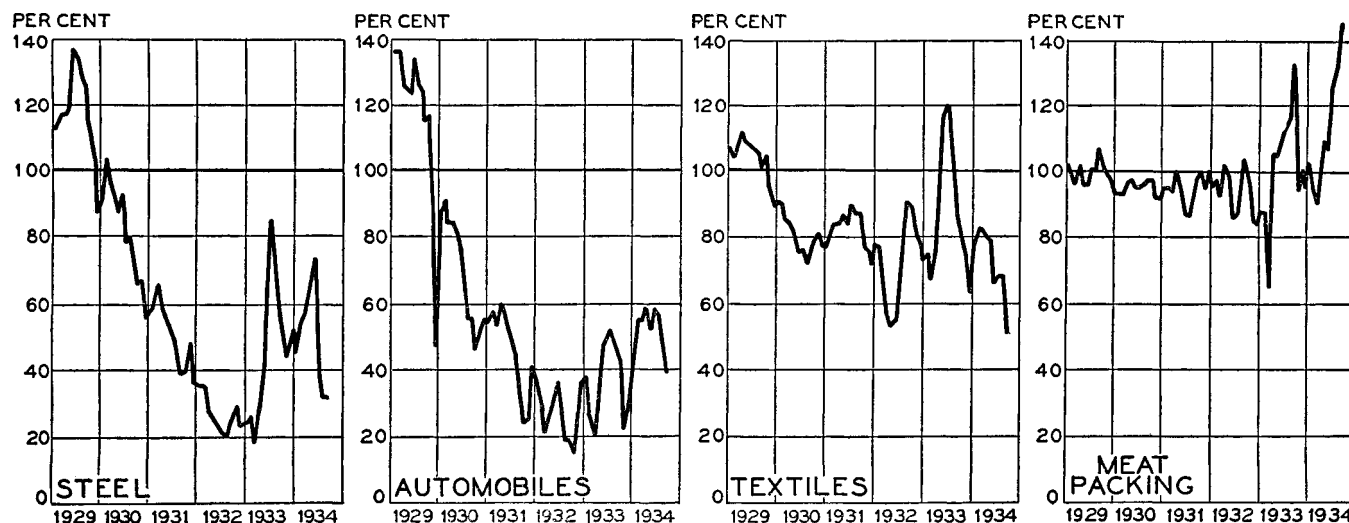
industries of stocks accumulated in the second quarter in anticipation of price increases, and partly to some reduction in the activity of consuming industries. Accompanying the pronounced falling off in operations at both steel and textile mills during the past few months, inventories are reported to have been reduced considerably, so that any substantial increase in demand for the products of these industries should be reflected rather promptly in higher operating schedules. In the automobile industry also, production was reduced more rapidly than sales to consumers receded, as is usual during the summer and fall months.

In marked contrast to the course of activity in the other industries shown in the diagram, operations at

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

	1933	1934		
	Sept.	July	Aug.	Sept.
Metals				
Pig iron.....	51	39	34	30
Steel.....	57	38	32	32
Lead.....	48	46	38	45
Zinc.....	66	48	48	52
Automobiles				
Passenger cars.....	41	54	41	33 _p
Motor trucks.....	61	74	82	78 _p
Fuels				
Bituminous coal.....	68	70	66	67 _p
Anthracite coal.....	85	66	58	72 _p
Petroleum, crude.....	75	71	68	67 _p
Petroleum products.....	72	67	67	
Electric power.....	69	67	65 _p	62 _p
Textiles and Leather Products				
Cotton consumption.....	91	68	72	56
Wool mill activity.....	105	78	73 _p	45 _p
Silk consumption.....	45	53	53	46
Rayon deliveries.....	99	87	76 _p	
Shoes.....	88	102	89	80 _p
Foods and Tobacco Products				
Meat packing.....	133	126	132	146
Wheat flour.....	70	79	77	81
Refined sugar deliveries.....	80	62	77	
Tobacco products.....	78	83	82	80
Miscellaneous				
Cement.....	33	43	39	43
Tires.....	72	51	52	54 _p
Lumber.....	41	32	39	36
Newsprint paper.....	70	74	73	75
Machine tools.....	29	33	34	34

