

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

March 1, 1925

Business Conditions in the United States

FURTHER growth in production during January carried the output of basic commodities to the highest point reached since the spring of 1923. Employment at industrial establishments increased slightly, but remained below the level of a year ago. Prices of farm products continued to advance and there were smaller increases in the wholesale prices of most of the other groups of commodities.

PRODUCTION

Production in basic industries, after a rapid increase in recent months, advanced 8 per cent. in January and was 34 per cent. above the low point of last summer. The most important factor in the increase in the level of production since August has been the greater activity in the iron and steel industry, but in January the output of lumber, minerals, food products, and paper, and the mill consumption of cotton also showed considerable increases. The woolen industry was somewhat less active in January and output of automobiles, though larger than in December, was considerably smaller than a year ago. Further increases during the month in employment in the metal, textile, and leather industries were largely offset by seasonal declines in the number employed in the building materials and food products industries.

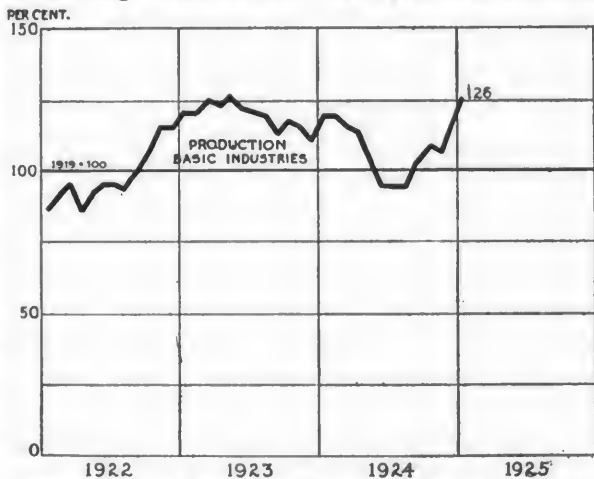
Building activity, as measured by contracts awarded, though less in January than during the closing months of 1924, was near the high level of a year ago.

TRADE

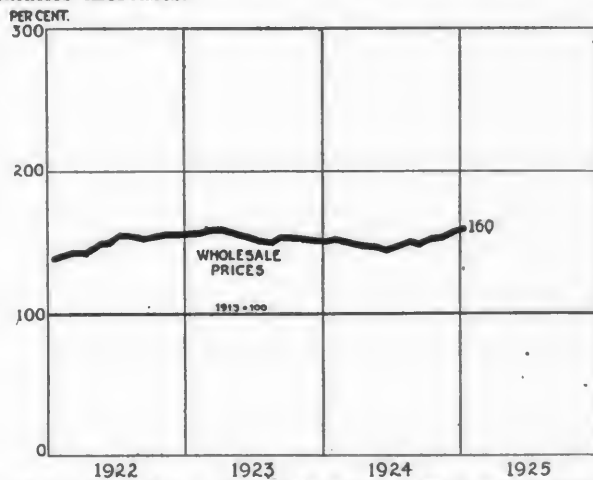
Railroad shipments were in record volume for this time of year, and loadings of merchandise and miscellaneous products were particularly heavy. Wholesale trade in January, however, was slightly smaller than in December. Sales of groceries, shoes, and hardware were in smaller volume, while sales of dry goods and drugs increased. Department store sales in most districts were somewhat smaller than a year ago, but sales of mail order houses were considerably larger.

PRICES

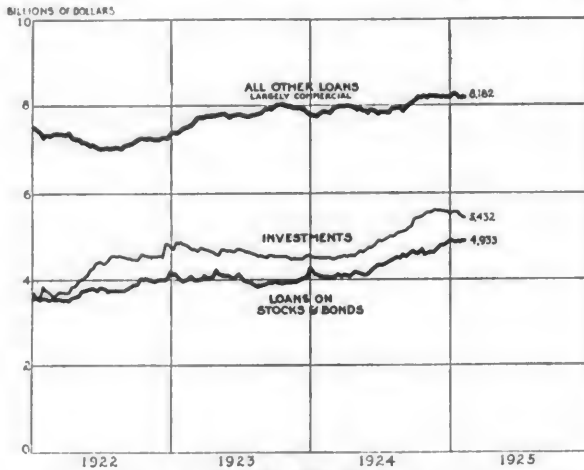
Wholesale prices, as measured by the index of the Bureau of Labor Statistics, rose 2 per cent. during January to the highest level in four years. The increase of 10 per cent. in the index since last June represents an advance of 19 per cent. in prices of agricultural commodities and 3 per cent. in other commodities. In the first half of February prices of grains, wool, coal, and lead declined, while petroleum and gasoline prices advanced sharply, and cotton, silk, and rubber showed smaller increases.



Index of 22 Basic Commodities Corrected for Seasonal Variation. (1919 = 100 Per cent. Latest figure, January.)



Index of U. S. Bureau of Labor Statistics. (1913 = 100 Per Cent. base adopted by Bureau. Latest figure, January.)



Member Bank Credit
Weekly Figures for Member Banks in 101 Leading Cities.
(Latest figures, February 11.)

