

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

December 1, 1935

Money Market in November

During the past month there has been a further accumulation of funds in the New York money market, due chiefly to a continued heavy movement of funds from abroad for investment in American securities or for deposit in New York banks. In addition, there was a moderate inflow of funds to New York from other sections of this country, but that movement was more than counterbalanced by withdrawals of funds from the New York District by the Government.

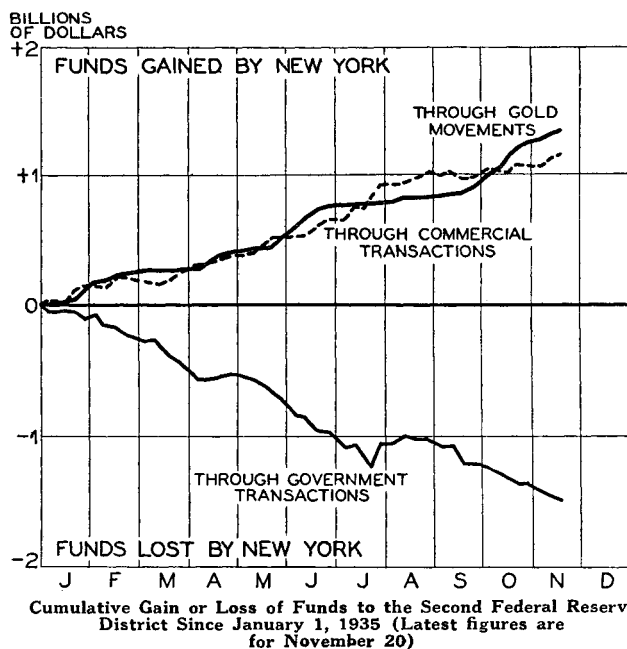
In the earlier months of the year, a considerable part of the movement of capital to the United States probably reflected a return of American capital, including repayments of foreign indebtedness to this country, but in the past few months the movement appears to have represented largely foreign capital, including increasing amounts for investment in American securities, which no doubt have been a factor in the strength of the security markets. Gold receipts at New York, which since the beginning of this year have been in excess of \$1,360,000,000, as the accompanying diagram indicates, reflect the return of American capital and the inflow of foreign capital, as well as other factors that enter into this country's international balance of payments.

Changes in the principal deposit liabilities of weekly reporting member banks in New York City, through which most of the funds are supplied to the New York money market, are shown in the following table for November 20, together with comparable figures for four weeks previous and a year ago. These figures are based on the revised form of weekly member bank statements, which reflect more satisfactorily the changes in deposits, as they segregate inter-bank deposits and also foreign bank deposits with New York City correspondents, previously included in the reported "net demand deposits". As the table indicates, a considerable part of the increase in the deposits of the New York money market banks has reflected simply a further accumulation in New York of idle funds of correspondent banks in other parts of the country, but there has also been a large increase in the adjusted figures for demand deposits, which, with similar deposits in other localities, constitute the principal money supply of the United States. Some of this increase probably reflects foreign funds, only part of which are included in the figures on foreign bank deposits.

Reporting Member Banks in New York City
(In millions of dollars)

	Nov. 21, 1934	Oct. 23, 1935	Nov. 20, 1935
Demand deposits, adjusted.....	4,744	5,657	5,777
Deposits due to other domestic banks..	1,680	2,106	2,229
Deposits due to foreign banks.....	113	341	348
Government deposits.....	437	195	176
Time deposits.....	625	651	585

In addition to the inflow of funds from abroad, there has been a heavy and almost continuous movement of funds to the New York District from other parts of the country throughout the year to date, also shown in the diagram, which has included the transfer to New York of idle bank funds previously mentioned, but has probably represented in part funds sent to the New York market for investment, and incoming commercial funds. On the other hand, withdrawals of funds from this district by the Government, reflecting the excess of funds raised in this district through the sale of new securities and tax receipts over Government disbursements in this district, have been heavier than in any previous year totaling nearly \$1,500,000,000 in eleven months, an amount greater than the net receipts by New York of banking, commercial, and investment funds.



These opposite and largely offsetting movements of funds between New York and other districts have probably been related to some extent, as a large part of the new Government securities have been purchased initially in this district and redistributed through the New York market.

MEMBER BANK CREDIT

A considerable part of the funds raised by the Government in this district, however, resulted from the sale of Government securities to the large New York banks for their own account, or to insurance companies and other large investing institutions in this district. The principal change in the earning assets of the New York banks during the past month and during the past year has been an increase in Government security holdings, as the following table shows.

Reporting Member Banks in New York City
(In millions of dollars)

	Nov. 21, 1934	Oct. 23, 1935	Nov. 20, 1935
Loans to brokers and dealers:			
In New York City.....	521	773	797
Outside New York City.....	51	59	59
Loans on securities to others (except banks).....	780	715	731
Acceptances and commercial paper bought.....	235	141	156
Loans on real estate.....	133	123	123
Loans to banks.....	69	44	48
Other loans.....	1,213	1,158	1,177
U. S. Government direct obligations.....	2,813	3,181	3,346
Obligations fully guaranteed by U. S. Government.....	264	381	373
Other securities.....	911	1,083	1,007
Total loans and investments.....	6,990	7,658	7,817

There has been a small increase during the past month in loans on securities by the New York banks, both in the form of brokers loans and in the form of loans on securities to others. As compared with a year ago, brokers loans in the New York banks show a considerable increase, but nearly half of that increase represents the taking over of loans previously placed for out of town banks. Security loans to others continue to show a net reduction from a year ago, and there has been a considerably larger reduction in such loans in weekly reporting banks in other parts of the country, so that the total volume of loans on securities in all reporting banks remains somewhat smaller than a year ago.

