

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

*Federal Reserve Agent*

*Federal Reserve Bank, New York*

*February 1, 1935*

#### Money Market in January

The seasonal retirement of currency that had been called into use for the seasonal business activities of the autumn and for the holiday trade combined with Government disbursements and a new gold inflow to raise member bank reserves more than \$500,000,000 in January to a level far above any reached in previous years. As the accompanying diagram shows, the total volume of member bank reserves for the country as a whole near the end of January was nearly double the volume in 1929. Approximately half of the increase occurred at New York, due largely to a heavy inflow of funds from other districts, which apparently reflected in part a movement of commercial funds and in part a further accumulation in New York of idle funds of banks in other parts of the country.

Although the rapid growth of bank deposits since the autumn of 1933 has involved the absorption of approximately \$500,000,000 through increased reserve requirements, excess reserves of member banks rose to a new high level of about \$2,200,000,000 in the latter part of January, over and above required reserves of somewhat over \$2,300,000,000. In New York City alone, excess reserves near the end of January ranged from \$700,000,000 to \$835,000,000, in addition to required reserves of somewhat over \$900,000,000. For all other member banks the present volume of reserves is approximately double legal requirements. The basis is therefore present in excess bank reserves for a tremendous expansion of bank credit and bank deposits.

The net return flow of currency to the Reserve Banks between December 26 and January 23 amounted to \$281,000,000, and was thus the largest single factor in the January increase in member bank reserves. The volume of currency outstanding on January 23, which presumably was approximately the lowest point of the season, remained about \$56,000,000 higher than on July 25, just before the autumn increase began. This increase, however, probably reflects only a part of the actual expansion in the amount of currency in active use during the past six months, as a gradual movement of currency out of hoards accumulated during the banking difficulties of 1933 and previous years appears to have continued during recent months. A movement of this kind has been reflected in continued straggling receipts by this bank and other Reserve Banks of old type gold certificates and of large denomination bills of other kinds.

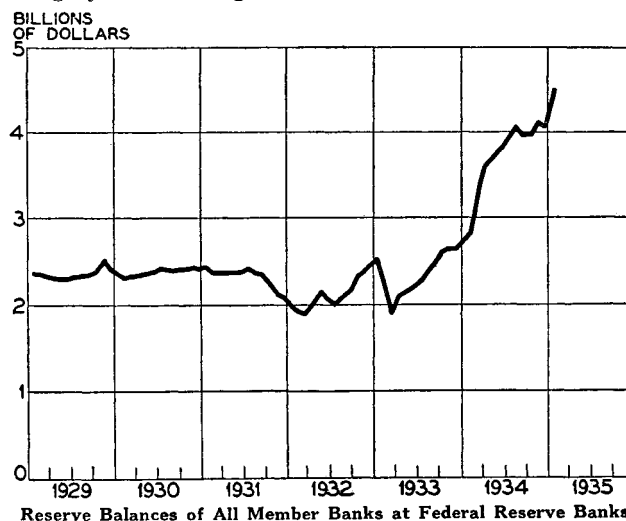
Another important factor in the January increase in member bank reserves was large Government disburse-

ments of deposits in Federal Reserve Banks and free gold in the Treasury that were accumulated in December. Net disbursements by the Government between December 26 and January 23 amounted to \$186,000,000, and accounted for more than one-third of the increase in member bank reserves during that period. In New York, however, Government disbursements were more than offset by receipts, so that there was no gain to member bank reserves from this source. By January 23, Treasury balances in the Reserve Banks had been reduced to comparatively low levels, and substantial withdrawals of funds from Government depositaries were made to counterbalance Government expenditures during the remainder of the month.

The new inflow of gold from abroad resulted in part from unsettlement of the foreign exchanges pending decision by the United States Supreme Court upon the "gold clause" cases which were argued before the Court early in January. The increase in the gold stock of this country during January was close to \$150,000,000, bringing the total increase during the past year, exclusive of the increase due to revaluation of monetary gold previously held, to approximately \$1,500,000,000.

#### MONEY RATES

The principal reflection in the money market of the large increase in excess member bank reserves during the past month has been a further decline in yields on long term Government bonds, on other high grade securities, and, to some extent, on lower grade bonds. The average yield on long term Government bonds near the



end of January was about 2.65 per cent, as compared with about 2.85 per cent near the end of December. Short term money rates are shown in the following table.

Money Rates at New York

	Jan. 31, 1934	Dec. 31, 1934	Jan. 31, 1935
Stock Exchange call loans.....	1	1	1
Stock Exchange 90 day loans.....	*1-1¼	*¾-1	*¾-1
Prime commercial paper—4 to 6 months	1¼-1½	¾-1	¾
Bills—90 day unindorsed.....	½	½	½
Customers' rates on commercial loans..	†2.46	†1.96r	†1.75
Treasury securities			
Maturing June (yield).....	0.25	No yield	No yield
Maturing December (yield).....	1.67	No yield	No yield
Maturing April 1936 (yield).....	....	0.36	0.08
Average rate on latest Treasury bill sales			
91 day issue.....	1.72	....	....
182 day issue.....	....	0.10	0.14
Federal Reserve Bank of New York re-			
discount rate.....	2	1½	1½
Federal Reserve Bank of New York			
buying rate for 90 day indorsed bills	½	½	½

\* Nominal † Average rate of leading banks at middle of month r Revised

#### MEMBER BANK CREDIT

The total loans and investments of weekly reporting member banks throughout the country showed no material change during the past month, although there were changes of moderate amount in the different communities and in the various types of earning assets. In New York City the total loans and investments of the reporting member banks showed an increase of \$130,000,000, the largest factor in which was an increase of \$93,000,000 in United States Government securities, supplemented by an increase of \$31,000,000 in other securities and a small increase in loans on securities. Other loans, largely commercial, showed only a small net reduction following more substantial seasonal declines in the two preceding months, and the volume of such loans remained about \$75,000,000 higher than at the seasonal low point of July 1934. In other reporting banks throughout the country, total loans and investments declined about \$150,000,000 between December 26 and January 23, due to reductions of \$49,000,000 in Government securities, \$32,000,000 in other securities, \$40,000,000 in security loans, and \$28,000,000 in other loans.