BANK CREDIT

Loans and investments of member banks in leading cities, following the rapid growth during the last half of 1924, declined by about \$100,000,000 between the middle of January and the middle of February. This decrease represents a reduction in the holdings of investments, chiefly at banks in New York, partly offset by an increase in loans. Loans on stocks and bonds increased, though less rapidly than in the latter part of 1924, while loans for commercial purposes declined slightly from the high level reached in the middle of January. Net demand deposits, owing largely to decreases at New York City banks, declined sharply from the high point reached in the middle of January.

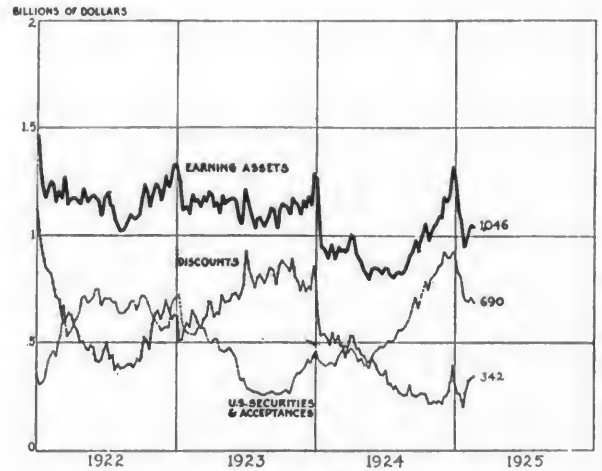
At the Federal Reserve Banks the seasonal liquidation resulting from the return flow of currency from circulation came to a close by January 21 and during the following four weeks there was an increase in total earning assets. This increase reflected largely the demand for gold for export, which led member banks to increase their discounts at the Reserve Banks. Reserve Bank holdings of United States securities declined further, while acceptances showed relatively little change for the period.

Money rates, after remaining comparatively steady during most of January, showed a firmer tendency during February, when rates for prime commercial paper advanced to $3\frac{3}{4}$ per cent.

Effective February 27 the discount rate of the Federal Reserve Bank of New York was increased from 3 to $3\frac{1}{2}$ per cent. on all discounts and advances.

Banking Conditions in the Second District

The volume of credit extended by reporting member banks in the Second District declined in the latter part of January and the first half of February, and on February 18 total loans and investments were \$178,000,000 lower than on January 14, while total deposits showed a decrease of \$307,000,000. These changes were in contrast with moderate increases for reporting banks in other sections of the country, and accompanied continued

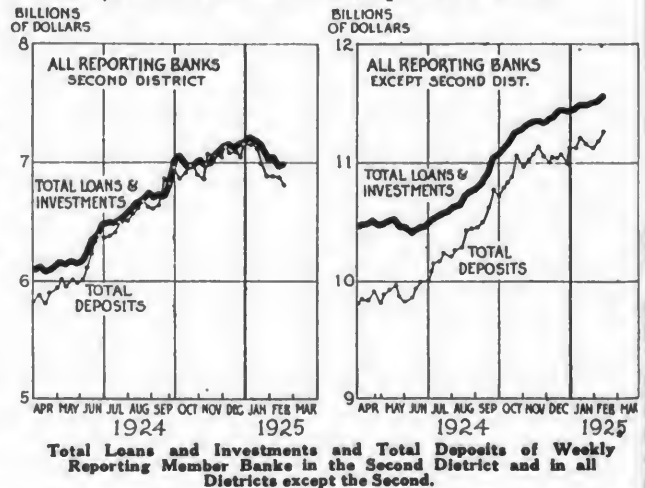


Reserve Bank Credit
Weekly Figures for 12 Federal Reserve Banks
(Latest figures, February 18.)

exports of gold from New York, loss of funds to the interior during the early part of February, and further reduction of Government security holdings by the Federal Reserve Bank of New York and by the System.

Most of the decrease in member bank credit within the district was due to a further reduction of security holdings by New York City banks to a level on February 18 of \$233,000,000, or 12 per cent. below the high point reached last fall. Loans secured by stocks and bonds were relatively little changed, and the volume of borrowing for commercial purposes, while considerably reduced early in the period, increased \$70,000,000 in the week ended February 18, almost to the highest levels of last fall.

The following diagram indicates by weeks the recent tendencies in the aggregate figures of loans and investments, and deposits, of reporting banks in the Second District, and in all districts except the Second.



Total Loans and Investments and Total Deposits of Weekly Reporting Member Banks in the Second District and in all Districts except the Second.

