

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

December 1, 1934

Money Market in November

Following the strengthening of the dollar against the European gold exchanges during the latter part of October, a renewed inflow of gold to the United States has occurred during November, and further shipments are now scheduled which will arrive in this country during December. For November the receipts of gold amounted to approximately \$112,000,000, the largest inflow for any month since March. This new gold movement reflects the fact that current payments by this country on international account are smaller than payments due this country and that this balance tends to result in gold shipments to the United States.

Excluding the increase in the monetary gold stock of this country due to the revaluation of the dollar, the increase since the beginning of this year has amounted to more than \$1,250,000,000. Even allowing for the increased price of gold, this represents a larger increase in the monetary gold stock of the United States than in any previous year. While the amount of gold added to the monetary stock from domestic sources has been unusually large this year, amounting in the case of newly mined gold to more than \$75,000,000 since the early part of March, and in the case of recoveries of scrap gold to more than \$90,000,000 since the beginning of the year, by far the largest part of the increase in the gold stock—nearly \$1,100,000,000—has represented gold received from abroad or released from earmark for foreign account here.

With the exception of England, from which country large gold shipments have been received, presumably representing largely new gold sold in the London market, the country from which the most gold has been received during the current year is France, which ranks second only to the United States in the size of its monetary gold stock. Considerable amounts have been received also from Belgium and Holland whose stocks, while substantial, are small compared with those of the United States and France. Sizable amounts also have been received from India, presumably from private hoards, so that their receipt represents an addition to the total stock of gold available for monetary purposes. At the end of November the monetary gold stock of the United States was in excess of \$8,100,000,000, which represents about 37½ per cent of the total gold holdings of the central banks and governments of the principal countries of the world.

A considerable part of the gold inflow to the United States from other countries this year, especially the heavy movement that followed immediately after the revaluation of the dollar, no doubt has reflected capital movements, in part a return to the United States of domestic capital previously held abroad, and in part an inflow of foreign capital for the purpose of repurchasing foreign securities or buying domestic securities in this country. Several other items that figure prominently in this country's international balance of payments, however, have also tended to increase the movement of gold to this country. In the first ten months of 1934 merchandise exports from the United States were nearly \$500,000,000 larger than in the corresponding period of 1933, while in the same period the increase in merchandise imports was less than \$200,000,000; consequently, the balance payable to the United States on merchandise transactions increased from about \$110,000,000 in the first ten months of 1933 to \$395,000,000 in the corresponding period of 1934. Furthermore, expenditures abroad by tourists from the United States, which ordinarily go far to offset payments due this country on merchandise transactions and in some recent years have exceeded the favorable balance of trade of the United States, this year are reported to have diminished considerably, due in part to the reduced purchasing power of the dollar abroad. Payments for silver imports and a considerable decrease in income received from the foreign investments of this country apparently have only partly offset these items. Consequently, the effect of the year's developments on the whole has been to increase the balance of payments due the United States, which is settled by gold shipments.

EXCESS RESERVES AND MONEY RATES

Largely as a result of the renewed gold inflow, excess reserves of all member banks increased during November to around \$1,900,000,000, a volume previously attained only in August. In New York City, where most of the incoming gold was received, the excess reserves of the principal member banks reached a new high level at about \$700,000,000. Near the end of the month, however, seasonal currency demands and Treasury transactions resulted in a fairly substantial reduction in excess reserves, both in New York City and in the country as a whole.

Money rates remained virtually unchanged throughout November at the low levels reached near the end of October.

Money Rates at New York

	Nov. 29, 1933	Oct. 31, 1934	Nov. 30, 1934
Stock Exchange call loans.....	$\frac{3}{4}$	$\frac{1}{2}$	$\frac{1}{2}$
Stock Exchange 90 day loans.....	$\frac{3}{4}$	$\frac{3}{4}$ -1	$\frac{3}{4}$ -1
Prime commercial paper—4 to 6 months	$1\frac{1}{4}$ - $1\frac{1}{2}$	$\frac{3}{4}$ -1	$\frac{3}{4}$ -1
Bills—90 day unindorsed.....	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Customers' rates on commercial loans..	†2.58	†2.13	†2.04
Treasury securities			
Maturing March (yield).....	0.20	No yield	No yield
Maturing June (yield).....	0.25	No yield	No yield
Maturing December 1935 (yield).....	....	0.39	0.23
Average rate on latest Treasury bill sales			
91 day issue.....	0.43	0.19	0.23
182 day issue.....	....	....	....
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

MEMBER BANK CREDIT

Weekly reports from member banks in 91 principal cities throughout the country showed a further increase of \$161,000,000 in net demand deposits during the four weeks ended November 21, which carried the total amount of such deposits above \$13,500,000,000. This figure compares with less than \$10,000,000,000 just after the bank holiday, and represents a new high level for several years. The total loans and investments of reporting banks, however, showed a reduction of approximately \$162,000,000 during the four week period, due partly to a renewed reduction in loans on securities amounting to \$76,000,000, and partly to seasonal repayments of other forms of bank credit. The seasonal rise in commercial loans appears to have reached its crest in October, and subsequently repayments have exceeded new loans. Holdings of securities other than Government issues showed a reduction of \$39,000,000, which apparently reflected chiefly the retirement of temporary municipal borrowings out of tax receipts, but holdings of United States Government securities showed a small increase.

BILL MARKET

During the first half of November, dealers' portfolios of bills remained at about the level reached in the latter part of October; the amount of business in the bill market increased somewhat in this period, but dealers' purchases and sales approximately balanced. After the middle of November, although the total turnover in the market was less than in immediately preceding weeks, dealers' sales exceeded the amounts of bills that they purchased, and portfolios were reduced to the very small amounts held prior to the rate reduction in October. No rate changes occurred during November and, although rates continued to be quoted by the dealers only on application, it was reported that practically all of the business was transacted at rates of $\frac{3}{16}$ per cent bid, $\frac{1}{8}$ per cent offered.

During October, a further seasonal increase of \$22,000,000 occurred in the volume of bankers acceptances outstanding. Increases were reported in domestic warehouse bills and to a lesser extent in export bills. More than one-half of the increase in outstandings was absorbed by the accepting banks and bankers, whose holdings at the end of October amounted to 92 per cent of the bills then outstanding.