Net demand deposits of the reporting banks showed a further increase of \$365,000,000 during the four week period and reached a new high level for several years past, due to the same factors that caused the expansion in member bank reserves during the month. Time deposits showed a net increase of \$63,000,000, following a moderate reduction in the weeks preceding the holiday trade. A large part of the increase in net demand deposits occurred at New York, reflecting the heavy transfer movement of commercial and banking funds to New York from other localities, and the net demand deposits of the principal New York City banks reached levels that have never before been equaled except in one or two weeks at the time of the break in the security markets in the autumn of 1929. Demand deposits in reporting banks in other principal cities showed only a small increase in January, but remained around the highest levels ever attained. Current data are not available on the deposits of banks outside of the principal cities, but data up to last November indicated that in the "country" banks also there has been a large increase in deposits since the middle of 1933, although aggregate deposits of such

banks, which are now much fewer than five years ago, are still well below the levels of years prior to 1932.

#### BILL MARKET

In the closing days of December, the discount houses were able to acquire a few bills, but these supplies were quickly exhausted in the first few days of January, in satisfaction of the investment demand which usually develops immediately after the turn of the year. Generally quiet conditions prevailed in the bill market throughout the balance of the month. Dealers were unable, as in previous months, to acquire bills in anything like the volume required to meet the potential investment demand, and their portfolios remained at a minimum. No change occurred in open market rates which continued to be quoted by the dealers only upon application.

At the end of December, the volume of bankers bills outstanding amounted to \$543,000,000, a decline of \$18,000,000 from the end of November and of \$221,000,000 from December 1933. The outstanding volume of export and domestic warehouse bills and also of acceptances based on goods stored in or shipped between foreign countries all reached the smallest amount for December of any recent year. Accepting banks and bankers continued to hold approximately 92 per cent of all bills outstanding in December.

#### COMMERCIAL PAPER MARKET

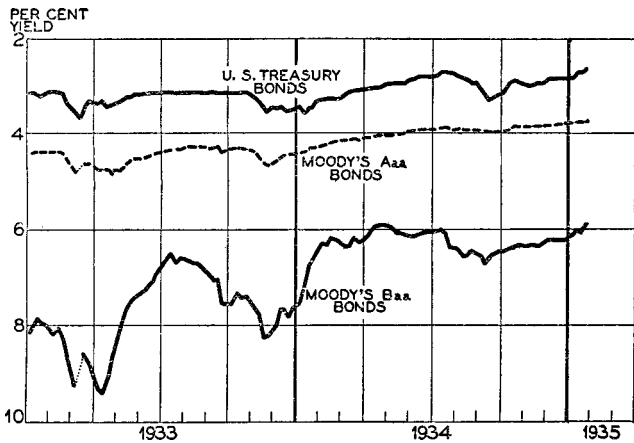
Sales of commercial paper at ¾ per cent increased during January to a point where the prevailing rate for average grade prime names of four to six month maturity became established at that level. The ¾ per cent quotation represents a new low rate for open market commercial paper. The active bank investment inquiry for commercial paper that has been in evidence for some time past continued during January, but this demand remained largely unfilled, owing to the inability of dealers to secure adequate quantities of new paper. During the latter part of the month moderate amounts of consumer finance company paper entered the open market, and were readily absorbed at 1 per cent, principally by banks in the Middle West.

At the end of December reporting commercial paper houses had outstanding a total of \$166,000,000 of paper. This amount was 7 per cent below the November figure, but 53 per cent above the December 1933 volume.

#### Security Markets

Bond prices were rather consistently firm in January except for a temporary recession during the period of a few days prior to the 15th of the month, as the accompanying diagram indicates. Yields on Government and other high grade bonds reached new low levels for many years, and the average yield on medium grade corporate issues dropped slightly below the level that prevailed for a while during the second quarter of 1934 and was the lowest since 1930.

In the Government bond market, prices of all Treasury and Liberty Loan issues advanced through January 10, but in the next two days a preference developed for issues floated prior to June 5, 1933 which specify payment in gold at maturity, and concurrent weakness occurred in



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

the more recent issues which do not contain the gold clause. As a result a spread in prices in favor of issues containing the gold clause developed, which, however, was materially reduced within the next two weeks. Even through this temporary flurry in the market, the dominant tendency in Government bond prices was upward, and for the month as a whole quotations for Liberty Loan issues registered a net advance of about 1/4 point, and the average price of Treasury bonds rose 1 1/2 points, so that the average yield on these issues declined as low as 2.63 per cent, as compared with a previous low point for recent years of 2.70 per cent in July 1934.

Daily price averages of domestic corporation bonds gained over one point in the first ten days of January, and then lost more than half of this advance within the next four or five days. Subsequently the upward movement was resumed and continued until the last few days of the month, so that domestic corporate bond averages showed net advances for the month ranging from 1/2 to 1 point. The advance in corporate bond prices during January and the preceding few months has been rather general, extending to all groups and grades of bonds except medium and lower grade railroad bonds which remain below the quotations reached during the first half of 1934. Foreign dollar bonds also showed an upward tendency during January.

In contrast to the gain in bond prices, quotations for stocks registered a net decline of about 4 per cent for January. During the first week of the month prices held steady around the levels reached in the closing days of December, but between January 7 and 15 a decline occurred and in the subsequent part of the month irregular movements prevailed.

