MONTHLY REVIEW

of Credit and Business Conditions

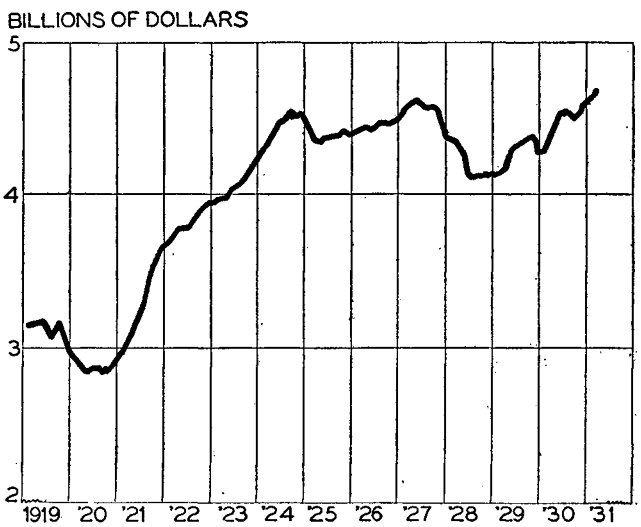
Second Federal Reserve District

Federal Reserve Agent | *Federal Reserve Bank, New York* | *April 1, 1931*

Money Market in March

Notwithstanding an unusually heavy shifting of funds, especially in connection with United States Treasury operations, conditions in the New York money market have remained virtually unchanged during the past month. No unusual business demand for bank credit or currency has appeared as yet, and a moderate inflow of gold has continued.

As a result of the continued gold import movement, the monetary gold stock of the United States has now reached a level which, as the accompanying diagram indicates, is slightly above the highest point previously shown by published figures, which was reached in May 1927. The March inflow totaled $26,000,000, which brought the net gain of gold for the first three months of the year to around $100,000,000. This follows a net gain of $309,000,000 in 1930 and of $142,000,000 in 1929. The gold imports this year, as in 1930, have been chiefly from South American and Far Eastern countries, which, with the exception of Argentina, did not participate largely in the outflow of gold from the United States during 1927 and 1928. The exchanges of most of these countries have continued depressed, and some further gold shipments to the United States were reported to be in transit at the end of March. The continued inflow of gold was partly responsible for a further reduction in the amount of Federal Reserve credit outstanding; on March 25 the total amount in use was $858,000,000, the smallest volume since the summer of 1924.



Monetary Gold Stock of the United States (End of month figures—March preliminary)

During much of the month, however, there was some feeling of uncertainty in the New York money market concerning requirements on the banks and effects on money conditions which would result from United States Treasury operations. The passage by Congress of a bill increasing the present loan value of veterans' adjusted service certificates to 50 per cent of the value at maturity was immediately followed by a flood of applications for such loans, and before the middle of the month checks were being issued to veterans in considerable volume. The payment of these checks up to the March 16 tax date was met by the withdrawal of all remaining Treasury funds with banks throughout the country. It was necessary, therefore, to include in Government financing on the tax date about $400,000,000 of security issues in addition to those required for refunding purposes, in order to provide funds with which to pay the veterans' checks that continued to be issued rapidly.

Sales of new Treasury securities, consequently, were in unusually large volume, but as a considerable part were exchanged for the notes which had been called, and most of the remainder were paid for with book credits, no very large immediate cash payments were required. The total amount of deposits to the credit of the Government which were created in payment for new Treasury securities by the subscribing banks was over $700,000,000, of which more than $500,000,000 appeared in the March 18 statement of the weekly reporting member banks as an increase in Government deposits, accompanied by an increase of $425,000,000 in Government security holdings. As no reserve is required against Government deposits, and as private deposits showed no accompanying reduction, there was no immediate effect on the reserve requirements of the banks.

The withdrawal of the Government deposits by the Treasury and the disbursements of the funds ordinarily tends to cause a corresponding expansion of individual and corporate deposits, and an increase in the amount of reserves which the banks are required to carry, although in the present instance this tendency is likely to be obscured for a time by other movements of deposits incident to the tax period. In any event the amount of additional reserves required is not more than $1,000,000 of reserves for each $10,000,000 increase in deposits.

Against this prospective increase in required reserves the country banks have unusually large balances with

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city banks which they can withdraw when the needs arise, and the large New York City banks have unusually large holdings of acceptances from which they can make sales to the Reserve Banks when they require additional reserves. This was illustrated early in March when call money advanced to 2 per cent in response to temporary withdrawals of funds from New York, and again on the 26th when a similar situation arose. On both of these occasions the New York banks sold acceptances to the Reserve Banks and thus obtained funds to replenish their reserves which had been drawn down below the required levels, and easier money conditions quickly followed. Furthermore, there is a possible partial offset to the effect of Government disbursements on bank deposits and reserve requirements, in that some resale of new Government securities by the banks to other investors usually occurs, and, to the extent that this takes place, private deposits are drawn down.