COMMERCIAL PAPER MARKET

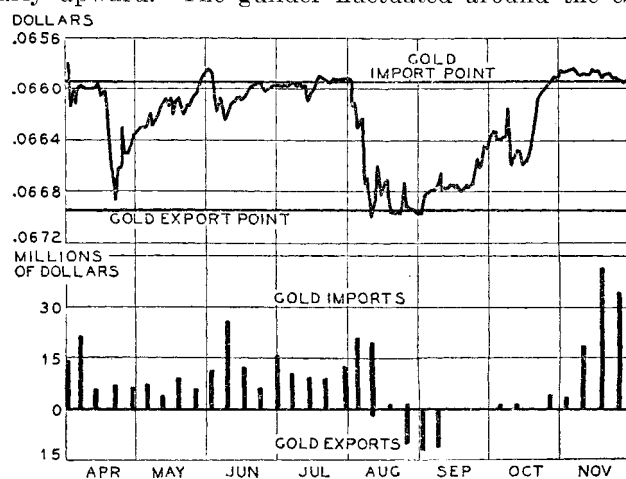
The continued large volume of bank funds seeking investment in open market commercial paper could be only partially employed during November because of the limited amount of high grade paper which the dealers were in a position to offer. In fact, commercial paper dealers reported that new drawings of notes by industrial and mercantile concerns came into the open market in smaller volume during November than in October, when total outstandings declined 2 per cent to \$188,000,000, the first decrease to occur in nine months. October outstandings, however, remained 45 per cent higher than a year ago, and to that extent the supply of prime short term paper has been enlarged over this period.

No change occurred in the rate structure of the commercial paper market during November. Prime four to six month paper continued to be quoted at a range of $\frac{3}{4}$ -1 per cent, with the highest quality paper of well known concerns commanding the $\frac{3}{4}$ per cent rate and high grade paper of concerns not so widely known priced more largely at 1 per cent.

Foreign Exchange

During November the dollar showed considerable strength in terms of the gold currencies, with the consequence that rather heavy gold shipments were made from France, Belgium, and Holland. The accompanying diagram shows the movement of dollar exchange over the past eight months as measured against the French franc, and indicates the extent of the imports and exports of gold that have followed changes in the dollar's position in the exchange market.

French francs, which were below the gold import point at New York at the end of October, dropped even lower to \$0.0658½ on November 1, and, despite substantial gold shipments, did not rise above \$0.0659 until the 19th. Subsequently the franc firmed to a level close to the gold point. Belgas continued to be the weakest of the gold currencies and remained well below the gold import point throughout the month; after reaching a low of \$0.2330 on the 15th, however, the tendency was irregularly upward. The guilder fluctuated around the esti-



Fluctuations of Dollar Exchange Measured in Terms of the French Franc and Gold Movements at New York (Latest exchange quotation is for November 27, and latest gold data are for week ended November 28)

mated gold import point to New York until the 13th when it dropped below, and declined to its low of \$0.6754 on the 15th, subsequently firming somewhat. Swiss francs, although lower than in October, were the strongest of the gold currencies, and moved independently, remaining above the gold import point until November 23rd, when, as the other gold currencies showed signs of strengthening, Swiss francs dropped to \$0.3242. No gold shipments from Switzerland were reported, however. Lire and reichsmarks fluctuated within somewhat narrower limits than in recent months, but were weaker than during October.

Sterling continued its late October trend by moving up to \$5.00 $\frac{3}{4}$ on November 7, the highest quotation since mid-September. The pound then became unusually steady around \$4.99 $\frac{1}{2}$ until toward the end of the month when the quotation declined to \$4.98 $\frac{5}{8}$. The Scandinavian currencies and the Japanese yen, following sterling, were also stronger than in October.

The official buying rate for Argentine pesos, which is fixed in relation to the pound, continued to move with sterling in this market, but the free rate depreciated somewhat during the month. A similar movement took place in Brazilian milreis where the official dollar rate showed virtually no change but the free rate declined 6 per cent around mid-November. Canadian dollars gained irregularly from \$1.02 $\frac{1}{4}$ at the beginning of the month to \$1.02 $\frac{3}{4}$ during the final week. The Chinese yuan was only slightly influenced by the price of silver and declined in terms of silver towards the end of the month.

Closing Cable Rates at New York

Exchange on	Par of Exchange	Nov. 29, 1933	Oct. 31, 1934	Nov. 28, 1934
Belgium.....	\$.2354	\$.2185	\$.2333	\$.2334
Denmark.....	.4537	.2310	.2225	.2227
England.....	8.2397	5.1725	4.9800	4.9863
France.....	.0663	.06150	.06593	.06593
Germany.....	.4033	.3760	.4026	.4019
Holland.....	.6806	.6325	.6767	.6759
Italy.....	.0891	.0829	.0856	.0853
Norway.....	.4537	.2605	.2504	.2506
Spain.....	.3267	.1286	.1366	.1367
Sweden.....	.4537	.2670	.2570	.2572
Switzerland.....	.3267	.3030	.3258	.3242
Canada.....	1.6931	1.0163	1.0263	1.0253
Argentina.....	.7187	.3355	.3320	.3324
Brazil.....	.2026	.0900	.0825	.0819
Uruguay.....	1.7511	.7600	.8000	.8000
Japan.....	.8440	.3095	.2902	.2912
India.....	.6180	.3875	.3755	.3760
Shanghai.....	.....	.3375	.3331	.3388

Gold Movement

As a result of the movement to the United States which began early in the month, total imports of gold during November were approximately \$112,000,000. The largest part of this amount—\$66,600,000—came from France, and in addition \$12,800,000 was received from Belgium, \$10,400,000 from India, \$9,200,000 from Canada, \$8,000,000 from Holland, \$3,800,000 from England, and \$900,000 from China.

The monetary gold stock of the United States was further increased by the release of \$1,800,000 of gold previously earmarked for foreign account at this bank, and by the receipt at the mints and assay offices of newly mined domestic gold and scrap gold averaging about

\$2,300,000 and \$1,500,000 a week respectively. In all, about \$125,000,000 was added to the gold stock during the month. In addition, \$2,100,000 of gold was received from Colombia which was immediately earmarked on arrival and therefore was without effect on the gold stock.