Holdings of acceptances and commercial paper purchased in the market by the large New York City banks increased somewhat in November, but show a considerable reduction compared with a year ago, reflecting a further shrinkage in the total volume of such paper outstanding, and there has also been some reduction in loans to other banks and in real estate loans. All other loans remain somewhat below a year ago, but the difference is not large and is probably due to the repayment of bank loans by corporations out of the proceeds of new security issues, which have been made possible during the past year by the improved conditions surrounding the flotation of new securities. Holdings of securities other than United States Government issues have also shown a moderate increase during the past year, although within the past month there has been a considerable reduction, apparently due largely to repay-

ments of temporary municipal borrowings out of the proceeds of tax receipts.

In the aggregate, the total loans and investments of the reporting New York City banks have increased \$827,000,000, or about 12 per cent, during the past year, the largest increase in a number of years.

MONEY RATES

Following the advance in rates on call loans and Stock Exchange time loans near the end of October, money rates in the New York market in general have remained virtually unchanged, except for a slight decline in yields on Government securities.

Money Rates at New York

	Nov. 30, 1934	Oct. 31, 1935	Nov. 27, 1935
Stock Exchange call loans.....	1	$\frac{3}{4}$	$\frac{3}{4}$
Stock Exchange 90 day loans.....	* $\frac{3}{4}$ -1	*1	*1
Prime commercial paper—4 to 6 months	$\frac{3}{4}$ -1	$\frac{3}{4}$	$\frac{3}{4}$
Bills—90 day unindorsed.....	$\frac{1}{8}$	$\frac{1}{8}$	$\frac{1}{8}$
Customers' rates on commercial loans..	2.04	1.67	1.67
(Average rate of leading banks at middle of month)			
Treasury securities:			
Maturing June (yield).....	No yield	No yield	No yield
Maturing February 1937 (yield).....	....	0.11	0.04
Average yield on Treasury notes (1-5 years).....	1.41	0.79	0.72
Average yield on Treasury bonds (more than 5 years to earliest call date).....	2.94	2.58	2.58
Average rate on latest Treasury bill sales			
182 day issue.....	0.23	....	....
273 day issue.....	....	0.17	0.13
Federal Reserve Bank of New York re- discount rate.....	1 $\frac{1}{2}$	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

GOVERNMENT SECURITIES

Prices of United States Government securities fluctuated within a much narrower range in November than in the preceding three months, and trading in these issues was in rather small volume. In terms of average yields, Treasury bonds not callable within 5 years varied between 2.54 and 2.58 per cent, closing the month at 2.58 per cent, the same as on the last day of October. Treasury notes of 1 to 5 year maturity showed a gradual reduction in average yield from 0.79 per cent at the close of October to 0.72 per cent on November 21 and remained near this point for the balance of the month.

Treasury financing in November was entirely in the form of short term Treasury bill issues. Four additional issues of \$50,000,000 each maturing on the March 16, 1936 tax date were sold during the month, raising the total amount due on that date to \$450,000,000. The weekly offerings also included \$50,000,000 of 273 day bills on each of the four Wednesdays, making a total of \$400,000,000 of new Treasury bills floated during November, as compared with maturities of \$200,000,000. The average rate on the 273 day issues sold during November continued to decline, reaching 0.13 per cent for the issue dated November 27, the lowest rate for a comparable issue since August 28.

BILLS AND COMMERCIAL PAPER

Although there was a slight increase in activity occasioned by the appearance of some new bills during the second week of November, the bill market has continued very quiet. Rate quotations likewise have

remained at levels previously current. An additional increase of \$35,000,000 occurred during October in outstandings of acceptances due largely to a \$30,000,000 rise in domestic warehouse credits which usually increase at this time of the year. Total outstandings of \$363,000,000, however, remained about \$200,000,000 below a year ago. At the end of October, accepting banks and bankers held 93 per cent of all bills then outstanding.

In the commercial paper market also, the quiet conditions of previous months continued to prevail in November, and the limited quantities of new notes drawn by commercial and industrial concerns fell far short of satisfying the bank investment demand. The rate on prime paper was quoted unchanged at $\frac{3}{4}$ per cent. Commercial paper houses had outstanding \$180,400,000 of paper at the end of October, as compared with \$183,100,000 at the end of September, and \$187,700,000 a year ago.

Business Profits

Reflecting a substantially higher level of business activity than a year ago which in the case of basic industrial production amounted to an increase of 20 per cent, third quarter profits of 259 industrial and mercantile concerns were 64 per cent larger this year than in 1934, when earnings were relatively low in a number of lines. Third quarter profits of these companies, while above those of the corresponding period of the previous 4 years, remained one fourth smaller than in 1930.

The largest percentage increases in profits were reported by the machinery and tool group of companies, whose profits were more than three times as large as in the July to September quarter of last year, by the building supply companies, which reported earnings nearly three times those of a year ago, and by electrical equipment concerns which doubled their last year's profits in the third quarter. In each of these cases, however, 1934 earnings were quite small. Increases of 75 per cent or more were reported by the automobile, automobile accessory, paper and paper products, and household supply groups of companies. The steel company group reported a net profit this year as against an aggregate deficit last year, and a similar change occurred in the clothing and textile group. Groups reporting less profit than last year included food and food products, shipping, tobacco, and aviation companies, and the railroad equipment companies sustained a deficit, as compared with a small profit last year.

For the first nine months of this year, profits of the same 259 companies were 33 per cent larger than a year ago, but 38 per cent smaller than in 1930. Only the railroad equipment and shipping groups showed combined deficits this year, but 23 per cent of all the individual companies covered in the table still reported losses, as compared with 27 per cent last year. Forty-three per cent of the companies reported larger profits than a year ago, and 21 per cent showed smaller deficits or some net profit in place of last year's deficit.

Class I railroads reported deficits after payment of fixed charges, both in the third quarter and for the nine month period. The deficit for the third quarter was smaller than a year ago, but for the nine months the

loss was nearly double that of a year ago, due to deficits accumulated in the earlier portion of this year. Monthly reports, however, have indicated substantial increases in railroad earnings in September and October. Net operating income of telephone companies and net income of other public utility companies showed moderate increases over a year ago in the third quarter, and the aggregates for the first nine months were slightly larger than last year. This improvement is the first indication of larger profits for the public utility industry resulting from the increased use of utility facilities.