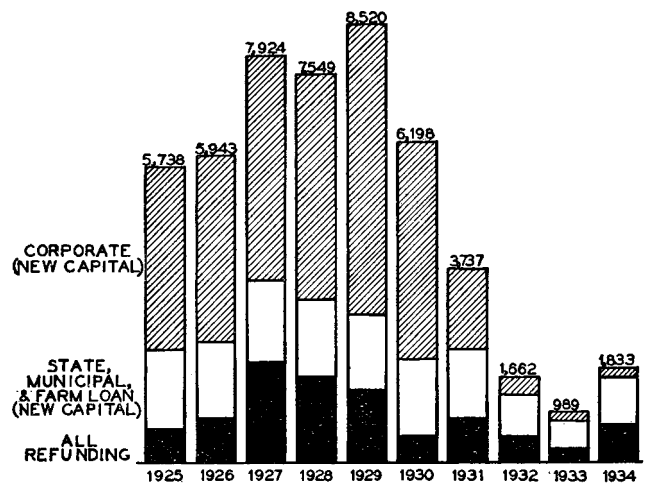
### New Financing

Public offerings of new securities were in smaller volume during January than in the final three months of 1934. The aggregate amount of issues offered for public subscription appears to have been less than \$100,000,000, compared with an average of about \$160,000,000 in the closing months of last year. Virtually none of the January financing represented corporate issues, the principal issues being \$36,000,000 of Federal Intermediate

Credit Bank debentures, of which \$30,000,000 replaced maturing obligations, and \$10,000,000 of emergency relief bonds of the State of New Jersey, while most of the remainder consisted of a number of small State and municipal issues. In addition, the State of New York sold \$60,000,000 of revenue anticipation notes to a group of banking institutions, but no general public offering by the successful bidders followed this sale by the State.

During January, announcement was made by the Securities and Exchange Commission of revisions in the form to be used by seasoned corporations in supplying the information required by the Commission in connection with the registration of new security issues with the Commission. The purpose of these revisions is to eliminate as far as possible burdens on concerns that desire to undertake new capital financing. According to the statement of the Commission, "Every effort has been made to provide a form which, while meeting the strict requirements of the statute, nevertheless offers no serious difficulty to the well-intentioned corporation." As a result of the changes in the prescribed information, the Commission believes "that every possible facility and encouragement is being given by this form to established companies desiring to raise new capital in the financial markets," and that "reputable companies no longer have any justification for hesitating to undertake new issues under the Securities Act." The action of the Securities and Exchange Commission has been considered by the market as a constructive step, and apparently is expected to facilitate bond refunding and the sale of new issues on a larger scale.

A summary of offerings of new domestic securities, other than United States Government direct and guaranteed obligations during the year 1934, indicates some increase in security flotations, largely in the field of State and municipal financing. As the accompanying diagram shows, however, total offerings of about \$1,830,000,000, although larger than in 1933 or 1932, remained small in comparison with other recent years. Refunding issues of all types, amounting to \$760,000,000, accounted for \$480,000,000 of the increase in total issues between 1933 and 1934, and new financing of States, municipali-



Offerings of Domestic Securities in 1934 Compared with Preceding Years (Commercial and Financial Chronicle data—investment trust issues excluded; in millions of dollars)

ties, and farm credit bodies whose issues are not guaranteed by the Government, aggregating \$910,000,000, accounted for \$370,000,000 of the increase in the total. New capital issues of domestic corporations showed no increase in the aggregate, remaining at \$160,000,000 in 1934 which is the smallest figure for many years, but refunding issues by corporations increased slightly.

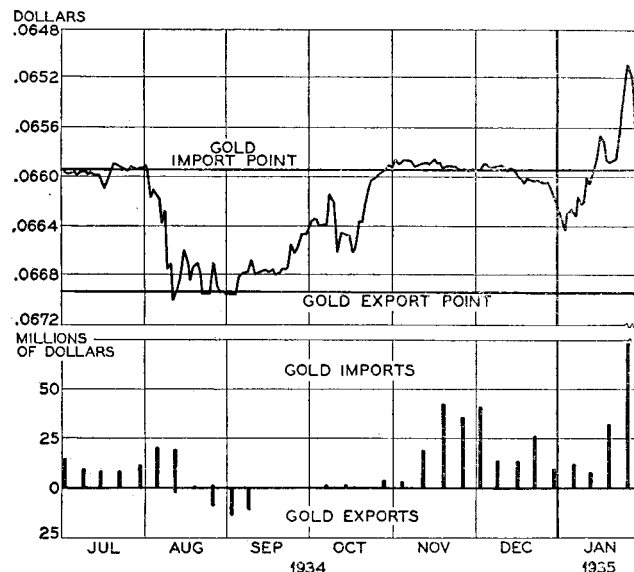
### Foreign Exchange

During the early days of January the foreign exchanges were moderately strong against the dollar and several of the gold currencies equaled or exceeded parity for the first time in over two months. A declining tendency developed before the close of the first week, however, and after the middle of the month there was pronounced weakness throughout the list, culminating in a precipitate decline which carried the gold currencies to their lowest quotations since February 1934. Although the lowest closing rates for the month were recorded for the most part on Saturday, January 26, the greatest weakness, taking the market as a whole, occurred during the course of trading on the 28th.

The French franc after rising to \$0.0664 $\frac{1}{8}$  on January 2 declined fairly steadily to \$0.0656 $\frac{5}{8}$  on the 16th, a level materially below the gold import point. Temporary recovery to \$0.0658 $\frac{3}{4}$  on the 19th was followed by a sharp drop after the 23rd to a closing rate of \$0.0651 on January 26, the lowest for the month, but after the 28th a moderate upturn occurred. Belgas, guilders, and Swiss francs followed much the same course as the French currency. Although substantial gold shipments from France and Holland were made, the freedom of the movement was inhibited by doubts concerning the outcome of the "gold clause" cases before the United States Supreme Court, and the decline in the exchanges proceeded further than would have been the case if gold had moved freely. The accompanying diagram shows the advance in dollars against the French franc during January, and also the extent of the gold imports at New York from all sources.

Sterling opened the month at \$4.94 but immediately began an irregular decline, which carried it to \$4.87 on the 15th. After a recovery to \$4.89 on the 23rd, renewed weakness carried the pound down to a closing rate of \$4.86 on the 26th, from which it rose to \$4.87 $\frac{1}{8}$  on the 30th. The Scandinavian currencies, the Japanese yen, and the official rate for the Argentine peso paralleled the course of sterling, but the free Argentine rate remained fairly steady, with a slightly firmer tendency towards the end of the month. The official rate for the Brazilian milreis moved up from \$0.0819 on December 31 to \$0.0846 on January 2 and held close to this level until the middle of the month, when a temporary suspension of official exchange payments occurred; thereafter the rate declined to \$0.0830 on the 26th. The free rate for the milreis was steady during the first half of the month but extremely irregular after suspension of exchange payments.