Central Bank Rate Changes

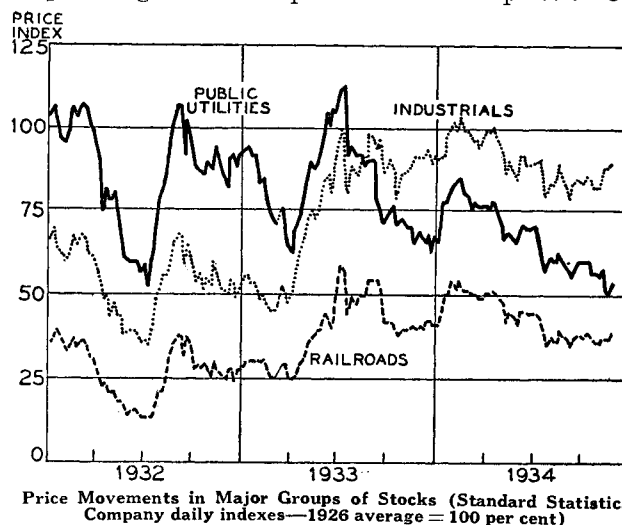
Effective November 26 the Bank of Italy raised its discount rate from 3 to 4 per cent, the lower rate having been in force since December 11, 1933. On November 1 the Bank of Java rate was reduced from 4 to 3 $\frac{1}{2}$ per cent. Information has also been received that during October the discount rate of the Bank of Spain was reduced from 6 to 5 $\frac{1}{2}$ per cent, and that the rate established by the Reserve Bank of New Zealand, which began operations on August 1, 1934, is 4 per cent.

Security Markets

During the first ten days of November, the general level of stock prices advanced moderately, and although industrial shares showed the principal increase, other groups of stocks also participated to some extent in the movement. Around the middle of the month, however, public utility stocks declined sharply, and as a result the index of public utility stock prices shown in the accompanying diagram broke through its previous low point of June 1932 and reached a new low for many years. Some weakness concurrently developed in railroad stocks, and the industrials turned irregular in the face of the declining tendencies in other parts of the market.

In the latter part of November, however, a recovery in public utility stocks occurred, and the stock market generally showed a renewed advancing tendency. The net result of the month's trading was a rise of 10 per cent in industrial stocks and of 4 per cent in rail shares, and virtually no net change in public utility stocks as a group.

The data in the diagram show stock prices in percentages of 1926 prices, and indicate that railroad stocks as a group are now selling at prices about 38 per cent as high as in 1926, and utility stocks at about 55 per cent of the 1926 level, while quotations for the industrial group average about 90 per cent of 1926 prices. Com-



pared with the highest prices reached in 1929 current prices vary from 33 per cent in the case of industrial stocks down to 14 per cent for public utilities.

The bond market showed no sustained price movement during November. All groups of domestic corporation issues rose somewhat during the first part of the month, but medium grade bonds turned downward after the 10th of the month, while the highest grade issues continued to rise for a while, reaching a new high for recent years shortly after the middle of the month. Subsequently the highest grade bonds also tended to recede slightly for a time, but toward the end of the month, price advances again predominated, and as a result corporate bonds generally showed some net advance for the month as a whole. United States Treasury bonds receded slightly further during the first part of November, and despite a subsequent advance of more than $\frac{1}{2}$ point did not reach quite as high a level as in October. Foreign bonds as a group showed a moderate net advance for the month.

New Financing

The volume of new financing announced during November totaled about \$100,000,000 according to available weekly data, a somewhat smaller volume than in other recent months, due principally to the absence of any large issues such as the Government guaranteed obligations which enlarged the totals for several previous months. However, the volume of new issues continued to exceed offerings in the corresponding period a year ago. An issue of especial interest during November was the public offering of \$8,000,000 of 4 per cent serial notes of the Republic of Finland out of a \$10,000,000 refunding issue. Yields ranged from 2.525 per cent on the January 1936 maturity to 4.826 per cent on the January 1939 maturity. This issue is the first foreign financing to be registered under the Securities Act of 1933, and is the first public financing in this country by a European Government in more than four years. The financing was possible by virtue of the fact that Finland has met in full all war debt payments due to the United States Government.

The most important issue of the month from the viewpoint of size was an offering of \$30,000,000 of State of Illinois relief bonds, maturing serially from 1935 to 1954, and priced to yield from 0.50 to 3.10 per cent. There was also some public utility financing in the form of a \$10,000,000 Northern States Power Company issue, which was offered at a price yielding 5.26 per cent. The Reconstruction Finance Corporation during November disposed of an additional \$7,200,000 of municipal issues by public sale to a large number of security houses which presumably will reoffer these securities in the market. These municipal bonds represent securities originally acquired by the Public Works Administration as collateral for loans.

United States Treasury financing during November was entirely in the form of Treasury bills. Three \$50,000,000 issues matured during the month and four \$75,000,000 issues were sold, so that \$150,000,000 of new funds was raised. Average rates on the November bill issues were from 0.21 to 0.23 per cent, or a trifle higher than the rate on the last issue in October.

Business Profits

Third quarter net profits of 290 industrial and mercantile concerns which have issued earnings reports were 28 per cent smaller than in the July to September period of 1933, following a substantial increase over last year in the second quarter. In the April to June period the volume of industrial output was somewhat larger than in 1933, while during the third quarter the Federal Reserve Board index of industrial production averaged nearly 20 per cent below the high level reached during the corresponding period of 1933. In some cases, however, profits were reduced by increased production costs or lower selling prices despite increases in the volume of business.

The decline from a year ago in aggregate profits for the third quarter of this year was due principally to smaller earnings of the automobile and oil companies, and to a sizable deficit in the steel industry which developed from the low rate of operations. Twelve other groups of companies shown in the table also reported somewhat less favorable earnings, but on the other hand there were eight groups of concerns which did relatively better in the third quarter than a year ago. These groups include the building supply, chemical and drug, electrical equipment, office equipment, and tobacco companies, all of which increased their net profits, and also the machinery, railroad equipment, and printing and publishing concerns which reported some profits this year against deficits last year. Approximately one-third of all the industrial companies whose statements are available had deficits this year, compared with one-fourth of the concerns in the third quarter of last year.