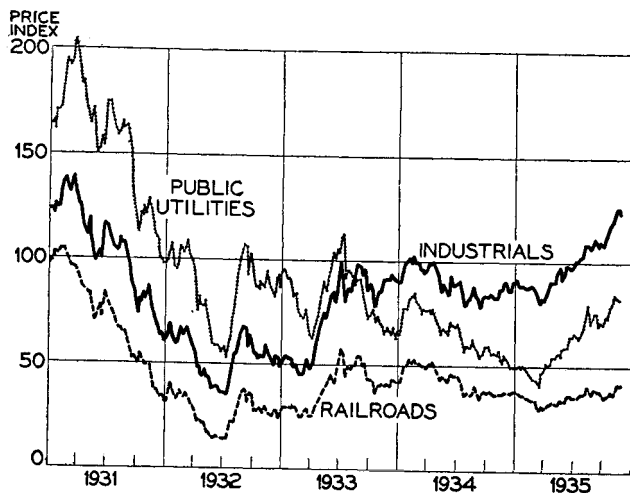
(Net profits in millions of dollars)

Corporation group	Third Quarter				First nine months			
	1930	1933	1934	1935	1930	1933	1934	1935
Automobiles.....	23.0	39.6	17.4	32.5	141.5	85.2	87.2	131.4
Automobile parts and accessories(excl. tires)	5.8	6.6	3.3	6.5	36.7	7.4	22.0	46.1
Aviation.....	-2.5	0.2	0.9	0.3	-9.1	1.1	1.4	0.1
Building supplies.....	4.7	0.5	0.6	1.8	12.7	-3.8	0.8	2.9
Chemicals and drugs.....	31.1	25.2	27.1	32.4	101.2	54.2	76.6	82.0
Clothing and textiles.....	0.4	1.8	-0.1	0.7	1.4	2.3	0.9	1.2
Coal and coke.....	-0.2	-0.4	-0.5	-0.3	1.8	-2.8	1.4	0.8
Electrical equipment.....	17.0	0.8	4.5	9.1	56.0	-2.4	16.1	29.9
Food & food products.....	41.1	32.3	30.7	28.5	124.5	83.6	90.0	76.6
Household supplies.....	2.2	1.8	0.7	1.2	5.7	1.7	2.2	2.2
Machinery and tools.....	2.9	0	1.1	3.3	15.7	-5.2	5.2	9.4
Metals and mining (excl. coal and coke).....	5.9	7.9	7.7	12.0	25.0	12.3	25.5	31.3
Office equipment.....	3.5	2.0	2.7	3.2	14.4	3.7	9.7	10.6
Oil.....	31.3	25.2	17.5	24.4	82.2	-9.6	37.4	51.9
Paper & paper products.....	1.3	1.0	0.4	0.8	4.6	1.4	1.6	2.2
Printing and publishing.....	5.4	-0.1	1.6	1.8	21.5	1.2	5.6	6.7
Railroad equipment.....	11.5	-0.3	3.1	-0.8	34.9	-4.5	3.6	-0.8
Shipping.....	0.6	1.3	0.9	0.5	1.4	1.3	0.5	-0.2
Steel.....	33.2	-2.7	-20.8	6.3	151.7	-51.6	-7.7	23.4
Tobacco.....	2.1	0.1	1.2	0.9	5.5	0.7	2.8	2.1
Miscellaneous.....	16.3	7.6	7.6	11.6	44.1	16.9	23.9	32.1
Total, 259 companies	236.6	150.4	107.6	176.7	873.4	193.1	406.7	541.9
149 Class I Railroads								
Net income.....	*	64.3	-10.7	-4.7	*	-37.0	-33.9	-66.7
59 Telephone companies								
Net operating income.....	*	46.5	42.1	47.4	*	131.8	139.0	141.1
56 Public utilities								
Net income.....	53.6	40.6	34.4	40.7	191.6	134.6	128.9	132.7

-- Deficit * Figures not available.

Security Markets

Although attended by considerable irregularity of movement as between individual issues, and frequent changes in the general direction of price changes, a further substantial advance occurred in stock prices for the month of November as a whole. The volume of shares traded on the New York Stock Exchange rose to the highest monthly total since February 1934. Industrial stocks as a result of an average increase of 8 per cent reached new highs since April 1931, public utility stocks rose about 6 per cent to the highest level since February 1934, and railroad stocks with an average advance of 16 per cent regained the level of July 1934, as the following diagram indicates. From the March lows to the November highs, industrial stocks as a group showed a net rise of 63 per cent and railroad shares an advance of 50 per cent; public utility shares, which were relatively lower in March than either the industrials or rails, have risen more than 100 per cent. Some net recession from the November highs occurred in the last week of the month, however. Bank stock prices while pursuing an upward course during the month only regained levels reached in August, but averaged about 36 per cent above the lowest levels of the year.



Movement of Stock Prices (Standard Statistics Company indexes of 90 stocks; 1926 average = 100 per cent)

Prices of domestic corporation bonds also showed a net advance for the month of November, which carried some of the commonly used bond averages to new highs for several years past. This rise included industrial, railroad, and utility issues. The highest grade corporate issues proceeded somewhat further with the recovery that has followed the moderate recession between July and September, so that toward the close of November average prices were within $1\frac{1}{4}$ points of the early July highs which represented peak levels for many years. Larger advances occurred in averages of bonds now rated as medium grade issues, which in general have recovered to the 1928 levels. These comparisons, however, do not measure the extent of price recovery in identical issues, as many bonds have had their ratings reduced during the depression. Data on prices of identical bonds prepared by Moody's Investors Service indicate that only the highest grade investment issues—bonds rated Aaa—have recovered to the pre-depression highs. The other groups, composed of bonds which in 1928 were rated Aa, A, or Baa, still remain considerably below the levels that prevailed during 1930 and the first half of 1931.