Canadian dollars declined from \$1.01 on January 2 to \$0.99  $\frac{13}{16}$  on the 26th. The silver currencies, moving contrary to the general trend, registered net gains for the month.



Fluctuations of Dollar Exchange Measured in Terms of the French Franc and Gold Movements at New York (Latest exchange quotation is for January 30 and latest gold data are for week ended January 30)

Closing Cable Rates at New York

Exchange on	Par of Exchange	Jan. 31, 1934	Dec. 31, 1934	Jan. 30, 1935
Belgium.....	\$ .2354	\$ .2225	\$ .2352	\$ .2318
Denmark.....	.4537	.2235	.2207	.2177
England.....	8.2397	4.9900	4.9425	4.8713
France.....	.0663	.06280	.06618	.06549
Germany.....	.4033	.3795	.4032	.3991
Holland.....	.6806	.6415	.6782	.6721
Italy.....	.0891	.0838	.0857	.0847
Norway.....	.4537	.2515	.2485	.2449
Spain.....	.3267	.1290	.1373	.1358
Sweden.....	.4537	.2580	.2550	.2513
Switzerland.....	.3267	.3100	.3250	.3215
Canada.....	1.6931	.9919	1.0075	.9994
Argentina.....	.7187	.3327	.3294	.3248
Brazil.....	.2026	.0850	.0819	.0835
Uruguay.....	1.7511	.7800	.8000	.8000
Japan.....	.8440	.2970	.2880	.2840
India.....	.6180	.3770	.3725	.3685
Shanghai.....	.....	.3400	.3475	.3625

### Gold Movement

The inflow of gold into the United States which had shown signs of terminating in the first part of January was resumed in large volume during the second half of the month, and for the month as a whole imports totaled about \$130,000,000. This total included receipts of \$65,600,000 from England, \$22,200,000 from India, \$12,300,000 from France, \$11,600,000 from Canada, \$11,400,000 from Holland, \$3,900,000 from Mexico, \$2,100,000 from Colombia, and \$1,500,000 from China. In the three month period since November 1 approximately \$335,000,000 of gold has been imported into the United States.

The monetary gold stock of the United States was also increased in January by the net release of \$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 \$2,000,000 and \$1,200,000 a week, respectively. In all, the dollar value of the monetary gold stock rose approximately \$150,000,000 in January to a new high level. In addition to the receipts listed above, \$1,700,000

of gold was imported from Ecuador and earmarked on arrival, and was therefore without effect on the gold stock.

### Central Bank Rate Changes

Effective February 1 the discount rate of the National Bank of Yugoslavia has been lowered from 6½ to 5 per cent, which appears to be the lowest rate in the history of the bank.

### Commodity Prices

After rising somewhat in the first week of January, prices of a number of important agricultural products turned downward and showed net losses for the month as a whole. The cash quotation for corn, after rising to 98 cents a bushel on January 9, dropped to 88¾ cents on January 16, and receded slightly further later in the month to show a net loss of 5¾ cents since the end of December. Cash wheat declined 5⅔ cents between January 10 and January 15, and cotton lost 35 points around this time with no subsequent net recovery. Sugar and rubber likewise showed declines in January, due in part to price recessions around the middle of the month.

Livestock prices, despite some decline at midmonth, showed net gains for January as a whole. The average price of steers advanced \$1.79 further to \$10.67 a hundredweight, the highest since January 1931, and the average price of hogs during the second half of the month touched \$7.97 a hundredweight, the highest since March 1931, but subsequently receded somewhat.

Among other basic commodities, the price of raw silk reached \$1.50½ a pound on January 22, the highest price since last February, but subsequently reacted somewhat. Scrap steel advanced 25 cents further in the first half of January to \$13.50 a ton at Pittsburgh, a new high since May, but in the last week of the month there was a reduction which canceled the earlier advance. Little net change occurred in the nonferrous metals, although recessions in the second half of the month generally outweighed earlier advances.

As a result of the generally rising tendency of farm prices during the past year, the disparity between prices of agricultural and nonagricultural products, which de-

veloped between 1930 and 1933, has been virtually eliminated, as the accompanying diagram indicates. Between January 1934 and January 1935, the farm products group of the Bureau of Labor Statistics index has shown a net advance of 33 per cent and wholesale prices of foods have risen 24 per cent, while prices of other commodities as a group have remained relatively steady. Consequently, both agricultural and nonagricultural products now show about the same net decline in comparison with the 1926 level.

### Employment and Payrolls

Employment at factories in New York State increased contra-seasonally from the middle of November to the middle of December. The gains in the number of workers reported by the State Department of Labor were most pronounced in the textile and metal and machinery industries while moderate increases occurred in several other manufacturing lines. Seasonal reductions, however, became effective in the clothing and food groups. The upward tendency in December was apparent not only in employment, but also in total wage payments and in per capita earnings, both of which rose by more than the average seasonal proportions. The gain in the seasonally adjusted index of per capita earnings was the largest that has occurred since April, and the index reached a level 5 per cent above that of December 1933.

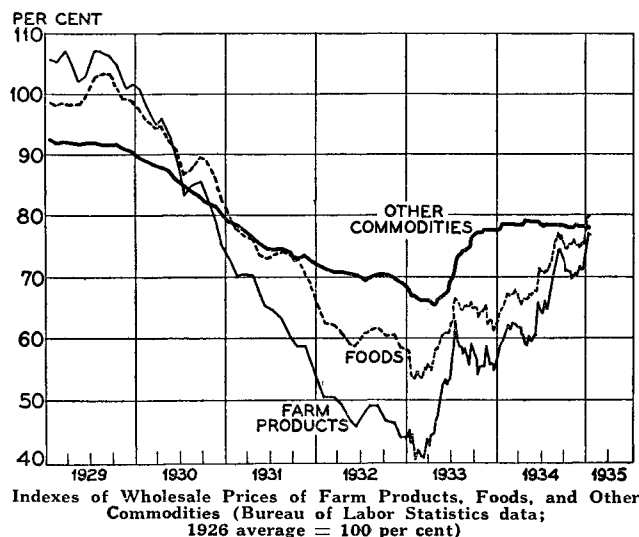
Employment and payrolls in the country as a whole increased considerably from November to December, both before and after adjustment for usual seasonal changes. The net gain in the number of workers employed was about 340,000, and the rise in weekly payrolls amounted to \$10,800,000 according to the United States Department of Labor. The advances were fairly general among the various employment groups. Employment in the durable goods industries, which generally declines at this time of year, rose 3.4 per cent, and the number of workers in retail establishments increased sharply to take care of the holiday trade.