For the first nine months, the increase in aggregate industrial profits was considerably smaller than for the first half of the year, but percentage comparisons are of little significance in view of the fact that in the early months of 1933 industrial corporations in general had no net profits. Nearly all groups of companies have shown some improvement in earnings this year, however, the exceptions being the aviation, clothing and textile, and shipping groups. Compared with earlier years, profits for the nine month period appear to have been slightly above the levels prevailing in 1931, but below those of 1930 and a number of preceding years.

Reflecting in part a reduced volume of traffic, net operating income of Class I railroads in the third quarter of this year was 38 per cent smaller than in 1933, and after payment of fixed charges there was a combined deficit, as against a moderate net income last year. For the nine month period, the Class I railroads as a group failed to cover fixed charges by approximately \$37,000,000, or by the same amount as in the corresponding period of 1933; in 1932 the shortage after fixed charges was \$164,000,000. Net income of 44 public utility companies, other than telephone companies, continued to show a decline from a year previous, which for the third quarter amounted to 17 per cent. For the first nine months of this year, the net income of these companies was 10 per cent smaller than in 1933, and 19 per cent smaller than in 1932, although the volume of business done by the public utilities has increased considerably during the past two years.

(Net profits in millions of dollars)

Corporation groups	Third Quarter				First nine months			
	1931	1932	1933	1934	1931	1932	1933	1934
Automobile.....	14.6	-20.4	39.6	17.1	107.1	-18.7	82.5	86.6
Automobile parts and accessories (excl. tires).....	-0.4	-4.8	6.0	3.0	10.7	-8.8	6.9	21.5
Aviation.....	-0.2	-1.2	0.9	0.7	-0.7	-3.3	2.8	1.2
Building supplies.....	1.2	-1.6	0.4	0.4	4.6	-5.5	-3.8	0.7
Chemicals and drugs.....	27.0	12.1	25.5	27.3	80.6	41.9	54.7	78.2
Clothing and textiles.....	0.9	1.0	2.0	0	0.7	-3.7	2.4	0.9
Coal and coke.....	-0.9	-1.8	-0.4	-0.5	-0.4	-4.0	-2.8	1.4
Copper.....	-1.2	-2.0	-0.1	-0.2	-2.2	-4.7	-3.6	-0.1
Electrical equipment.....	9.5	-1.4	1.3	4.1	28.7	1.1	-0.7	14.0
Food & food products.....	39.4	27.8	36.0	35.1	121.4	89.2	90.1	96.3
Household equipment.....	-0.8	-0.9	0.6	-0.2	-0.9	-2.8	-0.2	0.8
Machinery.....	-1.0	-2.5	-0.1	1.2	0.2	-8.4	-5.0	4.4
Metals & mining (excl. copper, coal and coke).....	3.2	1.5	8.3	7.6	12.1	5.0	15.4	26.2
Motion picture and amusement.....	-3.4	-5.3	0.6	0.4	-2.3	-10.7	0.2	2.5
Office equipment.....	1.5	-0.3	2.0	2.6	6.6	1.0	3.7	9.7
Oil.....	1.8	10.7	27.8	19.8	-40.2	20.4	-7.9	41.8
Paper.....	0.2	-0.3	0.8	0.4	2.5	-0.7	0.9	1.6
Printing & publishing.....	3.2	-0.1	-0.1	1.5	12.0	5.5	1.5	5.5
Railroad equipment.....	2.2	-0.2	-0.3	3.2	7.8	-2.8	-4.9	3.7
Shipping.....	0.5	1.1	1.3	1.1	0.5	0.8	1.1	0.6
Steel.....	-6.0	-38.7	-2.7	-20.6	9.0	-103.2	-51.3	-7.5
Tobacco.....	1.4	0.7	0.1	1.2	3.7	1.9	0.7	2.8
Miscellaneous.....	9.0	4.1	12.9	12.2	27.8	10.6	20.1	37.7
Total, 290 companies.....	101.7	-23.5	162.4	117.4	389.3	0.1	202.8	430.5
149 Class I Railroads								
Net operating income.....	165.7	88.2	186.8	115.9	401.2	197.8	341.5	342.6
Net income.....	54.4	-39.0	64.0	-12.8	85.6	-164.3	-37.0	-37.1
44 Public utilities, except telephone cos.								
Net income.....	54.5	41.8	42.3	35.1	198.9	166.0	149.3	135.1

— Deficit

Employment

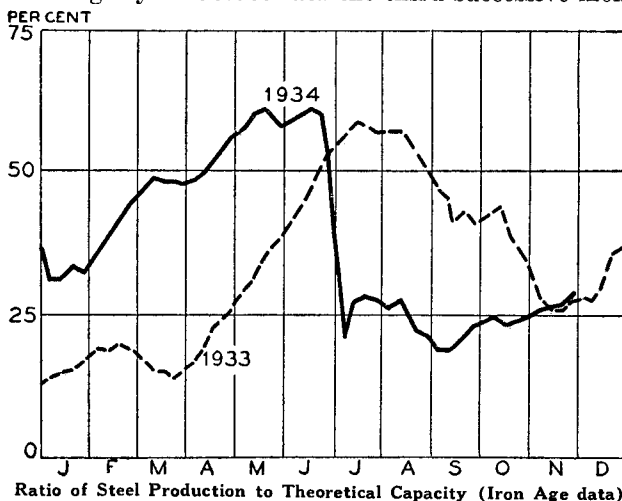
Resumption of activity in the textile industry following the termination of the strike was the principal factor in a substantial increase in total factory employment in the United States from the middle of September to the middle of October. The extent of the rise is indicated by an increase of 4 per cent in the seasonally adjusted index of factory employment compiled by the Federal Reserve Board, following a 7 per cent decrease in September. Employment in the group of industries producing non-durable goods showed a gain of nearly 8 per cent during the period, while the durable goods group registered a decline of about 1 per cent in working forces. In addition to the improvement in factory employment, seasonal gains were recorded in wholesale and retail trade, and in coal and metal mining, and employment on private building projects also increased. The net gain in private employment from September to October was estimated by the Secretary of Labor at approximately 280,000 persons.