Foreign Exchanges

The increasingly heavy movement of capital to this country from abroad for investment in American securities, and uneasiness over the French situation were the chief influences in the foreign exchange market during November. The pressure against the French franc increased steadily during most of the month, and the rate remained continuously below the gold shipping point from Paris to New York, touching a low of \$0.0657 $\frac{1}{2}$ during the course of trading on November 21. During a considerable part of the month French exchange was also quoted in the vicinity of the lower gold point with respect to both Amsterdam and Brussels. The discount on forward francs widened from the equivalent of 7 per cent a year at the beginning of the month to 18 per cent on November 25, but subsequently narrowed somewhat.

In the latter part of November, the pressure against the franc was accompanied by the development of weak-

ness in both Dutch and Swiss exchanges, which dropped below their lower gold points. As is usual during periods of pressure against the Continental gold exchanges, the European demand for sterling increased considerably, with the result that the sterling-dollar rate rose to \$4.93 $\frac{1}{2}$ —\$4.94 in the latter part of November as compared with \$4.91 $\frac{3}{4}$ at the end of October.

Following the announcement early in November of the Chinese Government's new monetary measures and the imposition of an embargo on silver exports by the Hongkong Government, the marked downward tendency in the quotations for the Chinese exchanges was halted and the rates showed a high degree of stability during the remainder of the month. The Shanghai dollar was held between 29 $\frac{3}{4}$ cents and 30 cents, while exchange on Hongkong, after touching a low of 34 $\frac{1}{8}$ cents on November 9, recovered to 36 $\frac{1}{2}$ cents on November 27. The Japanese yen, which had been pegged at a constant rate with respect to sterling for a number of months, receded very slightly in the London market during November.

Closing Cable Rates at New York

Exchange on	Nov. 30, 1934	Oct. 31, 1935	Nov. 27, 1935
Belgium.....	\$.2335	\$.1685	\$.1692
Denmark.....	.2226	.2195	.2205
England.....	4.9800	4.9175	4.9375
France.....	.06593	.06590	.06584
Germany.....	.4018	.4024	.4023
Holland.....	.6760	.6795	.6766
Italy.....	.0853	.0812	.0812
Norway.....	.2504	.2471	.2481
Spain.....	.1367	.1366	.1365
Sweden.....	.2569	.2535	.2545
Switzerland.....	.3245	.3251	.3231
Canada.....	1.0250	.9887	.9900
Argentina.....	.3318	.3278	.3292
Brazil.....	.0819	.0863	.0863
Uruguay.....	.8000	.8050	.8050
Japan.....	.2912	.2875	.2881
India.....	.3755	.3717	.3731
Shanghai.....	.3400	.3100	.3000

Central Bank Rate Changes

Following an accelerated outflow of funds and an accompanying gold export movement, the discount rate of the Bank of France was raised from 3 to 4 per cent on November 15, to 5 per cent on the 22nd, and to 6 per cent on the 26th. The rate for 30 day advances on Government securities of two years maximum maturity was also raised progressively from 3 to 6 per cent, while the rate for advances on other securities was increased in three steps from 4 to 7 per cent.

The Netherlands Bank lowered its discount rate from 4 $\frac{1}{2}$ to 4 per cent on the 5th and again to 3 $\frac{1}{2}$ per cent on the 14th, the rate for advances being reduced at the same dates from 5 to 4 $\frac{1}{2}$ and then to 4 per cent. These reductions accompanied an inward movement of gold to the Netherlands, following a period of substantial losses, but toward the close of the month guilder exchange again dropped below the gold export point to New York at a time when the French franc was particularly weak, and some gold was engaged for shipment.

On November 28, the Reserve Bank of India reduced its discount rate from 3 $\frac{1}{2}$ to 3 per cent.

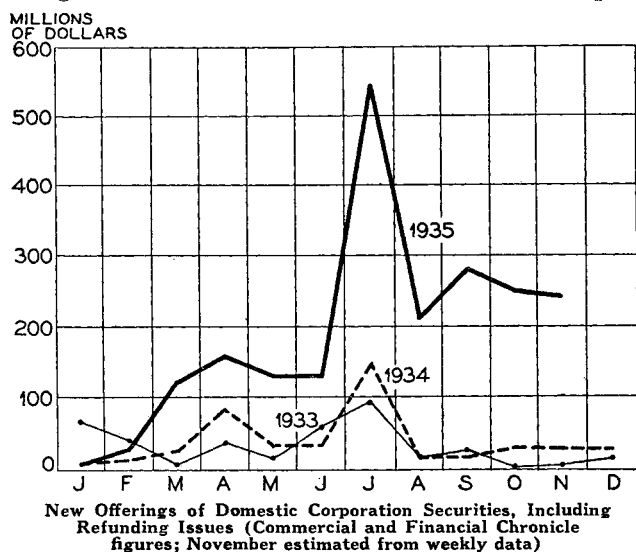
Gold Movement

Gold continued to flow into the United States from abroad during November and in fact toward the end of the month the movement became accelerated. Since September the movement has totaled \$800,000,000, including amounts actually received and those now en route, and the inflow since the beginning of the year for the country as a whole has amounted to approximately \$1,670,000,000.

Imports actually received in November totaled \$208,400,000, including \$179,000,000 from France, \$9,900,000 from India, \$8,700,000 from England, \$5,500,000 from Canada, \$2,700,000 from Holland, \$1,000,000 from China, \$800,000 from Australia, and \$800,000 from Russia. These imports together with deposits of newly mined and scrap gold at the mints and assay offices and a net release of \$500,000 of gold held under earmark at this bank, resulted in an increase of approximately \$225,000,000 in the monetary gold stock of the United States during the month.

New Financing

The flotation of corporation security issues progressed in November at a rate considerably above that of the previous two years, as the accompanying diagram indicates. In each of the past four months, the amount of corporation securities publicly offered has been between \$200,000,000 and \$300,000,000, following the flotation of more than \$500,000,000 in July, so that the total since the middle of the year is now above \$1,500,000,000. Although by far the larger part of the issues have been for the purpose of refunding outstanding issues in order to reduce interest charges, a smaller part has represented the raising of new funds through the investment market to retire bank indebtedness or to provide working capital or to finance additions and betterments to plant and equipment. Issues for such purposes have averaged about \$30,000,000 a month since the first of the year, and in the past few months have been somewhat larger. A review of new security issues put out during recent months shows that current market prices



on nearly all are above the issue prices, indicating that the new issues with their lower coupon rates have been readily absorbed by the investment demand.