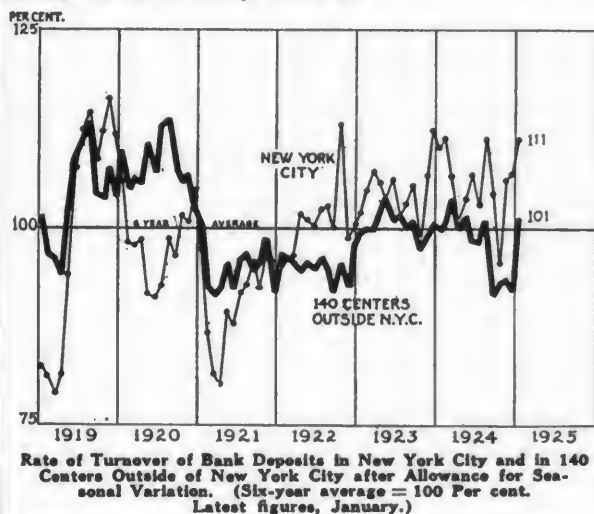
At the Federal Reserve Bank of New York rediscounts for member banks increased substantially in February and in the latter part of the month exceeded \$200,000,000

or the highest in over a year. These increases were only partly offset by a decrease in holdings of Government securities, so that total earning assets rose again to approximately the levels prevailing during the holiday trade expansion in December.

Velocity of Bank Deposits

Increases in January in various phases of business and financial activity were accompanied by a considerable increase in the velocity of bank deposits, or rate at which funds are checked out of banks. In the last six months of 1924 the rate of turnover of bank funds in 140 centers outside of New York fell approximately 8 per cent. below the average of the past six years, a factor which tended to limit the effects of the large expansion of deposits upon prices and general business activity. The increase in velocity in January, accompanied by a further increase in bank deposits, resulted in a larger total of check payments, or debits to individual deposits, than in any previous month.

The following diagram shows in percentages of the six year average the changes in the rate of turnover for 140 centers outside of New York and compares this with the rate in New York City, which was at a relatively high level during most of last year, reflecting partly activity in the security markets.



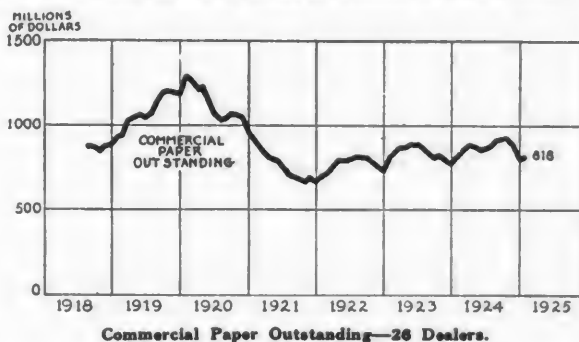
Money Market

Further outflow of gold, loss of funds to the interior, and a seasonal increase in the demand for funds contributed to firmer money conditions in February.

A somewhat less active demand for commercial paper in the middle west, together with small demand at New York, was reflected in a slight advance in open market rates on prime paper to 3¾ per cent. Supplies of paper were reported only moderate following considerably less than the usual seasonal increase in January, when the volume of paper outstanding reported by 26 dealers increased \$20,000,000 to \$818,000,000 on January 31.

In the bill market firmer conditions were indicated by a somewhat reduced demand for bills and moderately increased sales to the Reserve Banks. Open market rates advanced ¼ of 1 per cent. on most maturities to 3⅞ per cent. on dealers' purchases of 90-day bills and 3¼ per cent. on their sales, the highest rates since May. Yields on Treasury short term issues maturing in six and nine months also increased slightly.

Rates for 60-90 day loans on stock market collateral advanced ¼ of 1 per cent. to 4 per cent., the highest since June. Call money renewals ranging 3 to 4¼ per cent. were generally higher than in January, and late in the month the rate for new loans advanced to 5 per cent.



Security Markets

The bond market continued active and firm during most of February. Representative averages of high grade corporation bonds advanced over ½ a point to a new high level for recent years. United States Government securities were steady and foreign bonds generally firm, although French issues reacted slightly accompanying the decline in exchange rates.

In the stock market industrial price averages advanced early in the month to a new high point while railroad averages continued at about the highest levels since 1917. Later in the month stocks reacted sharply, but in somewhat slackened trading prices subsequently recovered their losses and both railway and industrial averages held close to the year's high levels.

New security offerings continued in large volume and brought the total since the first of the year to a billion dollars. Domestic stock issues continued heavy, while foreign issues of all kinds during the first 26 days of February totaled \$150,000,000. Of these, the largest were \$35,000,000 bonds of the Republic of Poland, \$20,000,000 bonds of the Est Railroad of France, \$35,000,000 Canadian National Railway bonds, and \$25,000,000 six months refunding notes of the Argentine Government.