Employment on public work financed by federal emergency outlays also increased from September to October. The enrollment in the Civilian Conservation Corps during October was about 55,000 higher than in September, and nearly 25,000 more were given relief work furnished by the Federal Emergency Relief Administration. Meanwhile, the number of workers on the payrolls of the Public Works Administration showed a decrease of 30,000, due to the fact that the year's road building program was nearing completion.

Production

In November, basic industrial activity on the whole appears to have continued the recovery begun in the preceding month, although some diversity of movement was evident in the output of individual industries. Operations at steel plants, which usually slacken during November, this year showed a slow but steady rise, and, as the accompanying diagram indicates, current output is running ahead of last year for the first time since June. Production was estimated by the Iron Age at 26 per cent of capacity at the first of the month, and at 29 per cent at the end of the month as compared with an October average of 24.6 per cent. Bituminous coal mining, which in previous years has shown no well defined seasonal movement from October to November, increased further, and electric power output expanded seasonally. On the other hand, automobile output reached a seasonal low point in November, with nearly half of the larger plants in the industry shut down as preparations were being made for model changes. The textile industry apparently showed no further recovery in November, as available weekly figures indicate that mill consumption of cotton was scarcely maintained at the October rate.

The upturn in manufacturing output in October, following four months of recession, resulted in a 2 point rise in the Federal Reserve Board's seasonally adjusted index of industrial production to 73 per cent of the 1923-25 average. The recovery in the textile lines following the termination of the strike was the dominant factor in the increase; average daily consumption of cotton by the mills expanded 51 per cent from September to October to approximately the level of last May, wool mill activity increased about 50 per cent, and mill consumption of silk increased 39 per cent. Steel output was enlarged somewhat for the first time since May, zinc smelting operations rose sharply, and machine tool orders increased to the highest level in five months. On the other hand, activity at meat packing plants receded from the unusually high level of previous months. Automobile output decreased somewhat more than seasonally, and the increases in bituminous and anthracite coal production were of less than the usual seasonal proportions. The seasonally adjusted index of tobacco manufactures receded slightly in October for the third successive month.



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

	1933	1934			
	Oct.	Aug.	Sept.	Oct.	
Metals					
Pig iron.....	44	34	30	30	
Steel.....	52	32	32	34	
Lead.....	55	38	45	47	
Zinc.....	67	48	52	65	
Automobile					
Passenger cars.....	40	41	33	30p	
Motor trucks.....	52	82	78	76p	
Fuels					
Bituminous coal.....	62	66	67	65p	
Anthracite coal.....	61	58	72	61p	
Petroleum, crude.....	72	68	67	67p	
Petroleum products.....	69	67	64	64	
Electric power.....	66	65	64p	63p	
Textiles and Leather Products					
Cotton consumption.....	83	72	56	82	
Wool mill activity.....	88	73	45p	64p	
Silk consumption.....	46	53	46	67	
Rayon deliveries.....	95	76	69p		
Shoes.....	94	91	80p	82p	
Foods and Tobacco Products					
Meat packing.....	94	132	146	123	
Wheat flour.....	74	77	81	80	
Refined sugar deliveries.....	71	77	73	75	
Tobacco products.....	74	82	80	78	
Miscellaneous					
Cement.....	30	39	43	39	
Tires.....	62	52	54	56p	
Lumber.....	37	39	36	32	
Newsprint paper.....	74	73	75	71	
Machine tools.....	34	34	34	37	

p Preliminary

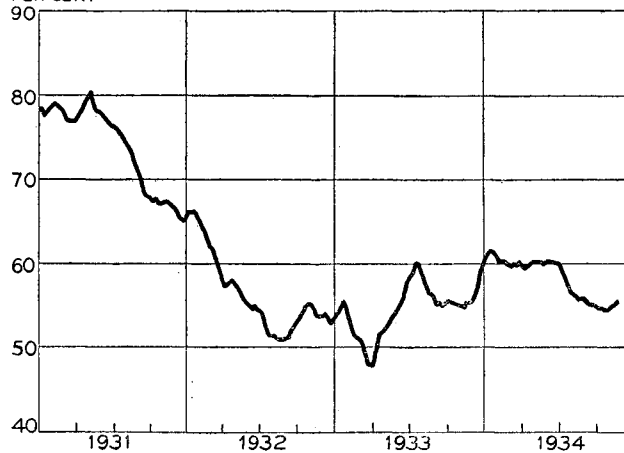
Indexes of Business Activity

Available data on the distribution of goods in the first half of November compared favorably with October figures. Less than the usual seasonal decline occurred in the movement of merchandise and miscellaneous freight over the railroads, and this bank's seasonally adjusted weekly index, shown in the accompanying diagram, advanced moderately in November. A smaller than seasonal reduction also occurred in the movement of bulk freight over the railroads, owing to increased coal loadings. Department store sales in the Metropolitan area of New York showed an expansion of about the usual seasonal proportions.

In October, somewhat less than the usual seasonal expansion occurred in the volume of retail trade. Among this bank's seasonally adjusted indexes, rather pronounced declines were shown in those covering mail order house and chain store sales, following sharp increases in these lines in the previous month. The recession appears to have been largely in rural areas, which in the previous month showed large increases in sales. Retail sales of automobiles in the country as a whole showed no material change other than seasonal.

Several of the more general business indicators also declined somewhat in October. A less than seasonal increase occurred in the volume of check transactions, and reductions occurred in railroad loadings of bulk freight and in the indexes of foreign trade. The index of merchandise and miscellaneous car loadings, one of the best general business indexes, however, was unchanged from September to October.