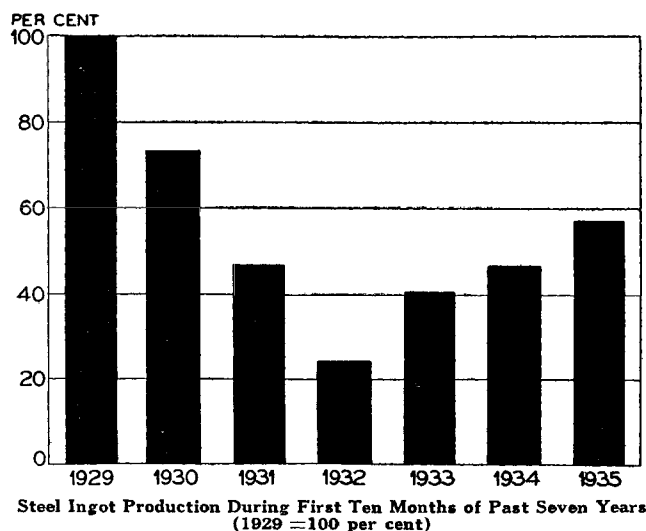
The larger corporation issues during November continued to represent chiefly public utility financing, including \$43,963,000 of Ohio Edison Company 30 year bonds priced to yield 3.97 per cent, \$40,000,000 Los Angeles Gas and Electric Corporation 35 year bonds yielding 3.89 per cent, \$30,000,000 Kansas Power and Light Company 30 year bonds yielding 4.08 per cent, and \$25,000,000 New York and Queens Electric Light and Power Company 30 year bonds yielding 3.39 per cent. There were also two industrial issues—\$12,000,000 International Cement Corporation 10 year convertible debentures priced to yield 4 per cent, and a \$5,500,000 Republic Steel Corporation issue.

State and municipal financing during November was also in moderately large volume, as it included two sizable issues—\$22,799,000 of Los Angeles Department of Water and Power, and \$20,719,000 of Chicago Sanitary District serial bonds. Farm loan financing included \$17,000,000 of new short term Federal Intermediate Credit Bank debentures which replaced in part a maturity of \$35,000,000.

Production

Continuation of the upward movement of preceding months is indicated by preliminary data on industrial activity in November. Steel mill operations usually decline during November but this year the rate of output averaged somewhat higher than in October, apparently due largely to the shift in seasonal activity in the automobile industry, together with increased activity in miscellaneous steel-consuming lines. The rate of automobile assemblies is reported to have leveled out during the course of November following a rapid increase, but estimated output for the month is the largest since the early summer, whereas November output in the past has been amongst the lowest of the year. Operations in cotton mills and soft coal mines were at about the October levels, and electric power production increased more than in other years from October to November.

There were well distributed gains in the general volume of production in October, and the Board's seasonally adjusted index reached 94 per cent of the 1923-1925 average as compared with 89 in September, 87 in August, and 86 in July. Output of automobiles was accelerated sharply as new models began to come off the assembly lines; steel operations rose by about the usual seasonal proportions and approximated the highest level of the year; the rate of production of bituminous coal was 31 per cent larger than for September when operations had been adversely affected by a week's strike; average daily cotton consumption increased 10 per cent, or more than usual; machine tool orders, while not attaining the level of July and August, were in substantially greater volume than in September; and wool mills and meat packing plants were more active.



Steel ingot production for the first ten months of this year was larger than in the corresponding period of any other year since 1930, as the accompanying diagram shows. Total output for the first ten months of 1932 dropped to 24 per cent of the 1929 level, but increases in 1933 and 1934 restored production to 40 per cent and 46 per cent, respectively, and this year production reached 57 per cent of the 1929 level.

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

	1934		1935	
	Oct.	Aug.	Sept.	Oct.
Metals				
Pig iron.....	30	53	56	62
Steel.....	34	69	72	71
Lead.....	47	50	48	56
Zinc.....	62	67	68	66
Automobiles				
Passenger cars.....	32	39	15	80 _p
Motor trucks.....	83	92	53	101 _p
Fuels				
Bituminous coal.....	65	63	61	74 _p
Anthracite coal.....	61	43	78	57 _p
Petroleum, crude.....	67	68	69	69 _p
Petroleum products.....	65	68	70	
Electric power.....	69	75	74 _p	75 _p
Textiles and Leather Products				
Cotton consumption.....	79	72	79	83
Wool mill activity.....	66	127	114	123 _p
Silk mill activity.....	64	70	71	70
Rayon deliveries*.....	69	116	114	104 _p
Shoes.....	82	99	95 _p	96 _p
Foods and Tobacco Products				
Meat packing r.....	116 _r	77 _r	73 _r	80 _r
Wheat flour.....	85	68	86	91
Refined sugar deliveries.....	75	65	82	94 _p
Tobacco products.....	78	81	80	86
Miscellaneous				
Cement.....	39	36	39	43
Tires.....	56	59	67	
Newsprint paper.....	71	68	73	72 _p
Machine tools.....	37	99	73	94

_p Preliminary _r Revised * For quarter ended

Indexes of Business Activity

Following the recent increases of more than seasonal proportions, the railroad movement of merchandise and miscellaneous freight receded less than seasonally during the first two weeks of November, but shipments of bulk freight showed somewhat more than the usual contraction owing to substantially reduced loadings of

grain and coal. A decline attributed largely to adverse weather conditions occurred also in department store sales in the Metropolitan area of New York during the first half of November, whereas retail buying is usually heavier for the month of November than in October.