Foreign Exchange

Foreign exchange rates generally reacted in February, following their rapid advance in previous months. Sterling declined over 5 cents to \$4.74½, Swiss and Dutch exchanges fell somewhat below par and most other leading European exchanges except those of

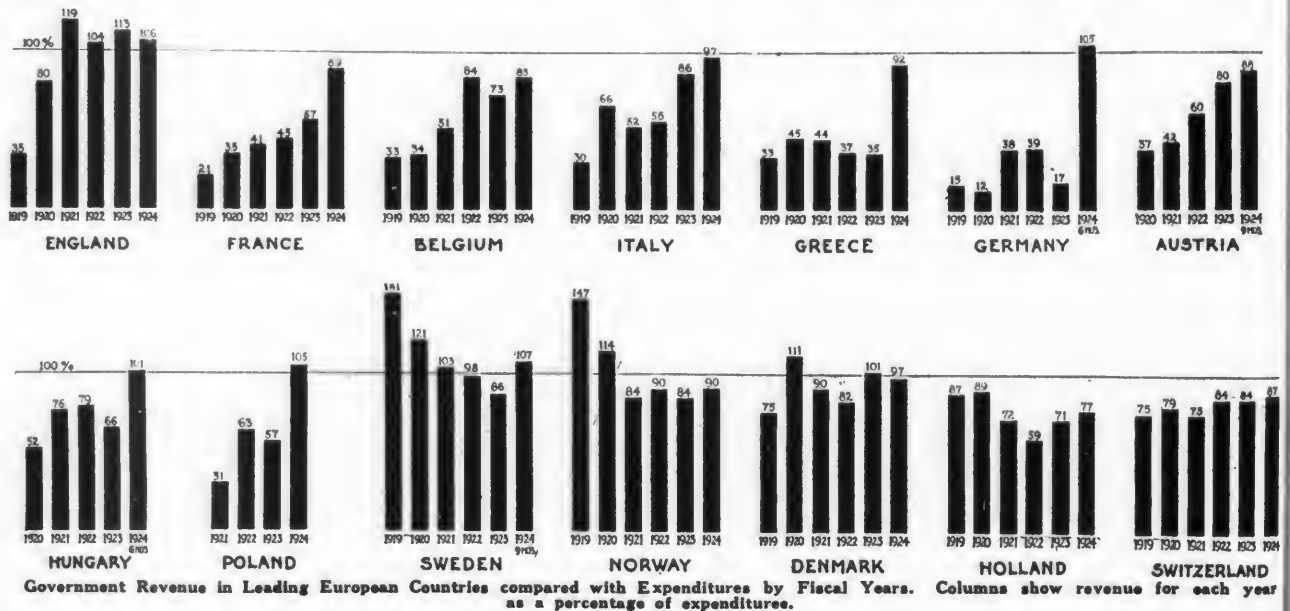
Sweden, Germany, and Austria likewise lost ground. These reactions were accompanied by a slight decline in the Canadian dollar, and losses in rates on Argentina, Brazil, India, and China. The Japanese yen, on the other hand, advanced substantially, accompanying announcement of the government's policy of stabilization.

European Public Finance

Apart from the marked rise in exchanges during the past year, one of the important evidences of improved economic conditions in Europe has been the substantial progress made towards a balancing of governmental budgets. At the close of the war the belligerent nations were covering a comparatively small part of their expenditures out of current revenue. While neutral countries were doing much better, only Sweden and Norway apparently were fully paying their way.

In 1920-21 England, by heavy taxation and economy, reestablished a balanced budget. Through programs of currency revaluation or stabilization, supported by foreign loans, the budgets of Germany, Hungary, and Poland have been balanced in the past year, and the deficit in Austria greatly reduced. Improvement in Greek finances since the cessation of the war and progress in Italy are likewise noteworthy. Denmark, which had achieved a balance in 1922-23, was less successful in 1923-24 as a result of losses occurring to the State from the failure of the Landmansbank.

The following diagram indicates the percentage of government expenditures covered by revenue of leading European countries by fiscal years. While the figures are taken from the best available sources they are in some cases preliminary and subject to later revision. Owing also to the different accounting methods in different countries, the comparisons should be taken as approximate only.



Gold Movement

Exports of gold amounting to \$32,000,000 from the Port of New York during the first 24 days of February, while considerably smaller than in the corresponding period of January, raised total exports for the country since December 1 to approximately \$150,000,000. Shipments aggregating about \$12,500,000 to Germany and a like amount to India brought the total movement from the United States since December 1 to \$50,000,000 in the case of Germany, and to a slightly larger sum in the case of India. In addition to these larger shipments, exports in February included between \$1,000,000 and \$2,000,000 separately to Venezuela, Poland, Holland, and England, and smaller amounts to eleven other countries. There was also reported to have been a substantial shipment of gold from San Francisco to Australia during the month.

Final figures on the gold movement for the country for January indicated total exports of \$73,000,000, with the exception of June 1919 the largest amount ever shipped in one month. Imports aggregated slightly over \$4,000,000, of which more than half was from Canada.

Foreign Trade

Imports of merchandise in January showed a further increase of \$13,000,000 to \$346,000,000, the highest total since May 1923 and, with the exception of that month and the two preceding months, the highest since 1920. Exports were practically unchanged at \$447,000,000, and, as a result, the export merchandise balance was reduced to \$101,000,000, the smallest since last August, but about the same as in January a year ago.

The recent increase in imports of 36 per cent. compared with last August, or several times more than the

usual seasonal increase, was due in part to increased imports of raw silk and rubber at higher prices, accompanying greater activity in consuming industries in this country.

For the entire year 1924 the detailed figures recently made available reveal comparatively little change in the general character of exports and imports notwithstanding the substantial increase in grain shipments in the later months. This is shown by the following table, which compares the percentages of various major groups of commodities to the total exports and imports in recent years and in 1913.