PER CENT



Index of Railroad Loadings of Miscellaneous and Less than Carload Freight (Federal Reserve Bank of New York index, adjusted for seasonal variation and long term growth)

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

	1933	1934			
	Oct.	Aug.	Sept.	Oct.	
Primary Distribution					
Car loadings, merchandise and misc.....	56	56	55	55	
Car loadings, other.....	56	58	58	54	
Exports r.....	53r	51r	51r	47r	
Imports r.....	64r	51r	57r	51r	
Wholesale trade.....	76	94	86	86	
Distribution to Consumer					
Department store sales, U. S.....	71	78	74r	71	
Department store sales, 2nd Dist.....	74	74	71r	72	
Chain grocery sales.....	74	66	65	63	
Other chain store sales r.....	78r	79r	86r	77r	
Mail order house sales.....	70	67	75	70	
Advertising.....	56	60	56	58	
New passenger car registrations.....	51	55	52p	53p	
Gasoline consumption.....	71	72	68		
General Business Activity					
Bank debits, outside New York City.....	57	61	60	57p	
Bank debits, New York City.....	46	43	41	38	
Velocity of demand deposits, outside New York City.....	77	68	66	63	
Velocity of demand deposits, New York City.....	56	48	45	41	
New life insurance sales.....	64	62	60	61	
Factory employment, United States.....	79	80	75	78p	
Business failures.....	56	44	42	47	
Building contracts.....	29	21	21	25	
New corporations formed, N. Y. State.....	69	63	59	58	
Real estate transfers.....	44	48	50		
General price level*.....	133	138	139	139p	
Composite index of wages*.....	177	182	179	179p	
Cost of living*.....	136	138	139	139	

p Preliminary r Revised * 1913 average=100

Building

Some increase in the prospective activity of the construction industry was indicated during October by an unseasonal increase in the rate at which building and engineering contracts were awarded. This bank's seasonally adjusted index rose to 25 per cent of the long term rate of growth, after having held around 21 per cent since April. A more than seasonal rise in the amount of residential contracts contributed to the October increase in total contracts. Residential contracts were 36 per cent ahead of the September volume, on an average daily basis, and were also somewhat larger than a year ago.

for the first time since April. The gains in residential contracts were widely distributed, geographically. While Home Owners Loan Corporation improvements and work financed by loans arranged under the program of the Federal Housing Administration are included at least in part in the contract totals, they do not appear to have been a dominant factor in the October expansion in residential building.

A larger part of the increase in total construction contracts from September to October was due to public works and utility projects, which showed an unseasonal rise of about 20 per cent. Other non-residential contracts were slightly smaller in October than in the previous month. In the aggregate, contracts for publicly financed building, while larger than in immediately preceding months, were in smaller volume than a year ago. Privately financed construction, on the other hand, was not only larger than in the two preceding months, but was also somewhat larger than a year ago.

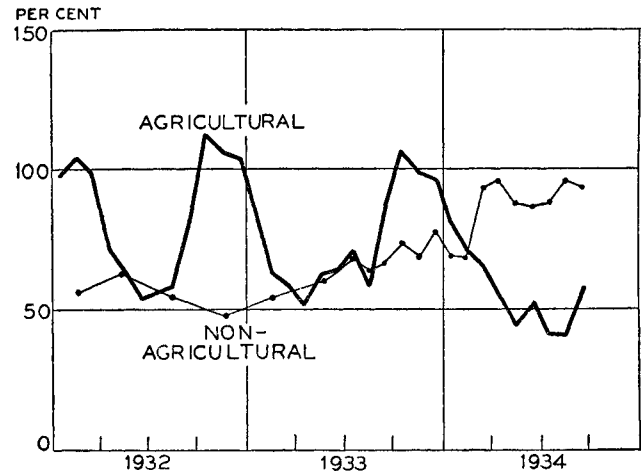
For the first ten months of 1934, the total of reported construction contracts amounted to \$1,339,000,000, a gain of \$453,000,000 over the corresponding period of 1933. Public works accounted for \$248,000,000 of the increase, public utilities for \$43,000,000, other non-residential building—mostly educational and commercial building—for \$150,000,000, and residential construction for \$12,000,000. Public funds financed practically all of the increase in building during this period, the increase in privately financed construction amounting to only \$15,000,000.

During the first half of November, all classes of contracts were in smaller volume than in October. The amount of public works and utility contracts was well maintained, however, considering the season of the year.

The Real Property Inventory of 1934 conducted by the Bureau of Foreign and Domestic Commerce, with the aid of the Bureau of the Census, divulged some important data concerning urban housing conditions in the United States. The report showed that nearly 50 per cent of the family dwelling units canvassed were over 20 years old; that about 8 per cent of the units were vacant; and that for the occupied space overcrowding was reported in 17 per cent of the cases. About 44 per cent of the structures were in need of minor repairs, 16 per cent in need of major repairs, and 2 per cent were listed as unfit for use. In summary, the report indicated large opportunities for expenditures on replacement, renovation, and modernization of houses, such as are now being fostered by the program of the Federal Housing Administration.

Foreign Trade

Exports of merchandise from the United States during October amounted to \$206,000,000, a gain of 8 per cent over the preceding month, and general imports were valued at \$130,000,000, a decline of 2 per cent from the September figure. The resulting favorable balance of trade amounting to \$77,000,000 was the largest that has occurred since November 1930. In the case of exports, the increase from the previous month was less than the usual seasonal expansion, and in the case of imports the decline was contrary to seasonal tendency. Compared



Indexes of the Quantity of Agricultural and Non-Agricultural Exports
(Department of Agriculture index for agricultural exports; non-agricultural index derived from Department of Commerce index of total exports. Unadjusted for seasonal variation; 1923-25 average=100 per cent)

with a year ago, exports continued to show an increase, which, however, was reduced in October to only 7 per cent, the smallest year to year gain since June 1933. Imports, as in the three preceding months, were below the relatively high figures for the corresponding period of 1933, the October decline amounting to 14 per cent.

Indexes of the quantity of agricultural and non-agricultural exports, shown in the accompanying diagram, indicate that the volume of agricultural exports showed a slight downward tendency in 1933 which has become more pronounced in 1934, while the volume of non-agricultural exports has expanded rather consistently since early in 1933. Among the agricultural exports, cotton and tobacco are the most important commodities, and in non-agricultural exports, automobiles, crude and refined petroleum and metals are the largest components.