An upward movement from September to October was shown by several important indicators of the distribution of goods and general business activity. Gains of more than seasonal proportions occurred in merchandise and miscellaneous freight shipments, in sales of life insurance, and also in mail order house sales the dollar value of which reached the highest level since December 1929. Bulk freight shipments on the railroads also increased, although ordinarily there is little change between September and October, and the seasonally adjusted index of advertising advanced somewhat. New passenger automobile registrations receded no more than seasonally in October, although most of the new models were not displayed until November. On the other hand, department store sales throughout the country remained at about the September level although a rise is customary in October, and chain store sales advanced less than seasonally.

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

	1934	1935		
	Oct.	Aug.	Sept.	Oct.
Primary Distribution				
Car loadings, merchandise and misc.....	55	58	59	61
Car loadings, other.....	54	57	60	63
Exports.....	47	48	53	51 _p
Imports.....	51	66	68	72 _p
Distribution to Consumer				
Car loadings, outside New York City.....	71	79	78 _r	73
Department store sales, 2nd Dist.....	72	70	74	70
Chain grocery sales.....	63	58	61	59
Other chain store sales.....	77	82	83	79
Mail order house sales.....	70	71	76	80
Advertising.....	58	60	58	60
New passenger car registrations.....	48	58	48	49 _p
Gasoline consumption r.....	87 _r	85 _r	80 _r	
General Business Activity				
Bank debits, outside New York City.....	57	65	65	64 _p
Bank debits, New York City.....	38	46	45	42
Velocity of demand deposits, outside New York City.....	63	67	68 _p	65 _p
Velocity of demand deposits, New York City.....	41	45	44	42
New life insurance sales.....	61	55	57	60
Factory employment, United States.....	78	83	83	85 _p
Business failures.....	47	42	41	46
Building contracts.....	24	29	29	33 _p
New corporations formed in N. Y. State.....	58	59	63	58
General price level*.....	139	146	147	148 _p
Composite index of wages*.....	180	187	188	188 _p
Cost of living*.....	139	142	143	142

_p Preliminary _r Revised * 1913 average=100

Employment and Payrolls

Factory employment and payrolls in the United States increased considerably from the middle of September to the middle of October. The seasonally adjusted index of employment advanced by more than 2 per cent during this period, reaching the highest level since November 1930, and the adjusted payrolls index increased nearly 3 per cent to the highest point since April 1931. The gains in factory employment were widespread, over three quarters of the reporting industries having more workers engaged in October than in September. The larger employment increases were reported in the auto-

mobile, iron and steel, machinery, nonferrous metals, building construction materials, and textile industries.

Employment in the durable goods group of industries advanced by more than 5 per cent from September to October, reflecting to a considerable extent the re-employment of workers in the automobile industry on the production of new models. The nondurable goods group of industries showed a small net decline in employment, due largely to curtailment of a seasonal nature in food products industries.

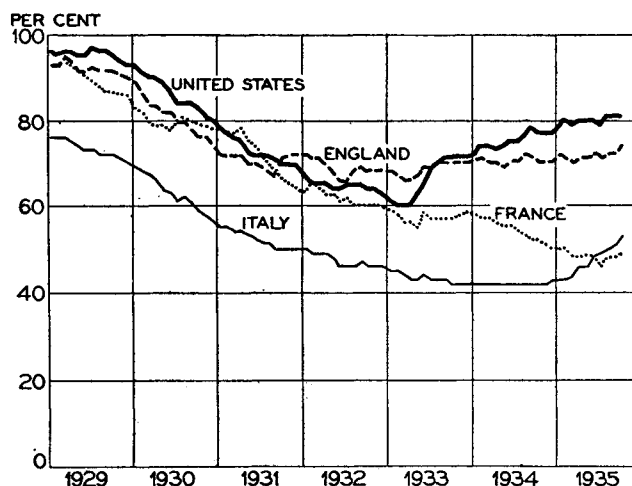
Among the nonmanufacturing industries, more workers were employed in October than in September, due to the usual seasonal expansion in anthracite coal mining and in retail and wholesale establishments. Strikes at a number of bituminous coal mines during the mid-October pay period accounted for a pronounced decrease in employment in that industry.

Employment at representative New York State factories increased further from September to October, but the rise was of about the usual seasonal proportions, and this bank's seasonally adjusted index showed little change following increases in the preceding three months. The most pronounced gains occurred in the metals and machinery and building construction industries, but these gains were largely offset in the total by a seasonal decline in the food group, due principally to the close of the canning season. Employment at textile and clothing factories was maintained at about the same level as in September.

Commodity Prices

As a result of the advance in wholesale commodity prices which has progressed irregularly since March 1933, the Bureau of Labor Statistics comprehensive index of 784 commodity quotations has risen about 35 per cent from the 1933 low to the present level of 81 per cent of the 1926 average, and is now the highest since November 1930. This movement is shown in the accompanying diagram in comparison with price movements in England, France, and Italy, the average level of 1926 being taken as 100 per cent in each case. In the case of England, wholesale commodity prices neither receded to as low a level in 1933 as in the United States, nor subsequently showed as pronounced a recovery; the Board of Trade index for October stood about 12 per cent above the 1933 low. In Italy wholesale prices showed no marked recovery until the end of 1934, but since that time a pronounced advance has occurred, and October prices were about 26 per cent above the 1934 low. The downward movement of wholesale prices continued in France through July of this year, at which time average prices were only 46 per cent of the 1926 level, but between July and October there was a slight upturn, reflecting primarily higher prices for food products.

Diverse movements were shown by prices of actively traded commodities in the United States during November. Continuing the decline which began early in October, the cash quotation for Number 1 Northern wheat at Minneapolis receded further to \$1.22 $\frac{5}{8}$ a bushel on November 13, a level about 20 $\frac{1}{2}$ cents below the high reached in the first week of October, but subsequently



Movement of Wholesale Commodity Prices in the United States, England, France, and Italy (1926 average = 100 per cent)

the price recovered to close the month at \$1.30 $\frac{7}{8}$ as compared with \$1.29 $\frac{3}{4}$ at the end of October. Cotton prices showed rather substantial gains during November, following a further reduction in the estimated size of this year's crop; the spot quotation advanced on November 21 to 12.45 cents a pound, about 1 $\frac{3}{4}$ cents above the year's low, but later reacted somewhat to end the month at 12.25 cents. Net gains for the month occurred also in the prices of hides, livestock, pig iron, and scrap steel at Pittsburgh.