Commodity Group	Imports				Exports			
	1913	1922	1923	1924	1913	1922	1923	1924
Foodstuffs in crude condition and food animals.....	12	11	10	12	8	12	7	9
Foodstuffs partly or wholly prepared....	11	13	14	14	13	16	14	13
Crude materials for use in manufacturing	35	37	37	34	30	26	29	29
Manufactures for further use in manufacturing.....	19	18	19	19	17	12	14	14
Manufactures ready for consumption....	23	21	20	21	32	34	36	35
All commodities.....	100	100	100	100	100	100	100	100

Production

Further marked increase in production occurred in most manufacturing industries in January.

In the iron and steel industry 23 additional blast furnaces were blown in, and average daily production of pig iron and steel increased almost to the exceptionally high levels of last March. Despite this activity, unfilled orders of the Steel Corporation increased 221,000 tons to the highest since August 1923. In February new

(Computed trend of past years=100 Per cent.)

	1924			1925
	Jan.	Nov.	Dec.	Jan.
Producers' Goods				
Pig iron.....	94	76	92	102
Steel ingots.....	101r	90r	112r	113r
Bituminous coal.....	108	89	98	109
Copper, U. S. mines.....	111	113	109	...
Tin deliveries.....	91	124	75	130
Zinc.....	100r	97r	105r	97r
Petroleum.....	126	118	116	...
Gas and fuel oil.....	109	100	107	...
Cotton consumption.....	95	87	92	96
Woolen mill activity*	94	98	100	98p
Cement.....	148r	123r	126r	145r
Lumber.....	137	116	122	...
Leather, sole.....	84	81	87	...
Consumers' Goods				
Cattle slaughtered.....	106	104	109	110
Calves slaughtered.....	145	146	174	149
Sheep slaughtered.....	92	77	81	83
Hogs slaughtered.....	113	110	119	112
Sugar meltings, U. S. ports.....	90	91	110	...
Wheat flour.....	99r	90r	101r	103r
Cigars.....	98r	101r	100r	102r
Cigarettes.....	89	69	84	90
Tobacco, manufactured.....	115	93	98	111
Gasoline.....	125	120	133	...
Tires*.....	144	153	165	...
Newsprint.....	109	107	106	109
Paper, total.....	100	96	102	...
Boots and shoes.....	79	81	79	77p
Anthracite coal.....	97	78	86	90
Automobile, all.....	142	119	97	100p
Automobile, passenger.....	139	112	92	94p
Automobile, truck.....	152	104	118	122p

p= Preliminary
r= Revised

*= Seasonal variation not allowed for

buying failed to keep pace with output, and while calls for delivery on old orders raised mill operations to over 90 per cent. of capacity early in February, the rate of operations tended to decrease later in the month.

A further increase of nearly 58,000 bales in mill consumption of cotton in January raised this bank's index to within 5 per cent. of computed normal, the highest since November 1923, and woolen mill activity was also at a relatively high level. Output of bituminous coal and cement was larger than in any previous January. In the automobile industry, on the other hand, passenger car production, while larger than in December, fell 29 per cent. below January of last year. The truck output was also larger than in December but smaller than a year ago.

The foregoing table gives for recent months this bank's indexes of production in percentages of the computed trend, after allowance for seasonal variation.

Indexes of Business Activity

Indexes of trade and general business activity showed, as a rule, further advances in January. Bank debits in 140 centers outside of New York City were larger than in any previous month, notwithstanding that a decline usually occurs from December, and this bank's index advanced to 12 per cent. above the computed trend, the highest since May 1923.

Railway loadings of revenue freight throughout the country in the first six weeks of the year were over 3 per cent. above the corresponding period a year ago. Increases occurred in every district except the eastern and were particularly marked in merchandise and miscellaneous loadings in the western districts. The following table gives this bank's indexes, after allowance for seasonal variation and, where necessary, for price changes.

(Computed trend of past years=100 Per cent.)

	1924			1925
	Jan.	Nov.	Dec.	Jan.
Primary Distribution				
Car loadings, merchandise and misc.	101	102	103	104
Car loadings, other.....	108	105	110	113
Wholesale trade, Second District.....	105	91	93	96
Exports.....	88	102	89	96p
Imports.....	100	101	108	112p
Grain exports.....	62	119	93	...
Panama Canal traffic.....	146	106	120	...
Distribution to Consumer				
Department store sales, Second District.	99r	104r	103r	97r
Chain store sales.....	92	97	99	92
Mail order sales.....	92	90	104	98
Life insurance paid for.....	103	107	125	98
Magazine advertising.....	97	99	98	92
Newspaper advertising.....	96	92	92	...
General Business Activity				
Bank debits, outside of New York City.	101	99	104	112
Bank debits, New York City.....	104	110	118	123
Velocity of bank deposits, outside of New York City.....	100r	94r	92r	101r
Velocity of bank deposits, New York City.....	110r	106r	107r	111r
Postal receipts.....	101	94	103	98
Electric power.....	105r	100r	107r	...
Employment, N. Y. State factories.....	99	91	91	92
Business failures.....	91	102	111	98