Data available for individual commodities indicate a continuation during October of the tendencies shown in the diagram. Compared with a year ago, exports of copper in October increased about 75 per cent in quantity and 50 per cent in value; the number of passenger automobiles and trucks shipped abroad increased a little over 35 per cent; and exports of cotton cloth gained about one-fourth, both in volume and value. On the other hand, the quantity of raw cotton shipped abroad, while showing a seasonal increase over September, remained 40 per cent less than a year ago, reductions occurring in exports to all of the major importing countries except Japan. Exports of unmanufactured tobacco showed a slight decrease from a year ago in volume, although the value was 75 per cent larger, due to higher prices. Shipments of meat products were 13 per cent smaller in quantity, but were valued slightly higher than a year ago.

As in the case of exports, a large increase compared with October 1933 occurred in imports of copper. Imports of sugar were 40 per cent larger in amount and 23 per cent greater in value. Receipts of crude rubber, although continuing in substantially smaller volume than last year, were 30 per cent higher in value. Imports of coffee were in practically the same quantity as in 1933,

but were 20 per cent larger in value. Receipts of raw silk, however, were only about 75 per cent as large in quantity and 50 per cent as large in value as last year.

Commodity Prices

Following the downward movement that had been in progress since the early part of September, prices of farm products advanced somewhat during November. The most pronounced increase occurred in the cash price of corn which rose $16\frac{1}{4}$ cents to 94 cents a bushel at Chicago, thus reaching the highest level in four years. A rather sizable advance was also shown in raw sugar, the price of which advanced $26\frac{1}{2}$ points to $3.08\frac{1}{2}$ cents a pound. Prices of hides and livestock recovered slightly, and cotton advanced to the highest price since the latter part of September.

Diverse movements were apparent in the prices of metals during November. Scrap steel at Pittsburgh advanced \$0.75 further to \$11.25 a ton, the highest level since August. The price of silver at New York also rose during the course of the month reaching $55\frac{3}{4}$ cents an ounce, a new high for the past five years, and closed the month with a net gain of $2\frac{1}{2}$ cents over the end of October. Some decline, on the other hand, was shown in the prices of lead and zinc. Among other important basic commodities, the price of raw silk rose 16 cents to $\$1.34\frac{1}{2}$ a pound, the highest price in seven months, while rubber was fairly steady during November.

Department Store Trade

During the first half of November, sales of the reporting department stores in the Metropolitan area of New York were 8 per cent higher than in the corresponding period a year ago, and excluding liquor sales from this year's figures the increase amounted to almost 6 per cent. The reports indicate about the usual seasonal expansion from October to November.

In October, total sales of the reporting department stores in this district were 8 per cent higher than a year ago, and after allowing for one more shopping day this year the advance amounted to about 4 per cent, the largest year to year gain in sales since last May. Exclusive of liquor business, the increase in October total sales was 6 per cent. On an average daily basis, sales of the New York and Capital District department stores showed the largest increases since May, and sales of the Rochester, Syracuse, Northern New Jersey, and Bridgeport department stores compared more favorably with a year ago than in the past two or three months. The reporting stores in Westchester and Stamford had a larger volume of sales than a year ago following a decrease last month. In the other localities covered by the reports the year to year comparisons for average daily sales were less favorable in October than in September. Total sales of the leading apparel stores in this district were 11 per cent higher than a year ago, but on an average daily basis the increase was slightly less than in the previous month.

Department store stocks of merchandise, at retail valuation, were smaller than a year ago for the third consecutive month, while apparel store stocks continued

larger than last year. Collections continued higher this year than a year ago both in department and apparel stores.

Locality	Percentage change October 1934 compared with October 1933		Per cent of accounts outstanding September 29 collected in October	
	Net sales	Stock on hand end of month	1933	1934
New York.....	+ 9.1	— 9.1	47.7	50.2
Buffalo.....	+ 8.4	— 8.1	43.8	47.5
Rochester.....	+ 5.8	—14.4	44.0	45.6
Syracuse.....	+ 3.0	—13.2	30.1	37.6
Northern New Jersey.....	+ 4.3	— 9.2	38.8	43.6
Bridgeport.....	+11.4	— 2.9	36.7	41.9
Elsewhere.....	+ 6.0	—10.1	30.3	30.1
Northern New York State.....	— 4.5	.....	.....	.....
Southern New York State.....	+ 3.0	.....	.....	.....
Hudson River Valley District.....	+ 3.3	.....	.....	.....
Capital District.....	+ 6.9	.....	.....	.....
Westchester and Stamford.....	+ 9.8	.....	.....	.....
All department stores.....	+ 8.1	— 9.3	43.0	46.3
Apparel stores.....	+11.3	+15.5	44.4	46.6

Wholesale Trade

October sales of the reporting wholesale firms in this district averaged 16 per cent higher than a year ago, the most favorable comparison since last May, when an increase of about the same proportions occurred. The gains in sales shown by the drug, hardware, paper, diamond, and jewelry reporting firms made the best comparisons with a year ago since last spring, and in the case of the grocery concerns, the increase over last year even excluding liquor sales amounted to 11 per cent, which was the largest increase on this basis since March. Sales of silk goods, reported on a yardage basis by the National Federation of Textiles, showed the largest year to year advance since July 1933. Other wholesale lines also reported increases in sales, except the shoe group whose sales were slightly smaller than a year ago.

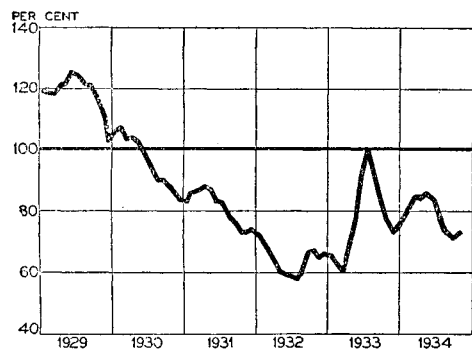
Stocks of merchandise on hand were above a year ago in nearly all of the lines reporting these figures. Collections averaged considerably higher this year than last.