During the year 1934, the average number of persons employed in manufacturing industries in the United States was 14 per cent larger than in the preceding year, following a gain of 8 per cent from 1932 to 1933. The number of factory workers employed remained 14 per cent less than the average for 1930, and 25 per cent below the 1929 average, however.

The number of workers on projects financed by Federal emergency outlays showed a small increase from November to December, largely as a result of the employment of 150,000 additional workers by the Federal Emergency Relief Administration. The number employed on Public Works Administration projects declined 85,000, and the number of persons working on building and maintaining State roads was reduced 50,000 as a result of weather conditions.

### Production

During January further gains were made in important branches of industrial production, continuing the upward movement started in October. Steel production increased by approximately one-third over December, and the operating ratio at the end of the month was in



excess of 50 per cent of capacity against a December average of 35 per cent. The demand for steel was derived principally from the automobile industry, but increased orders came also from container, agricultural implement, and miscellaneous manufacturing industries. The automobile companies raised their operating schedules sharply in January, and it was reported that output was the largest for any January since 1930. There were also moderate increases over December in cotton mill activity and in bituminous coal production.

The January production gains occurred at a time when the general direction of industrial activity tends to be upward, and it is not clear now how much these gains in the aggregate exceeded the usual seasonal proportions. In December, on the other hand, the increases in production occurred in many instances when the seasonal course usually is downward. Consequently, while the unadjusted index of the Federal Reserve Board rose from 74 per cent of the 1923-25 average in November to 78 in December, the index adjusted for usual seasonal variations rose from 74 to 86 per cent. Daily average steel production increased 27 per cent between November and December, contrary to the usual seasonal movement, and sharp contra-seasonal gains were also reported in wool and silk mill production, and in anthracite coal output. In the automobile industry manufacture of new models began early and increased rapidly. The December output amounted to 183,000 units against 78,000 in November. New business obtained by machine tool manufacturers rose in December to the highest level of the year; production of shoes and of leather was unseasonally maintained; and manufacture of tobacco products and of wheat flour decreased less than usually. Operations at meat packing plants on the whole showed only a seasonal change.

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

	1933		1934	
	Dec.	Oct.	Nov.	Dec.
<b>Metals</b>				
Pig iron r.....	42 <sub>r</sub>	30 <sub>r</sub>	32 <sub>r</sub>	37 <sub>r</sub>
Steel r.....	52 <sub>r</sub>	34 <sub>r</sub>	41 <sub>r</sub>	56 <sub>r</sub>
Lead.....	59	47	46	51
Zinc r.....	60 <sub>r</sub>	62 <sub>r</sub>	67 <sub>r</sub>	66 <sub>r</sub>
<b>Automobiles</b>				
Passenger cars.....	22	32 <sub>r</sub>	23	50 <sub>p</sub>
Motor trucks.....	74	76	64	130 <sub>p</sub>
<b>Fuels</b>				
Bituminous coal.....	65	65	67	69 <sub>p</sub>
Anthracite coal.....	75	61	71	82 <sub>p</sub>
Petroleum, crude.....	68	67	65	67 <sub>p</sub>
Petroleum products.....	62	65	66	
Electric power.....	65	63	62 <sub>p</sub>	63 <sub>p</sub>
<b>Textiles and Leather Products</b>				
Cotton consumption.....	65	82	78	78
Wool mill activity.....	75	66	73	99 <sub>p</sub>
Silk consumption.....	42	67	55	62
Rayon deliveries.....	103	74	100	
Shoes.....	91	81	89	105 <sub>p</sub>
<b>Foods and Tobacco Products</b>				
Meat packing.....	95	123	113	113
Wheat flour.....	82	80	85	88
Refined sugar deliveries.....	87	75	73	
Tobacco products.....	80	78	82	89
<b>Miscellaneous</b>				
Cement.....	30	39	43	37
Tires.....	75	56	76	89 <sub>p</sub>
Lumber.....	36	32	30	32
Newsprint paper.....	76	71	69	76 <sub>p</sub>
Machine tools.....	65	37	46	59

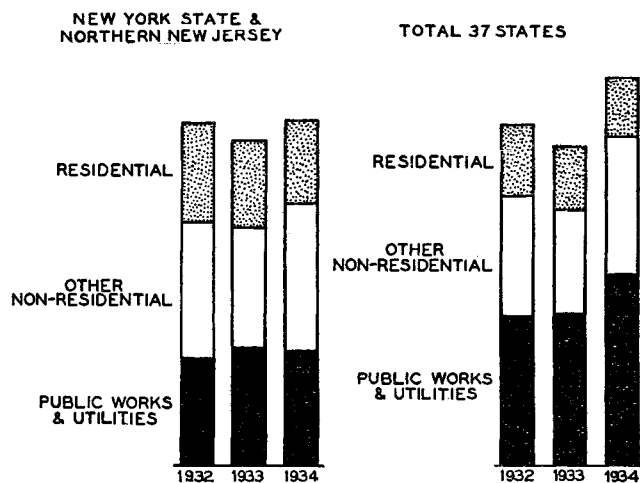
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## Building

During December, the value of building and engineering contracts reported by the F. W. Dodge Corporation for 37 States showed a decline of 17 per cent from the previous month's level which is somewhat in excess of the usual seasonal decline, and as a consequence this bank's adjusted index of construction volume was reduced to 22 per cent of the long term trend from 26 per cent in November. Public works and utility contracts declined slightly more than seasonally, and other non-residential and residential contracts dropped substantially more than is usual at this time of year. Total contracts were 55 per cent less than in December 1933, the largest recession being in the amount of public works projects, which reached a high point at the end of 1933.