p Preliminary



Indexes of Production in Important Lines (Adjusted for seasonal variation; trend of past years=100 per cent)

meat packing plants increased sharply through September. This increase was the result of heavy shipments of livestock from drought areas, the accelerated marketing of hogs in view of high feed prices, and the processing of cattle purchased in connection with the Government relief program.

Indexes of Business Activity

During the first half of October, department store sales for the country as a whole appear to have shown about the usual autumn increase, according to preliminary indications, and car loadings of merchandise and miscellaneous freight also showed about the usual seasonal change over September. A considerable decline occurred, however, in the movement of bulk freight over the railroads, owing to reduced shipments of grain, livestock, and ore.

During September, diverse tendencies were apparent in this bank's seasonally adjusted indexes of general business activity and the distribution of goods. Two of the most important indicators of business volume, namely railroad freight traffic and check payments outside New York City, were maintained after seasonal adjustment at approximately the same level as in August. A larger than seasonal increase in retail trade in agricultural sections was reflected in a sharp advance in the index of mail order house sales and in a reported gain of 44 per cent from August to September in sales of stores serving rural areas. In addition, chain store sales rose considerably even after seasonal adjustment. In department stores in cities throughout the country, however, the large sales increase recorded in August was followed by a somewhat smaller than seasonal expansion in September, and retail sales of new passenger automobiles and sales of life insurance were reduced slightly more than usually.

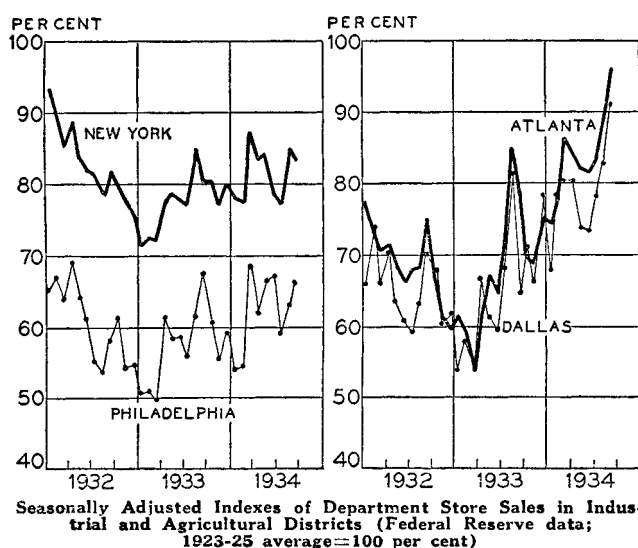
The contrast between retail trade recovery in some of the agricultural districts and in industrial sections is indicated in the accompanying diagram, which shows seasonally adjusted indexes of department store sales in the New York and Philadelphia districts on one hand, and in the Atlanta and Dallas Federal Reserve districts

on the other. The increase in department store trade from the low point of March 1933, as measured by these indexes, has amounted to 78 per cent for the Atlanta district and 69 per cent for Dallas, as compared with 32 per cent for Philadelphia and 18 per cent for New York. The rapid recovery in the two Southern districts probably is chiefly a result of the marked increase in farm income in those districts. According to estimates of the Department of Agriculture, farmers' cash income from marketings of cotton and cottonseed during the first nine months of the current year was 27 per cent higher than in the corresponding period of last year and 44 per cent above the first three quarters of 1932, and when rental and benefit payments by the Agricultural Adjustment Administration are taken into account, the increases are 36 per cent over 1933 and 80 per cent over 1932.