Commodity	Percentage change October 1934 compared with October 1933		Per cent of accounts outstanding September 29 collected in October	
	Net sales	Stock end of month	1933	1934
Groceries.....	+28.2	+14.9	89.1	99.8
Men's clothing.....	+13.9	.....	35.1	43.1
Cotton goods.....	+ 3.2	.....	34.0	40.8
Silk goods.....	+28.8*	+ 5.7*	58.0	67.1
Shoes.....	— 1.0	.....	.....	.....
Drugs.....	+10.8	+22.7	25.8	32.7
Hardware.....	+17.2	+16.8	45.3	50.4
Stationery.....	+ 6.2	.....	45.7	44.3
Paper.....	+ 8.0	.....	42.7	48.6
Diamonds.....	+19.1	— 2.5	18.8	21.1
Jewelry.....	+27.2	+ 4.1	.....	.....
Weighted average.....	+16.3	.....	53.9	61.7

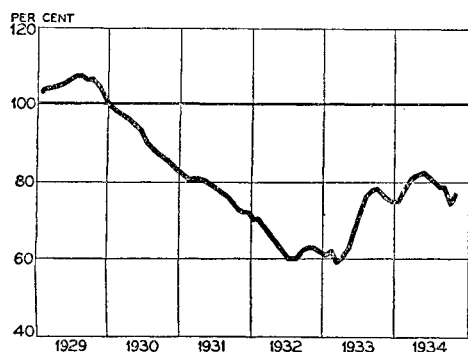
* Quantity figures reported by the National Federation of Textiles, Incorporated, not included in weighted average for total wholesale trade.

FEDERAL RESERVE BANK OF NEW YORK

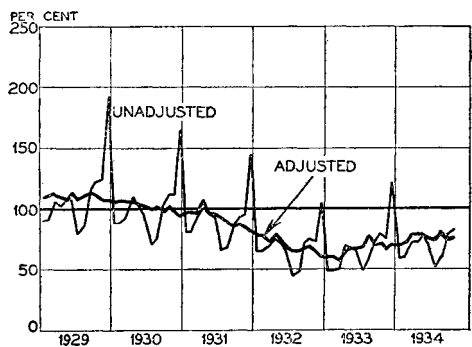
MONTHLY REVIEW, DECEMBER 1, 1934



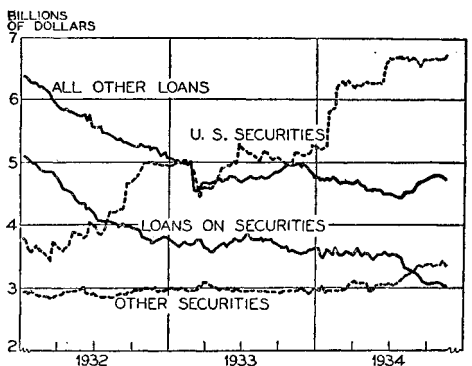
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average = 100 per cent)



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



Indexes of Daily Average Value of Department Store Sales (1923-25 average = 100 per cent)



Wednesday Figures for Reporting Member Banks (Latest figures are for November 14)

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

VOLUME of industrial production and factory employment, which usually shows little change at this season, increased in October, reflecting chiefly the resumption of activity at textile mills. Wholesale commodity prices, after declining in September and October, advanced in the first half of November.

INDUSTRIAL PRODUCTION AND EMPLOYMENT

Activity at industrial establishments, as measured by the Board's seasonally adjusted index, showed an increase from 71 per cent of the 1923-1925 average in September to 73 per cent in October. Among the industries producing durable manufactures, output at steel mills increased from 23 per cent of capacity for the month of September to 25 per cent for October, while output of automobiles and lumber declined. In November activity at steel mills continued to increase and in the week ended November 24 was at about 28 per cent of capacity. Automobile production has declined further in connection with the preparation of new models. The production of non-durable manufactures in the aggregate showed a considerable growth in October, reflecting sharp increases at cotton, woolen, and silk mills, offset in part by a decline in activity at meat packing establishments. The increase in output at textile mills after the strike in September brought output to a higher level than in August. Among the minerals, daily output of crude petroleum declined in October and that of anthracite increased by an amount smaller than is usual at this season.

Factory employment and payrolls in the country as a whole increased considerably between the middle of September and the middle of October. Sharp increases were reported at mills producing textile fabrics, while in the automobile, shoe, and canning industries there were declines of a seasonal nature.

The value of construction contracts awarded was somewhat larger in October than in any other recent month. There was an increase in residential work as well as in publicly financed projects.

AGRICULTURE

Department of Agriculture estimates, based on November 1 conditions, indicate a cotton crop of 9,634,000 bales, 26 per cent smaller than the 1933 crop, and a corn crop of 1,372,000,000 bushels, 41 per cent smaller than last season and 45 per cent smaller than the 1927-1931 average. The tobacco crop is also considerably smaller than usual, while the white potato crop is slightly above the five year average.

DISTRIBUTION

The number of freight cars loaded per working day decreased from September to October. Department store sales showed a seasonal increase and were at about the same level, on a seasonally adjusted basis, as in most other months since March. Rural sales of general merchandise, as reported by the Department of Commerce, increased by less than the usual seasonal amount following an unusually large increase in September.

COMMODITY PRICES

Wholesale commodity prices, as measured by the Bureau of Labor Statistics weekly index, declined from 77.8 per cent of the 1926 average in the week ended September 8 to 76.0 per cent in the week ended November 3 and then rose in the following two weeks to 76.7 per cent. The decline was largely in prices of farm products and foods but there were also some decreases in the prices of textiles and building materials. Increases in the first half of November were largely in the prices of farm products. The price of scrap steel also advanced, while lead and zinc declined.

BANK CREDIT

Excess reserves of member banks were about \$1,910,000,000 on November 21, showing an increase of \$150,000,000 in the preceding five weeks. The increase in reserves held was \$200,000,000, of which \$50,000,000 covered a growth in required reserves. Additions to reserves resulted mainly from gold imports and further issues of silver certificates.

Loans and investments of reporting member banks in leading cities declined somewhat in the four weeks ended November 14, following an increase in the previous month. Substantial declines were shown in loans on securities and in holdings of securities other than those of the United States Government. Other loans, which had increased considerably in previous months, also showed some decline, while holdings of direct obligations of the United States Government and of securities fully guaranteed by the Government increased considerably. Customers' deposits continued to increase, while Government deposits declined.

There was a further decline in open market rates on bankers acceptances at the end of October to an offering rate of $\frac{1}{8}$ per cent. Yields on short term Government securities and other short term open market money rates showed little change.