p= Preliminary
r= Revised

Employment and Wages

Factory employment in January declined slightly in New York State, in accordance with the seasonal tendency, but for the country as a whole increased about 1 per cent. to the highest point since May. Both in New York State and for the country generally, the figures continued considerably below a year ago, and while a shortage of skilled mechanics was reported in a few localities, there continued to be a surplus of unskilled and semi-skilled labor. In contrast, production in basic industries reached levels substantially higher than a year ago, and while the figures do not cover precisely the same establishments an increase in the output of goods per worker appears to be indicated. The following table compares indexes of factory employment and production in basic industries in January with recent years, and indicates also the relative position of wages and wholesale prices.

(1919=100 Per cent.)

	Jan. 1923	Jan. 1924	Jan. 1925
Production (F. R. B. Index).....	121	120	126 ^p
Employment (F. R. B. Index).....	99	98	93
Wages (N. Y. State Factories).....	112	118	120
Commodity Prices (U. S. Dept. of Labor)....	76	73	78

^p—Preliminary

Wage reductions in the cotton industry and to a limited extent in the iron and steel industry were reported in other districts, but in general wage scales held steady. Total payrolls and average weekly earnings, however, were reduced somewhat by time out for factory inventory and repair work.

Building

Building contracts awarded throughout the country in January, while 10 per cent. smaller than in December, were practically equal to the exceptionally large figures of last year. Contemplated new work, as reported by the F. W. Dodge Corporation, and permits issued in leading cities, were also close to the 1924 totals.

Building materials prices advanced in January, and according to the Department of Labor's index were 6 per cent. higher than last summer, though slightly lower than a year ago. Building wages continued generally unchanged.

Commodity Prices

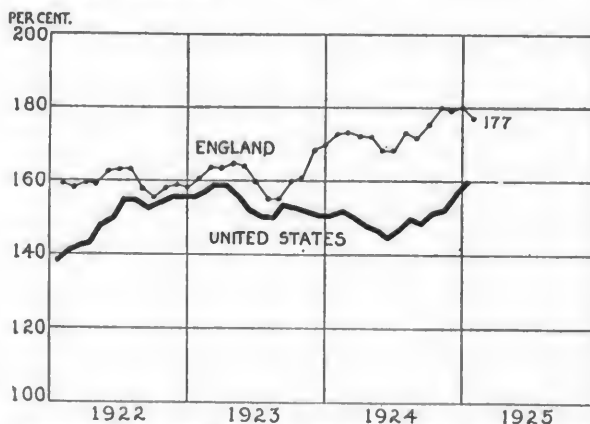
Further rise of 2 per cent. in the Department of Labor's index of wholesale prices occurred in January and brought the index to the highest level since 1921. As over the past six months, this advance was due largely to rise in farm products and foods. The following table, showing recent tendencies in the various commodity groups, indicates that as compared with last June most of the advance has been in commodities which had been below the general average, while compared with January last year, all groups but four show actual decreases.

(1913=100 Per cent.)

Commodity Group	Jan. 1925	Percentage Change from	
		June 1924	Jan. 1924
Farm products.....	163.4	+21.9	+13.5
Foods.....	159.8	+17.8	+11.7
Cloths and clothing.....	191.1	+ 2.1	- 4.4
Fuel and lighting.....	167.9	- 3.9	- 0.7
Metals and metal products.....	136.3	+ 3.1	- 4.0
Building materials.....	179.3	+ 3.8	- 0.9
Chemicals and drugs.....	135.2	+ 6.8	+ 2.4
House furnishings.....	172.6	+ 0.5	- 1.9
Miscellaneous.....	127.1	+14.4	+ 8.6
All commodities.....	160.0	+10.7	+ 6.0

During the first three weeks of February reactions from the January high levels were general among basic commodities. Due, however, to increases in prices of hogs, petroleum, and silk, this bank's weekly index of 20 basic commodities remained approximately at the January high level.

The following diagram, comparing recent price movements in Great Britain and the United States, indicates some downward tendency recently in England, reflecting the rise in sterling exchange in January. A large part of the spread, however, which developed between price levels in the two countries, following the fall in sterling a year ago, remains.



Department of Labor Index of Wholesale Prices in the United States and the Economist Index of Prices in England. (Latest figures, January. 1913 average = 100 Per cent.)

Business Profits

Available financial statements of 102 important manufacturing and distributing concerns for 1924 reveal a substantial decrease in aggregate net profits compared with 1923, due to smaller profits in the steel and railroad equipment, and textile and clothing industries. In the case of motor and accessory companies, not included in the list, owing to delay in publication of annual statements, figures for 9 months also indicate substantially smaller profits than in 1923. Other groups of industrial and merchandising companies included in the list, on the other hand, showed little change or had profits somewhat larger than last year.

Net profits of public utility companies, both telephone and other utilities, continued the increase which has been in progress since 1918. Earnings of Class I railroads continued at the relatively high level reached in 1923, notwithstanding a decline of about 7 per cent. in traffic, which was offset by economies in operation.