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

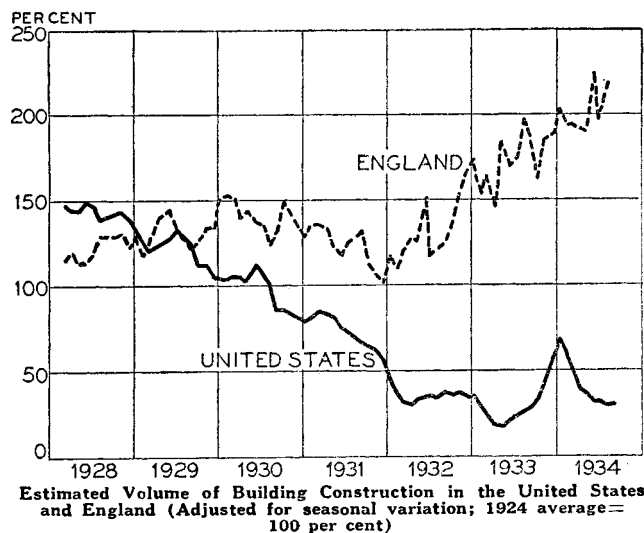
	1933	1934		
	Sept.	July	Aug.	Sept.
Primary Distribution				
Car loadings, merchandise and misc.	55	57	56	55
Car loadings, other	60	60	58	58
Exports <i>r</i>	49 ^r	52 ^r	51 ^r	54 ^r
Imports <i>r</i>	65 ^r	62 ^r	51 ^r	57 ^r
Wholesale trade	82	91	94	86
Distribution to Consumer				
Department store sales, U. S.	74	71	78	73
Department store sales, 2nd Dist.	76	67	74	72
Chain grocery sales	72	66	66	65
Other chain store sales <i>r</i>	85 ^r	78 ^r	79 ^r	86 ^r
Mail order house sales	69	62	67	75
Advertising	54	58	60	56
New passenger car registrations	55	60	55 ^p	53 ^p
Gasoline consumption	72	69	72	
General Business Activity				
Bank debits, outside New York City	59	62	61	60 ^p
Bank debits, New York City	47	48	43	41
Velocity of demand deposits, outside New York City	78	72	68	66
Velocity of demand deposits, New York City	56	52	48	45
Shares sold, N. Y. Stock Exchange <i>r</i>	100 ^r	46 ^r	43 ^r	
New life insurance sales	64	63	62	60
Factory employment, United States	79	81	80	75 ^p
Business failures	58	45	44	42
Building contracts	24	21	21	21
New corporations formed, N. Y. State ..	70	66	63	59
Real estate transfers	43	50	48	
General price level*	133	138	138	139 ^p
Composite index of wages*	177	182	182	180 ^p
Cost of living*	135	137	138	139

p Preliminary *r* Revised * 1913 average=100



Building

In total dollar value, the amount of building and engineering contracts awarded in September was about 8 per cent smaller than the August total, but after allowance for difference in number of business days and for usual seasonal movements, little change appears to have occurred in the rate of activity and this bank's index of building contracts remained for the third consecutive month at 21 per cent of the long time trend. Publicly financed building contracts were awarded on a somewhat larger scale than in the previous month, while privately financed contracts declined. Both types of building were in smaller amount than in September 1933, but in the case of publicly financed building this is due in part to the fact that the comparison is with the



period of rapid expansion in contracts placed under the Public Works Administration.

The cumulative total of contracts awarded during the first nine months of the year was 62 per cent larger than the total for the corresponding period of last year and nearly equal to the total for the entire year 1933. Public works contracts were more than twice as large as in the first nine months of 1933, public utility contracts showed an increase of 66 per cent, and other non-residential contracts, a rise of 46 per cent, most of these increases representing publicly financed projects. Residential contracts awarded during the first nine months of the year were only 4 per cent ahead of last year.

During the first half of October, all types of contracts were awarded at a higher daily average rate than in September. Residential contracts increased considerably more than seasonally, and non-residential work increased contrary to the usual seasonal tendency, especially public works and utilities.