The extent of the recovery in construction activity during the year 1934 as a whole is indicated in the accompanying diagram which shows contracts awarded in the territory practically coterminous with the Second Federal Reserve District and also contracts for all States covered by the Dodge report. In the case of the New York and Northern New Jersey territory, total contracts in 1934 were about 6 per cent larger than in 1933 and only a trifle in excess of the 1932 figure. Public works and utility projects and also residential building were in slightly smaller volume than in 1933 while other non-residential building was somewhat larger, reflecting increases in construction of educational and office buildings, partly offset by declines in factory and hospital construction.

For the 37 States from which reports are available, contracts in 1934 aggregated 23 per cent more than in 1933, and 14 per cent more than in 1932. Public works and utility contracts were 25 per cent larger than in 1933, and other non-residential construction increased 34 per cent, due principally to a rise in contracts for educational and commercial building. Contracts for residential work continued in the same amount as in 1933, and were 11 per cent smaller than in 1932. In the aggregate, all of the increase in the contract volume over 1933 was in publicly financed construction, which



Building and Engineering Contracts Awarded in New York State and Northern New Jersey, and in 37 States Covered by F. W. Dodge Corporation Report (Data for 1933 and 1934 shown relative to 1932 as base year)

rose from \$683,000,000 in 1933 to \$975,000,000 in 1934, while privately financed contracts totaled \$568,000,000, as compared with \$573,000,000 in 1933 and \$583,000,000 in 1932.

During the first three weeks of January, an increase in the rate of building and engineering contract awards was reported. This was particularly the case in residential contracts which, instead of the usual seasonal decline, showed an increase of more than 50 per cent over the daily average for December, and were also larger than in January 1934. Non-residential contracts other than public works and utility projects also registered a sizable contra-seasonal advance.

### Indexes of Business Activity

Data indicative of the distribution of goods showed irregular changes during the first half of January. The movement of miscellaneous and less than carload freight over the railroads increased in contrast to a usual seasonal reduction, and sales of new passenger automobiles were reported to have expanded more than seasonally. On the other hand, department store sales in the Metropolitan area of New York did not maintain the increase over a year previous that occurred in December.

In December, increases of more than the usual seasonal proportions occurred in several lines of retail trade for which data are currently available. Seasonally adjusted indexes of department store and chain store sales rose to higher levels than in the preceding few months, and the index of mail order house sales remained at about the same level as in November. Sales in most lines were considerably larger in December 1934 than in December 1933, the increase in department store sales amounting to 11 per cent for the entire country, with larger gains in agricultural areas.

Among the more general indexes of business activity,

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

	1933		1934	
	Dec.	Oct.	Nov.	Dec.
<i>Primary Distribution</i>				
Car loadings, merchandise and misc. ....	59	55	56	58
Car loadings, other .....	58	54	54	62
Exports .....	55	47	47	44p
Imports .....	64	51	64	58p
Wholesale trade .....	99	86	88	99
<i>Distribution to Consumer</i>				
Department store sales, U. S. ....	70	71	70r	75
Department store sales, 2nd Dist. ....	72	72	71	73
Chain grocery sales .....	71	63	63	63
Other chain store sales .....	80	77	79	84
Mail order house sales .....	68	70	75	74
Advertising .....	56	58	60	60
New passenger car registrations .....	36	50	55	45p
Gasoline consumption .....	69	75	77	
<i>General Business Activity</i>				
Bank debits, outside New York City ...	58	57	57	62p
Bank debits, New York City .....	42	38	38	45p
Velocity of demand deposits, outside New York City .....	72	63	64	71
Velocity of demand deposits, New York City .....	50	41	40	47
New life insurance sales .....	55	61	60	59
Factory employment, United States .....	76	78	78	80p
Business failures .....	47	47	43	39
Building contracts .....	54	25	26	22
New corporations formed, N. Y. State ..	63	58	60	52
Real estate transfers .....	54	50		
General price level* .....	132	139	140	140p
Composite index of wages* .....	177	180	181	181p
Cost of living* .....	135	139	139	138

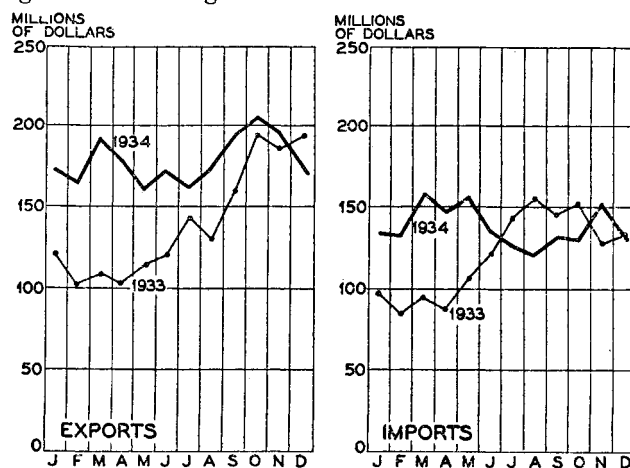
p Preliminary r Revised \* 1913 average=100

increases after seasonal adjustment occurred during December in the indexes of railroad freight car loadings and the volume of check transactions, while the indexes of life insurance sales and advertising were virtually unchanged from the November levels. More than the usual seasonal decrease was shown in sales of new passenger automobiles following an increase in November.

### Foreign Trade

During December this country's merchandise exports and imports showed somewhat more than the customary seasonal recession from the previous month. Exports showed the first reduction from a year previous since May 1933, the December total of \$171,000,000 being 11 per cent below a year ago. Imports, at \$132,000,000, were approximately equal to their December 1933 value. Large decreases in the value of shipments abroad of raw cotton and unmanufactured tobacco accounted for nearly all of the decline in total merchandise exports. Cotton exports were only a little over 60 per cent of the volume of a year ago, and tobacco exports were cut in half. Substantial reductions in a number of other types of exports were about offset by large gains in exports of wholly and partly manufactured metal products and of automobiles. Among the imports, likewise, most of the leading products, notably silk and wool, copper and tin, were received in smaller volume and value than in December 1933.