Following the advance in silk prices which occurred between July and October, a rather substantial reaction during November reduced the spot quotation to \$2.11 a pound, compared with a high of \$2.35 $\frac{1}{2}$ established October 21. Spot corn showed a further substantial decline of 14 $\frac{1}{2}$ cents to 59 $\frac{1}{2}$ cents a bushel, the lowest since July 1934, and a moderate reduction was shown in the price of raw sugar.

Building

The value of building and engineering contracts awarded in the Metropolitan New York and Upstate New York area was approximately 20 per cent smaller in October than in September, as declines of 42 per cent in public works and utility projects and 14 per cent in other nonresidential building exceeded an increase of 25 per cent in residential contracts. All of the major classifications of building contracts were larger this October than a year ago, however, and increases also were shown for the first ten months of 1935 in comparison with the corresponding period of 1934.

For the 37 States covered by the F. W. Dodge Corporation report, contracts awarded in October were higher than in any month since December 1933, when the Public Works Administration program was at its peak, and with this exception, awards were the largest since October 1931. This bank's seasonally adjusted building index advanced in October to 33 per cent of the computed trend of past years, as compared with 29 per cent in September and 24 per cent in October a year ago. Increases from September and from October of last

year were reported not only for residential contracts, but also for public works and utilities, and other non-residential work. Residential building for the first ten months of this year totaled 84 per cent more than a year ago, practically all of this increase being caused by private building activity.

Data for the first three weeks of November indicate a more than seasonal falling off in residential building, following the increase in preceding months. Other types of construction, however, showed changes which compared favorably with the seasonal movements of previous years.

Foreign Trade

This country's foreign trade rose during October, although in the case of exports the increase was of somewhat less than usual seasonal proportions. Exports were valued at \$221,000,000 and imports at \$189,000,000, the largest amounts for the corresponding month of any year since 1930. Compared with a year ago, exports increased 7 per cent and imports 46 per cent.

During October, exports of crude materials, chiefly raw cotton and tobacco, showed large seasonal gains over the preceding month and equaled the value of finished goods exported. Shipments of tobacco were smaller in volume and in value than in 1934, but exports of raw cotton were 16 per cent larger in volume than a year ago, after showing year to year decreases for about eighteen months through August, and only a small increase in September. Shipments abroad of crude foodstuffs continued to show a gain over 1934 in value, increases in exports of fresh fruits more than offsetting decreases in grain exports. Exports of finished manufactures as a group showed an increase of 16 per cent in value, a gain in which nearly all manufactured products except automobiles appear to have participated.

Among the imports, only the manufactured foodstuffs group—chiefly sugar—continued lower in value than a year ago. All other major groups of imports showed notable gains over 1934, ranging from 58 per cent for receipts of crude materials to 22 per cent for imports of crude foodstuffs. The increase in imports of crude materials was accounted for largely by gains in imports of wool, raw silk, and crude rubber. Due to increases in imports of fresh fruits and vegetables, imports of crude foodstuffs also showed an increase over last year, despite a slight decrease in the value of coffee imports, the principal commodity in this group. Imports of copper and tin continued to show increases over a year ago, but the gains were smaller than in other recent months.

Department Store Trade

For the first half of November sales of the reporting department stores in the Metropolitan area of New York did not show the seasonal increase which usually occurs in November, and were 4.7 per cent below sales in the corresponding period a year ago. Reporting stores in New York and Brooklyn showed a 5 per cent decrease in sales, while the Northern New Jersey stores reported a decline of 2.8 per cent.

Following a substantial increase in September, total October sales of the reporting department stores in this

district were 0.6 per cent below a year ago, less than the usual seasonal expansion from September to October having occurred. The New York, Buffalo, Northern New York State, Southern New York State, and the Capital District department store groups all reported sales lower than last year, following increases in September. Sales of the leading apparel stores were 6.7 per cent higher than last year, the smallest increase in 4 months.

Locality	Percentage change October 1935 compared with October 1934		Per cent of accounts outstanding September 30 collected in October	
	Net sales	Stock on hand end of month	1934	1935
New York	- 1.3	+ 2.9	51.1	52.2
Buffalo	- 0.2	+ 1.0	47.6	51.8
Rochester	+ 5.7	+ 8.2	45.6	48.2
Syracuse	+10.0	- 4.3	37.0	40.1
Northern New Jersey	+ 0.5	+ 7.6	43.6	43.6
Bridgeport	+ 2.7	- 0.4	41.2	41.2
Elsewhere	- 1.0	- 3.3	27.9	33.2
Northern New York State	- 4.9	.....	.....	.....
Southern New York State	- 1.9	.....	.....	.....
Hudson River Valley District	+ 4.8	.....	.....	.....
Capital District	- 4.8	.....	.....	.....
Westchester and Stamford	+ 0.4	.....	.....	.....
All department stores	- 0.6	+ 3.0	46.6	48.1
Apparel stores	+ 6.7	+ 7.0	45.6	47.6

Wholesale Trade

October sales of the reporting wholesale firms in this district averaged 15.3 per cent higher than last year, the largest advance recorded since last December. The shoe concerns registered the most substantial increase in sales since March 1934, stationery firms the largest since July 1934, and men's clothing concerns the largest in 6 months. The gain in sales reported by the grocery firms, although small, was somewhat larger than last month's increase, while the drug, paper, cotton goods, rayon and silk goods, diamond, and jewelry concerns showed smaller advances in sales than in the previous month. Hardware sales were lower than last year, following a moderate increase in September.