The accompanying diagram shows the course of building activity in the United States and England since 1928. In this country, the volume of building declined rapidly from 1928 through the first part of 1933, following which there was an increase in the latter part of 1933 due to expansion in public works and other projects financed by public funds. After some recession the volume of building in recent months has shown no further tendency to increase, and although the current volume is moderately above the low point of 1933 it remains somewhat lower than at the end of 1931. In England, the low point of the seven year period was reached at the end of 1931 and since that time building activity has increased greatly, due largely to expenditures for residential work including slum removal. The recent volume is more than twice that prevailing at the end of 1931 and is considerably above that of 1928, which, however, was not a year of as great building activity in England as in the United States. The data for both countries shown in the diagram are on a 1924 base, and in that year the great post-war period of construction activity in this country was well under way. Nevertheless, the recent volume in the United States is far below the trend of building over a long period of years.

Foreign Trade

The total foreign merchandise trade of the United States during September showed a substantial increase over the preceding month. Exports amounting to \$192,000,000 were 20 per cent above a year ago and continued to be larger than in the corresponding month of any year since 1930. General imports valued at \$132,000,000, however, were 10 per cent below the value of a year ago.

A number of the major export commodities continued during September to be shipped abroad in considerably larger volume than in 1933, and the value of these shipments also was higher. Exports of wheat were more than double the small quantity of a year ago, and copper exports again were about twice as large as a year ago in quantity and value. A gain of 60 per cent over a year ago occurred in the number of passenger cars and trucks shipped abroad, and there was a similar increase in value. Exports of unmanufactured tobacco and of crude and refined petroleum also were substantially higher than in 1933. Raw cotton exports, however, although showing a seasonal increase over the preceding month, were still only about one-half of the volume and 70 per cent of the value of a year ago.

Reported imports of sugar for domestic consumption increased during September from the small amounts in recent months to nearly four times the amount of a year ago. This unusual increase resulted from the release of large quantities of sugar, previously imported but held in bonded warehouses, after the reduction in this country's tariff rate on sugar imports from Cuba became effective early in September. Receipts of coffee showed an increase over a year ago of 10 per cent in quantity and about 30 per cent in value. Raw silk imports were about the same in volume as in September 1933, but remained considerably smaller in value, due to lower prices. On the other hand, imports of crude rubber were substantially below the relatively large quantity of a year ago, but were 35 per cent larger in value, owing to higher prices. Both the quantity and the value of imports of raw wool, tin, copper, and nickel showed considerable decreases from last year.

Employment

Factory employment in the United States showed a sharp decline from the middle of August to the middle of September contrary to the usual seasonal tendency, owing chiefly to the textile strike. Working forces in all manufacturing industries were reduced by about 300,000 persons and the decline in employment in the textile industry alone was estimated at 246,000 by the Secretary of Labor. Employment also decreased in the iron and steel, automobile, and shoe industries. The seasonally adjusted index of factory employment computed by the Federal Reserve Board declined nearly 7 per cent in September and was 5 per cent lower than a year ago. Among the non-manufacturing industries, seasonal increases in employment were recorded in retail trade and coal mining, and small gains occurred also in private building construction and public utilities. The net decrease in working forces of both manufacturing and non-manufacturing industries reporting to the Bureau of Labor Statistics was estimated at about 130,000.

Increased employment on projects financed by Federal emergency outlays offset in part the losses reported in private industry. In September there were 160,000 more persons than in August on work relief jobs provided by the Federal Emergency Relief Administration. On the other hand, the enrollment at Civilian Conservation Camps was reduced by about 50,000, and there were about 35,000 fewer workers on the payrolls of the Public Works Administration. The net increase in employment on these emergency projects of the Federal Government, therefore, amounted to about 75,000.