(Net Profits in Millions of Dollars)

Group	No. of Corporations	1917	1918	1919	1920	1921	1922	1923	1924
Steel and railroad equipment....	16	310	198	130	162	55	61	175	123
Oils.....	9	17	13	17	18	16	17	12	13
Food and food products.....	12	65	53	57	55	26	65	75	75
Clothing (inc. leather & textiles).....	11	52	41	59	6	12	39	35	17
Tobacco.....	7	29	28	30	33	40	49	49	56
Miscellaneous industrials.....	37	133	108	78	75	30	68	93	95
Stores.....	10	41	37	56	25	47	48	65	68
Total 7 groups.....	102	647	478	427	374	172	347	504	447
Telephone.....	70	76	72	77	82	107	126	136	150p
Other public utilities.....	27	49	41	43	45	46	71	84	96
Total public utilities.....	97	125	113	120	127	153	197	220	246
Total 9 groups.....	199	772	591	547	501	325	544	724	693
Class I railroads.....	192	934	639	516	58	616	777	984	987

*Deficit
p=Preliminary

Wholesale Trade

January sales in most of the reporting lines of wholesale trade in this district fell below those of January 1924. As the aggregate sales last year, however, were fairly large, this bank's index, which allows for price changes and seasonal variation, advanced 3 points from the December figure to 96 per cent. of the computed trend or normal.

Commission house sales of cotton goods, which were unusually low last year, increased 18 per cent., and increases occurred also in silk goods, women's dresses, men's clothing, and paper. Reductions, on the other hand, ranging from 4 to 27 per cent., occurred in groceries, women's coats and suits, stationery, machine tools, shoes, and jobbers' sales of cotton goods.

Beginning with January this bank has undertaken the collection of stock figures in certain lines of wholesale trade, and the following table gives, in conjunction with

Commodity	January 1925 Sales		Stocks on Jan. 31, 1925
	Percentage Change from December 1924	Percentage Change from January 1924	Percentage Change from Jan. 31, 1924
Cotton—Commission houses....	- 6.6	+18.4	.....
Women's dresses.....	+77.0	+ 5.9	.....
Silk goods.....	+18.0	+ 4.9	.....
Men's clothing.....	+30.6	+ 2.6	.....
Paper.....	.....	+ 1.8	.....
Diamonds.....	- 6.5	+ 0.2	} + 6.6
Jewelry.....	-54.7	- 0.6	
Drugs.....	+ 7.6	- 1.1	.....
Hardware.....	-14.7	- 1.8	.....
Groceries.....	- 6.5	- 4.4	+14.3
Women's coats and suits.....	+22.9	- 5.3	.....
Stationery.....	+ 3.0	- 7.4	.....
Shoes.....	-19.9	-14.9	-18.4
Machine tools.....	-15.8	-16.3	.....
Cotton—Jobbers.....	-26.5	-26.7	-19.9
Weighted Average.....	+ 6.5	- 4.9	.....

the sales figures, the comparative merchandise stocks for January in 1925 and 1924, in four lines from which a representative number of reports was obtained. As indicated in the table, stocks held by cotton jobbers and shoe dealers are running considerably below last year, while those of dealers in groceries and jewelry and diamonds are higher than a year ago.

Department Store Business

January sales of 79 leading department stores in this district averaged 1.4 per cent. larger than a year ago, which is less than the usual year to year increase. More than half of the reports, especially those from the smaller stores, showed a decrease in sales compared with last year. While apparel stores reported a substantial increase, this was due, as in recent months, to store expansion during the year.

Department store stocks of merchandise on hand on January 31 showed about the same increase over a year ago as did sales. The average amount of the individual sales transaction was \$2.87, the same as in January 1924. The following table compares January sales and stocks in the various localities in the district with those of a year ago.

	Percentage Change in Sales January 1924 to January 1925	Percentage Change in Stock January 31, 1924 to January 31, 1925
New York.....	+ 0.7	+ 1.4
Buffalo.....	+ 4.6	- 6.3
Rochester.....	+ 4.5	+ 7.7
Syracuse.....	- 0.2	+ 2.7
Newark.....	+ 2.8	+11.0
Bridgeport.....	+ 1.1	+ 5.6
Elsewhere.....	+ 1.2	- 8.3
Northern New York State.....	- 5.1	.....
Central New York State.....	- 6.3	.....
Southern New York State.....	+ 4.4	.....
Hudson River Valley District.....	- 6.8	.....
Capital District.....	+ 9.4	.....
All department stores.....	+ 1.4	+ 1.5
Apparel stores.....	+13.3	+46.3
Mail order houses.....	+10.7	.....

The chief increases in sales by departments were in shoes, cotton and linen goods, furniture and home furnishings, women's apparel, and toilet articles and drugs. Changes in sales and stocks in these and other departments are shown in the table following.