As the accompanying diagram shows, the dollar value of exports was larger in 1934 than in 1933 until December, although the margin narrowed in the latter half of the year. Imports were above 1933 for the first six months, but tended to fall below 1933 in the latter part of the year. For the calendar year 1934, the value of exports aggregated \$2,133,000,000, an increase of 27 per cent over 1933. Imports, amounting to \$1,655,000,000, showed an increase of 14 per cent over the preceding year's total. The resulting favorable trade balance of \$478,000,000 was the largest since 1930. The United States Department of Commerce estimates an increase of 10 per cent over 1933 in the quantity of goods exported, and no change in the volume of imports, after allowing for changes in the prices of the articles entering into our foreign trade.



Foreign Merchandise Trade of the United States, 1934 Compared with 1933



In the case of exports, a large gain for the year 1934 was made by the semi-finished and finished manufactures. Exports of automobiles more than doubled in number and in value compared with 1933. About the same quantity of American tobacco was sold abroad as in 1933, but the value increased 50 per cent. There was some increase over 1933 in exports of grain products during the first half of the year, but following the development of drought conditions, these exports fell again to very low levels. Exports of raw cotton from this country were reduced 30 per cent in volume, to the smallest amount since 1923. Among the imports, crude and manufactured foodstuffs (including beverages) showed a larger increase over 1933 than any other major division, 27 per cent. Quantity receipts of crude rubber and copper gained 10 and 39 per cent, respectively, and the increase in their values, due to a rise in their prices, was substantially greater. Imports of raw silk and of tin, however, were smaller in volume and value than in 1933, while coffee imports were smaller in quantity but somewhat larger in value.

### Wholesale Trade

Total December sales of the reporting wholesale firms in this district averaged nearly 16 per cent higher than in the previous year, a somewhat larger increase than in November. The most substantial increases in sales in a number of months were recorded by the men's clothing, cotton goods, drug, and stationery concerns. Sizable advances were reported also by the hardware, shoe, diamond, and jewelry firms, although for each of these groups a larger percentage increase had occurred in October or November. Sales of silk goods, reported on a yardage basis by the National Federation of Textiles, were considerably ahead of the previous year for the third consecutive month, and sales of the paper concerns showed some advance. The reporting grocery firms, contrary to the favorable comparisons reported in each preceding month since April 1933, showed total December sales slightly below the level of the previous year, owing entirely to the fact that less liquor was sold in December 1934 than in December 1933; exclusive of liquor sales there was an increase in grocery sales in

December which was slightly larger than that of November.

For the year 1934, total sales of the reporting wholesale firms in this district averaged almost 15 per cent higher than for the year 1933, compared with an increase of a little over 6½ per cent from 1932 to 1933, and a decline of almost 25 per cent from 1931 to 1932.

### Department Store Trade

During the first half of January, total sales of the reporting department stores in the Metropolitan area of New York were about 1 per cent below the level of the corresponding period of the previous year, following moderate increases in the previous three months. On the basis of these data for the first part of January, it appears that the December increase in retail trade has not been maintained.

For the month of December, total sales of the reporting department stores in the Second Federal Reserve District were a little over 6 per cent higher than in December 1933, which is approximately the same increase as in November, but in 1934 as well as in 1933, December was a better month than November for retail trade, after allowance for the usual seasonal increase. Department stores in the Northern New Jersey section reported the largest gain in sales over the previous year since last March, and reporting stores in Rochester, Syracuse, Bridgeport, Southern New York State, Hudson River Valley District, and the Capital District showed larger advances than in the previous 5 to 7 months. The increases in sales reported by the New York City and Buffalo department stores were somewhat smaller than those shown in November, and the reporting stores in the Northern New York State area and in Westchester and Stamford showed sales slightly below the level of December 1933. Sales of reporting apparel stores in this district were 7½ per cent higher than in December 1933, a larger advance than in November.

For the year 1934, total sales of the reporting department stores in this district were almost 6½ per cent higher than the year 1933, compared with a decline of approximately the same amount from 1932 to 1933. Apparel store sales were nearly 11 per cent larger than in 1933, following a decline of 4 per cent between 1932 and 1933.

Commodity	Percentage change December 1934 compared with December 1933		Per cent of accounts outstanding November 30 collected in December		Percentage change net sales
	Net sales	Stock end of month	1933	1934	
Groceries	-0.3*	+18.1	101.6	89.9	+20.6**
Men's clothing	+31.4	.....	42.0	49.4	+19.5
Cotton goods	+11.8	.....	41.0	47.9	+6.4
Silk goods	+17.8†	-12.4†	65.0	75.3	-14.0†
Shoes	+36.6	.....	.....	.....	-0.1
Drugs	+12.4	+15.2	23.3	27.2	+7.4
Hardware	+14.4	+19.9	44.0	48.4	+10.8
Stationery	+7.5	.....	46.0	57.9	+12.7
Paper	+4.4	.....	47.9	51.8	+13.1
Diamonds	+26.1	+9.8	23.8	29.6	+9.4
Jewelry	+14.1	-0.5			+28.8
Weighted average	+15.7	.....	60.7	61.9	+14.8

\* Percentage change exclusive of liquor + 8.2.

\*\* Percentage change exclusive of liquor + 8.2.