Wholesale Trade

September sales of the reporting wholesale firms in this district averaged 5 per cent higher than a year ago, a slightly smaller increase than in the previous month. Increases in sales over last year were reported by the grocery, men's clothing, drug, and hardware firms. In the case of the grocery concerns, however, sales of goods other than liquor which did not enter into last year's business were 3 per cent smaller than a year ago. Declines in sales were recorded by the stationery and jewelry firms, but they were not as large as those shown in August. Sales of cotton goods and silk goods were moderately smaller than last year, following increases in the previous month, and sales of paper and diamond concerns showed the largest reductions since the spring of 1933.

Stocks of merchandise on hand were well above a year ago in dollar value for all reporting lines except jewelry. Collections continued higher this year than last in most of the reporting lines.

Commodity	Percentage change September 1934 compared with September 1933		Per cent of accounts outstanding August 31 collected in September	
	Net sales	Stock end of month	1933	1934
Groceries.....	+12.9	+ 6.6	88.4	93.7
Men's clothing.....	+15.4	.....	40.3	39.6
Cotton goods.....	- 8.5	.....	31.4	38.1
Silk goods.....	- 9.4*	+12.7*	48.0	57.9
Shoes.....	-16.0	.....	.....	.....
Drugs.....	+10.0	+16.3	23.7	37.3
Hardware.....	+ 4.9	+ 5.4	41.3	44.3
Stationery.....	- 4.6	.....	44.1	40.6
Paper.....	- 8.0	.....	40.2	46.4
Diamonds.....	-28.8	+10.4	.....	.....
Jewelry.....	- 6.6	- 2.1	25.3	21.8
Weighted average.....	+ 5.0	.....	53.4	57.5

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

Department Store Trade

During the first half of October, sales of the reporting department stores in the Metropolitan area of New York were approximately 5½ per cent ahead of the corresponding period a year ago, and it appears that slightly more than the usual seasonal expansion occurred in comparison with September sales. Excluding the sales of wines and liquors from this year's figures, the year to year increase amounted to a little over 3 per cent.

For the month of September, sales of the reporting department stores in this district declined 2 per cent

from last year, but after making allowance for one less shopping day this year there was a small increase in the average daily volume of sales. A substantial increase in the first half of the month was followed by rather poor business in the latter half, apparently due largely to bad weather. For the month as a whole the increase over August was somewhat less than usual. With the exclusion of liquor, this year's sales were 4 per cent below September 1933.

On an average daily basis, sales of the New York, Buffalo, Northern New Jersey, Southern New York State, Hudson River Valley, and Capital District department stores compared more favorably with last year than in August, while the sales of reporting stores in other localities compared less favorably in September than in the previous month. Sales of the leading apparel stores in this district on a daily basis were nearly 8 per cent larger than a year ago, a larger increase than in August.

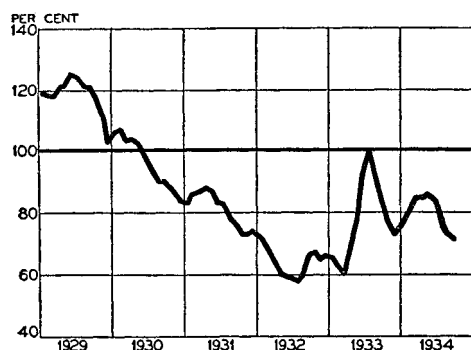
Stocks of merchandise on hand, at retail valuation, were generally smaller than a year ago, but it should be noted that in September of last year retail stocks reflected the effects of heavy buying of merchandise in the immediately preceding months in anticipation of price advances. Collections in September continued higher than a year ago in department stores, but were unchanged in apparel stores.