	Percentage Change in Sales January 1924 to January 1925	Percentage Change in Stock January 31, 1924 to January 31, 1925
Shoes.....	+24.7	+ 1.1
Cotton goods.....	+14.4	- 2.7
Furniture.....	+12.2	- 2.9
Women's and Misses' ready-to-wear.....	+10.7	+13.8
Toilet articles and drugs.....	+ 8.8	+ 5.7
Linen and handkerchiefs.....	+ 8.8	- 1.6
Home furnishings.....	+ 5.8	+ 4.7
Men's furnishings.....	+ 4.7	+10.7
Women's accessories.....	+ 2.9	+ 7.1
Woolen goods.....	+ 2.1	-15.1
Hosiery.....	+ 0.2	- 3.8
Silk goods.....	- 2.0	-10.4
Silverware and jewelry.....	- 3.5	0
Books and stationery.....	- 7.0	+10.7
Men's and boys' wear.....	- 8.9	+11.2
Miscellaneous.....	- 3.5	- 4.2

(Extract from the Annual Report of this bank just issued. Copies of the report will be furnished on request.)

Relation of Reserve Bank Loans and Investments to Money Market Movements

THE New York money market is the leading money market of the country, the one that is central and national in scope. As such it is the market to which gravitates the idle money of other sections in the effort to find employment and thus it becomes a pool of the country's surplus funds. A bank with funds on hand which it is likely to need on a day's notice puts these funds in the New York money market. Many large financial and industrial concerns do likewise. In the market these funds are invested in short term securities, such as short Government securities, short municipal securities, bankers acceptances, or other short obligations, or they are lent on a day to day basis as call money, either to brokers to carry stocks and bonds or to dealers in Government securities and bankers acceptances to carry their portfolios. Such obligations involve a minimum of risk and can usually be converted into cash immediately. As the funds so invested or lent are needed from time to time, the securities are sold or the loans called, thus making possible an immediate withdrawal of the funds.

Banks and industrial concerns all over the country have funds employed in the New York money market, and there is a constant movement, to and fro, of these funds. Almost any sudden need for funds in any part of the country finds reflection in some withdrawal of funds from the New York money market, while any accumulation of funds in any part of the country is apt to result in an increase in the supply of funds in the New York market. The New York City banks as the depositories of out-of-town banks and industrial concerns are the principal agencies through which funds reach or are withdrawn from the New York money market.

RELATION OF RESERVE BANK TO MONEY MARKET

The Federal Reserve Bank of New York has two relations to the New York money market.

In the first place it has certain mechanical relationships. The Federal Reserve Bank furnishes the mechanism by which currency is issued or retired, Government securities are issued and redeemed, and by which funds are transferred to and from all parts of the country for the Government and for member banks. Transfers of funds include not only direct telegraphic transfers, but also the daily settlements made between New York and other sections for the immense volume of checks either deposited in or drawn upon the banks of this district. In fact, practically all financial transactions of banks, business houses, and the Government, between this district and other districts, are reflected in wire transfers or settlements made through this bank.

In the second place the Federal Reserve Bank of New York is a credit reservoir to which, largely through the member banks, the New York money market has access,

in the same way as other money markets have access to the Federal Reserve Banks of their districts. In a rapidly changing market, like that of New York, which employs surplus funds, the supply of funds is never in complete equilibrium with the demand. One week the supply of funds will be large and another week unusual needs in some parts of the country will draw off funds. If all of these temporary fluctuations in the supply of funds were reflected in changes in money rates the movement of rates would be wide and irregular. As a matter of fact, any temporary shortage of funds in the market is usually met by the use of funds from the Federal Reserve Bank. Similarly, when member banks are borrowing at the Reserve Bank, a large excess of funds seldom occurs, because any available funds are generally used to reduce or repay loans at the Reserve Bank.

HOW FEDERAL RESERVE FUNDS REACH THE MARKET

Funds from the Federal Reserve reservoir reach the market mainly in four ways:

(1) Member banks whose reserves have been depleted by withdrawals of deposits or currency, or for any other reason, may restore these reserves by discounting paper at the Reserve Bank at its established discount rate. In such transactions the initiative lies with the member bank.

(2) Member banks, discount houses, bankers, and others may obtain funds from the Reserve Bank from time to time by selling to it bankers acceptances. The immediate initiative in such transactions lies as a rule not with the Reserve Bank but with the sellers, since the Reserve Bank stands ready to purchase at its established buying rate all offerings of bankers acceptances that carry not less than two good banking names and meet certain other eligibility requirements.

(3) Dealers in short Government securities and bankers acceptances, in addition to selling such securities outright to the Reserve Bank, may obtain funds from time to time by selling them to the Reserve Bank, at established rates for this type of transaction, under agreement to repurchase them within fifteen days. In these transactions the immediate initiative is taken by the dealers.

(4) The Reserve Bank may furnish funds directly to the market by purchasing short Government or municipal securities, or may withdraw funds from the market either by selling such securities or by not replacing them when they mature. Transactions of this nature are ordinarily undertaken on the initiative of the Reserve Bank.

These four classes of loans or investments constitute the major earning assets of the Federal Reserve Bank, and changes in money market conditions are promptly reflected in one or more of them.