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

Locality	Percentage change from a year ago			Per cent of accounts outstanding November 30 collected in December	
	Net sales		Stock on hand end of month	1933	1934
	Dec	Jan. to Dec.			
New York	+5.3	+6.6	+0.8	46.1	47.1
Buffalo	+8.9	+8.3	-8.5	42.3	48.1
Rochester	+6.1	+7.7	-5.4	44.6	46.0
Syracuse	+3.6	+3.7	-14.3	33.6	36.7
Northern New Jersey	+9.3	+4.5	-4.6	37.7	42.5
Bridgeport	+12.4	+11.0	+4.0	35.4	38.5
Elsewhere	+7.2	+6.8	-8.2	29.9	32.3
Northern New York State	-0.4	+0.3	.....	.....	.....
Southern New York State	+8.9	+8.8	.....	.....	.....
Hudson River Valley District	+4.3	+4.6	.....	.....	.....
Capital District	+13.7	+7.9	.....	.....	.....
Westchester and Stamford	-0.6	.....	.....	.....	.....
All department stores	+6.2	+6.4	-1.2	42.3	44.8
Apparel stores	+7.5	+10.7	+8.4	44.3	44.7



# FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, FEBRUARY 1, 1935

## Business Conditions in the United States

(Summarized by the Federal Reserve Board)

**I**N December the Federal Reserve Board's seasonally adjusted indexes of industrial production and factory employment increased sharply. Wholesale prices of farm products and foods showed a considerable advance in the latter part of the month and in the early part of January, while prices of other commodities as a group showed little change.

### PRODUCTION AND EMPLOYMENT

Output of basic industrial products increased in December, when it usually declines, and the Federal Reserve Board's index, which makes allowance for the usual seasonal variations, increased from 74 per cent of the 1923-25 average in November to 86 per cent in December. Activity at steel mills increased, contrary to the usual seasonal tendency, and output at automobile factories rose rapidly. In both of these industries there were further sharp increases in activity in the first three weeks of January. At woolen mills and silk mills activity increased in December, contrary to seasonal tendency, and at cotton mills and tobacco factories it declined by less than the usual seasonal amount. Output of petroleum increased somewhat in December and the first half of January.

Factory employment increased between the middle of November and the middle of December, contrary to seasonal tendency, and there was a considerable growth in factory payrolls. Substantial increases were reported for the automobile, textile, shoe, and tire industries, while in the meatpacking industry there was a further decline from recent high levels. Employment in retail trade showed an increase largely of a seasonal character.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a decline in December, partly seasonal in nature, followed by an increase in the first half of January. For the fourth quarter as a whole the value of contracts for privately financed projects was about the same as in the corresponding period of 1933, while the volume of publicly financed projects was considerably smaller than last year.

### DISTRIBUTION

Volume of freight car loadings declined less in December than is usual at that season. Sales of merchandise by department stores showed an increase of more than the estimated seasonal amount and were approximately 11 per cent larger than in the corresponding month a year earlier.

### COMMODITY PRICES

The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, advanced considerably during the latter part of December and the early part of January, reflecting chiefly marked increases in the prices of farm products and foods. Scrap steel prices also increased. In the third week of January prices of grains, cotton, hides, and rubber showed a decline from the level of the preceding week. Currently wholesale prices are 9 per cent higher than a year ago, reflecting an increase of 30 per cent for farm products, an increase of 24 per cent for foods, and little change for other commodities.

Retail prices of foods, as reported by the Bureau of Labor Statistics, increased considerably in the latter part of December, following three months of gradual decline.

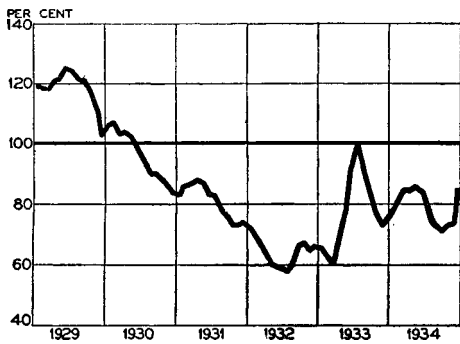
### BANK CREDIT

During the six weeks ended January 23 seasonal return flow of currency from circulation, further imports of gold, and disbursement by the Treasury of funds previously held as cash or on deposit with the Reserve Banks were reflected in a growth of member bank balances with the Reserve Banks to \$4,500,000,000, the highest figure on record and in an increase of their excess reserves to the high level of \$2,160,000,000.

Loans and investments of reporting member banks in leading cities increased by \$350,000,000 in the 5 weeks ended January 16. Holdings of United States Government obligations rose \$420,000,000 and an increase was shown also in holdings of obligations guaranteed by the Government and in other security holdings, while loans declined by \$130,000,000.

Commercial paper rates, which had been reported at a range of  $\frac{3}{4}$ -1 per cent since June, declined to a general level of  $\frac{3}{4}$  per cent early in January. Other short term open market money rates showed little change, while yields on long term United States Treasury bonds declined from 3 to  $2\frac{3}{4}$  per cent.

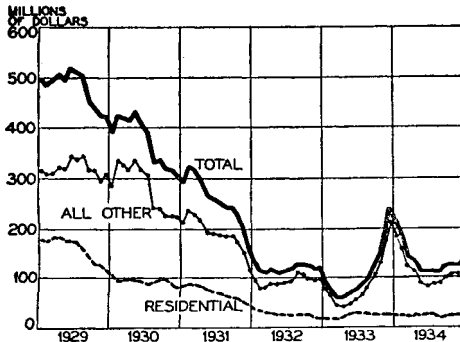
In December and January discount rates were lowered from 3 to  $2\frac{1}{2}$  per cent at the Federal Reserve Banks of Richmond, Minneapolis, Kansas City, and Dallas, and from  $2\frac{1}{2}$  to 2 per cent at Philadelphia, Chicago, and St. Louis. At the Federal Reserve Bank of Atlanta the discount rate was lowered to  $2\frac{1}{2}$  per cent in December and to 2 per cent in January.



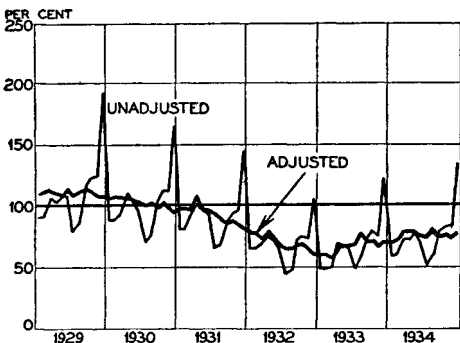
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



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



Value of Construction Contracts Awarded (Three month moving averages of F. W. Dodge Corporation data for 37 Eastern States, adjusted for seasonal variation)



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