Locality	Percentage change September 1934 compared with September 1933		Per cent of accounts outstanding August 31 collected in September	
	Net sales	Stock on hand end of month	1933	1934
New York.....	- 1.4	- 9.7	42.1	43.4
Buffalo.....	+ 2.1	-10.8	39.6	42.0
Rochester.....	- 4.7	- 9.4	38.6	40.3
Syracuse.....	-13.5	-10.0	26.6	31.4
Northern New Jersey.....	- 4.2	-10.5	34.0	36.4
Bridgeport.....	- 3.3	-20.2	32.0	34.1
Elsewhere.....	- 2.6	- 9.6	26.5	25.6
Northern New York State.....	-10.3	.....	.....	.....
Southern New York State.....	+ 1.2	.....	.....	.....
Hudson River Valley District.....	- 2.5	.....	.....	.....
Capital District.....	- 3.2	.....	.....	.....
Westchester and Stamford.....	- 8.4	.....	.....	.....
All department stores.....	- 2.1	-10.0	37.8	39.6
Apparel stores.....	+ 3.8	+16.9	37.7	37.7

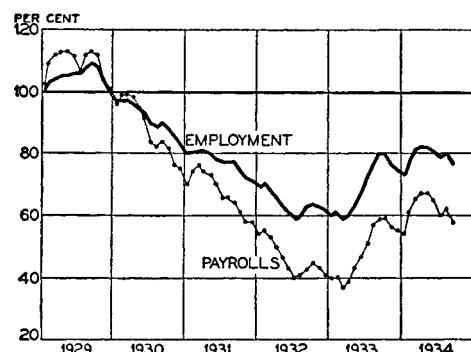
	Net sales percentage change September 1934 compared with September 1933	Stock on hand percentage change September 29, 1934 compared with September 30, 1933
Musical instruments and radio.....	+14.6	- 7.9
Shoes.....	+ 4.6	+ 4.7
Men's furnishings.....	+ 0.1	-12.4
Women's and Misses' ready-to-wear.....	- 1.3	-14.6
Luggage and other leather goods.....	- 1.3	-13.1
Women's ready-to-wear accessories.....	- 1.8	-15.6
Woolen goods.....	- 3.6	- 0.3
Men's and Boys' wear.....	- 5.0	- 3.4
Linens and handkerchiefs.....	- 6.6	-12.5
Books and stationery.....	- 6.7	- 2.6
Silks and velvets.....	- 8.2	-11.3
Hosiery.....	- 9.3	-27.6
Toilet articles and drugs.....	-10.3	+ 1.1
Toys and sporting goods.....	-11.0	-14.0
Silverware and jewelry.....	-12.3	-11.3
Cotton goods.....	-12.8	-16.2
Home furnishings.....	-13.1	- 6.8
Furniture.....	-14.5	- 3.7
Miscellaneous.....	+13.4	- 5.6

FEDERAL RESERVE BANK OF NEW YORK

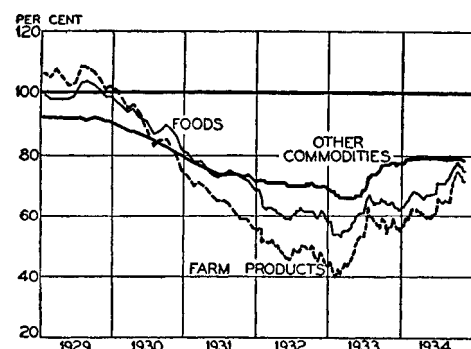
MONTHLY REVIEW, NOVEMBER 1, 1934



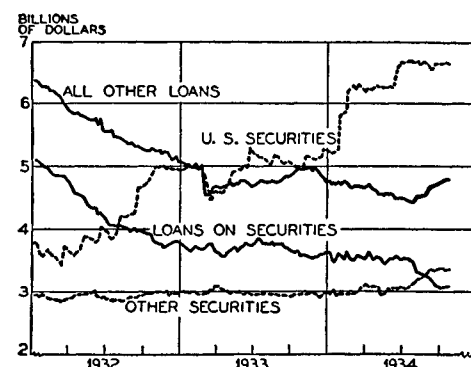
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



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



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



Wednesday Figures for Reporting Member Banks (Latest figures are for October 17)

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

VOLUME of industrial production remained unchanged in September when there is usually a seasonal increase and factory employment and payrolls declined. An important factor in the decrease was the strike in the textile industry. Retail trade in rural districts showed a large increase, and sales at department stores in cities also increased, though somewhat less than seasonally. Deposits at banks and commercial loans continued to increase.