Commodity	Percentage change October 1935 compared with October 1934		Per cent of accounts outstanding September 30 collected in October	
	Net sales	Stock end of month	1934	1935
Groceries	+ 3.1	-11.3	99.4	96.8
Men's clothing	+25.5	.....	43.0	44.2
Cotton goods	+16.9	.....	40.8	40.6
Rayon and silk goods	+20.7*	+16.5*	67.1	61.3
Shoes	+49.4	.....	44.7	46.4
Drugs	+ 8.3	- 7.7	32.7	33.8
Hardware	- 3.0	- 2.2	50.4	48.8
Stationery	+13.1	.....	44.3	55.7
Paper	+10.6	.....	48.0	46.8
Diamonds	+19.6	+21.7	21.1	21.4
Jewelry	+12.7	- 6.2		
Weighted average	+15.3	.....	59.9	59.3

* 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, 1935

Business Conditions in the United States

(Summarized by the Board of Governors of the Federal Reserve System)

INDUSTRIAL production increased more than seasonally in October and there was also a considerable advance in factory employment and payrolls. There was a continuous inflow of gold from abroad and an increase in bank deposits.

INDUSTRIAL PRODUCTION AND EMPLOYMENT

Volume of output at factories and mines, as measured by the Board's seasonally adjusted index of industrial production, increased from 89 per cent of the 1923-1925 average in September to 94 per cent in October, reflecting larger output in a wide range of industries. Automobile production, which had been at a low level in September when preparations were being made for the manufacture of new models, increased rapidly during October and the early part of November. At steel mills, activity increased slightly in this period, contrary to the usual seasonal tendency, and in the third week of November was at about 54 per cent of capacity. Lumber production showed little change. Among the industries producing nondurable manufactures, the principal changes in output were increases of considerably more than the usual seasonal amount at cotton mills, woolen mills, and meat packing establishments. At mines output of bituminous coal was in larger volume than in other recent months and output of crude petroleum continued to increase.

Factory employment, which ordinarily shows little change at this season, increased considerably between the middle of September and the middle of October, reflecting substantial increases in the industries producing durable manufactures. The most marked expansion was in the automobile industry and there were smaller increases at railroad repair shops and in the iron and steel, machinery, and nonferrous metals industries. Employment at canning factories showed a considerable decline, largely of a seasonal character.

Total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a considerable increase in October followed by a slight decline in the first half of November. In this six week period total contracts were substantially larger than a year ago, reflecting marked increases both in residential building and in other types of construction, but the volume is still at a relatively low level.

DISTRIBUTION

Railroad freight car loadings increased by a considerable amount from September to October, reflecting principally larger shipments of coal and miscellaneous freight. In the early part of November car loadings were at a lower level than in October, chiefly as a consequence of seasonal developments. Department store sales, which usually increase at this season, showed little change from September to October on a daily average basis, and the Board's seasonally adjusted index declined from 81 per cent of the 1923-1925 average to 77 per cent.

COMMODITY PRICES

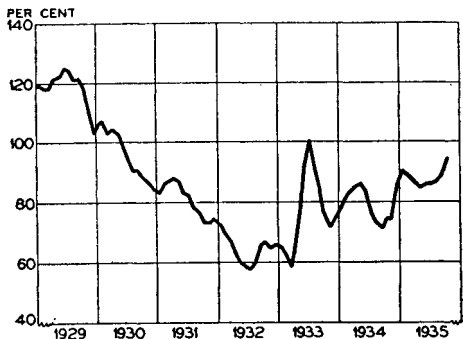
The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, was slightly lower in October and the early part of November than in the latter part of September, reflecting reductions in the prices of farm products and foods offset in part in the index by an advance in prices of other commodities, particularly hides and leather products and textiles. Prices of hogs and pork showed a decrease, as is usual at this season, while cotton advanced.

BANK CREDIT

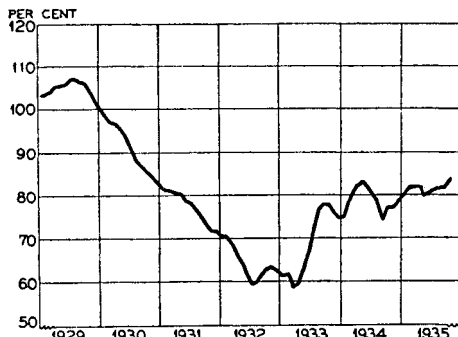
Excess reserves of member banks increased further by \$190,000,000 during the five week period ended November 20, reflecting a continued inflow of gold from abroad. At the end of the period excess reserves were at a new high level of over \$3,000,000,000.

Total loans and investments of reporting banks in 101 leading cities increased by \$190,000,000 during the five weeks ended November 20, reflecting principally an increase in holdings of United States Government securities. Adjusted demand deposits of these banks showed an increase of \$550,000,000 for the period.

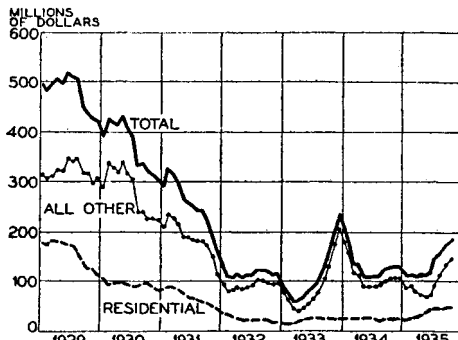
The call money rate on New York Stock Exchange loans was increased from $\frac{1}{4}$ of 1 per cent to $\frac{3}{4}$ of 1 per cent in the last week of October. At the same time the rate on time loans was increased from $\frac{1}{4}$ of 1 per cent to 1 per cent, but few loans have been made. Other money rates have remained at former low levels.



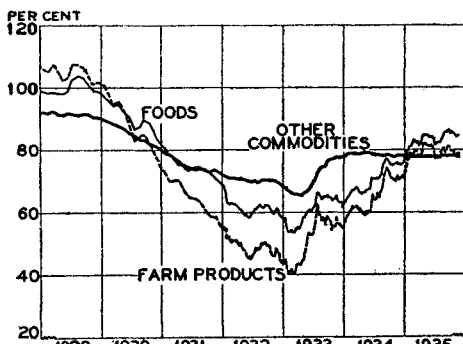
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average = 100 per cent)



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



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



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