PRODUCTION AND EMPLOYMENT

Volume of industrial production, as measured by the Board's seasonally adjusted index, declined from 73 per cent of the 1923-1925 average in August to 71 per cent in September. There were substantial declines in activity at cotton and woolen mills, reflecting the influence of the textile strike, and in the output of shoes, automobiles, and lumber. After the termination of the strike textile production increased. Steel mill operations, which had declined sharply during the summer, have been at a higher level in recent weeks than in the early part of September. Production of beef and lamb increased further in September, reflecting in part the disposal of animals bought in the drought areas by the Federal Government. Wheat flour production and sugar meltings also were larger in September. Output of anthracite and bituminous coal showed a larger than seasonal increase.

Factory employment and payrolls declined considerably in September, largely as a result of the textile strike. The number of workers employed was substantially reduced in the automobile, iron and steel, and shoe industries, as well as in the basic textile industries. There was a larger than seasonal increase in employment in clothing industries, while in the nonferrous metals, building materials, food products, and paper and printing industries employment was sustained. Among non-manufacturing lines, employment increased seasonally from August to September at coal mines and in retail trade. There was also a substantial increase in number of persons provided with work by the Emergency Work Program of the Federal Relief Administration, while employment on public works decreased somewhat.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, continued in about the same volume during September as in other recent months.

Department of Agriculture crop reports for October 1 indicated a cotton crop of 9,443,000 bales as compared with a yield of 13,047,000 bales last year. The corn crop, which averaged 2,516,000,000 bushels from 1927 to 1931, is estimated at 1,417,000,000 bushels this year. Hay and pasture conditions improved in September and weather in the first half of October was generally favorable for forage crops. The yield of white potatoes is estimated at 362,000,000 bushels, about equal to the average for 1927-1931.

DISTRIBUTION

Daily average railroad freight car loadings increased from August to September by about the usual seasonal amount, but declined slightly in the first half of October. Sales at department stores increased from August to September by somewhat less than the estimated seasonal amount, while retail sales of general merchandise in rural districts, as shown by reports of mail order houses and chain stores to the Department of Commerce, increased considerably.

COMMODITY PRICES

Wholesale prices of farm products and foods, which had advanced sharply in August and the first week of September, subsequently declined somewhat. The weekly index of wholesale prices of the Bureau of Labor Statistics, which had advanced from 74 per cent of the 1926 average at the beginning of June to 78 per cent early in September, stood at 76 per cent in the second week of October. Recent declines occurred principally in those products which had increased most rapidly in preceding weeks, such as wheat, cotton, livestock, and meats. Prices of commodities other than farm products and foods have in general shown little change since last January, but within recent weeks prices of textile products and scrap steel declined slightly and gasoline prices showed a considerable decrease. The open market price of silver advanced sharply in the first half of October.

BANK CREDIT

Excess reserves of member banks have shown no material change during the past month and on October 17 amounted to about \$1,750,000,000. A reduction in Treasury cash and deposits with the Federal Reserve Banks somewhat more than offset a seasonal growth of \$57,000,000 in the volume of money in circulation and a continued growth in required reserves arising from a growth in deposits. Volume of Reserve Bank credit outstanding showed little change.

At reporting member banks in leading cities there was a further growth in deposits and in loans and investments. Between September 19 and October 17 total deposits of the banks increased by about \$500,000,000. Commercial loans to customers and member banks' holdings of United States Government securities increased further, while security loans declined.

Short term money rates continued at low levels during September and the first three weeks of October. Yields on Government securities declined in October, following an increase in August and September.