An additional offering of $100,000,000 of Treasury bills was made near the end of March and the Treasury announced that still further funds would be required during April to meet payments to veterans.

Tax date operations of the Treasury, although in unusually large volume, had no material effect on the money market. Due to the fact that a large part of the Treasury notes which were called for retirement were exchanged for securities of the new issues, the amount of securities to be redeemed in cash was relatively small; consequently the amount of funds which the Treasury found it necessary to obtain temporarily from the Reserve Banks against special one-day certificates of indebtedness was less than on many previous tax dates, totaling $170,000,000. As usual this excess of Treasury disbursements over receipts on the tax date tended to create a temporary surplus of funds in the New York money market, and, in order to take up some of these funds, participations in the special certificate of indebtedness totaling $86,000,000 were sold on March 16 to New York City banks and an additional $20,000,000 to Boston banks. This reduced the amount of excess funds in the money market to moderate proportions. A longer period than usual elapsed before the Treasury's day-to-day certificates of indebtedness to the Reserve Banks could be completely repaid, however, due to the substantially reduced volume of income tax receipts, which were over $200,000,000 smaller than in March 1930, and to the rapid disbursement of Treasury funds through loans to veterans.

Money Rates at New York

	Mar. 31, 1930	Feb. 27, 1931	Mar. 31, 1931
Stock Exchange call loans	*3½-4	*1½	*1½-2
Stock Exchange 90 day loans	4	††2-2¼	††1¾-2
Prime commercial paper	3¾-4	2½	2¼-2½
Bills—90 day unindorsed	2¾	1½	1½
Customers' rates on commercial loans	†4.91	†3.81	†3.56
Treasury certificates			
Maturing June 15 (yield)	2.58	1.21	1.16
Maturing September 15 (yield)	2.77	1.32	1.45
ederal Reserve Bank of New York rediscount rate	3½	2	2
ederal Reserve Bank of New York buying rate for 90 day indorsed bills	3	1⅝	1⅝

* For preceding week †† Nominal † Average rate of leading banks at middle of month

In general, money rates showed little change during March. Call money declined to 1 per cent on the Stock Exchange on March 20 for the first time since 1915, but for the month as a whole averaged slightly higher than in February. Commercial loan rates showed a further small decline, and quotations on Stock Exchange time loans were slightly lower at the end of March than a month previous.

Bill Market

During the first part of March, fairly active trading in bankers acceptances was reported by the dealers, with their purchases and sales approximately balancing. Increased demands on the New York City banks for funds during some of this time caused slightly firmer money conditions, and consequently these banks on a few occasions made direct sales of bills of short maturity to the New York Reserve Bank. These sales were reflected in an increase of $50,000,000 in the Federal Reserve Banks' bill portfolio for the week ended March 11. In the following week, which included the Treasury tax period, there was an excellent investment demand for bills, reflecting some excess of funds in this market arising from Treasury operations; dealers' portfolios were cut nearly in half, and Reserve Bank bill holdings declined by more than half of the amount of the increase reported in the previous week. Fairly well balanced conditions of supply and demand for bills, accompanied by a further decline in Federal Reserve holdings, continued until the last few days of March when absorption of excess bank funds in New York caused increased offerings of bills to the Reserve Bank and to dealers. Throughout the month, bill rates remained unchanged, indicating on the whole the existence of sufficient investment demand to absorb the limited amount of new bills that the banks cared to dispose of in the discount market.

The volume of bankers bills outstanding at the end of February was virtually unchanged from the amount outstanding a month earlier, and at $1,520,000,000 was only about 6 per cent smaller than that of a year ago. Minor declines between January and February in acceptances based on imports, exports, domestic shipments, and foreign shipped or stored goods were largely offset by small increases in acceptances covering domestic warehouse credits and in acceptances issued to create dollar exchange. During February, the accepting institutions which report to the American Acceptance Council continued to hold a large volume of bills, and on February 28 their portfolios consisting of their own acceptances and other bills purchased totaled $550,000,000, or only $22,000,000 less than a month earlier.

Commercial Paper Market

The continuation of a good investment demand for commercial paper was reported during March. The quantity of new drawings of prime paper that came into the market, however, remained far below the investment inquiry, so that little sales effort on the part of dealers was required in order to distribute the paper. Numerous blocks of new paper were quickly oversold, and as this condition naturally was conducive to lower rates, some of the exceptionally high grade paper began to appear in the market priced at 2¼ per cent. The prevailing rate for prime paper, nevertheless, remained at 2½

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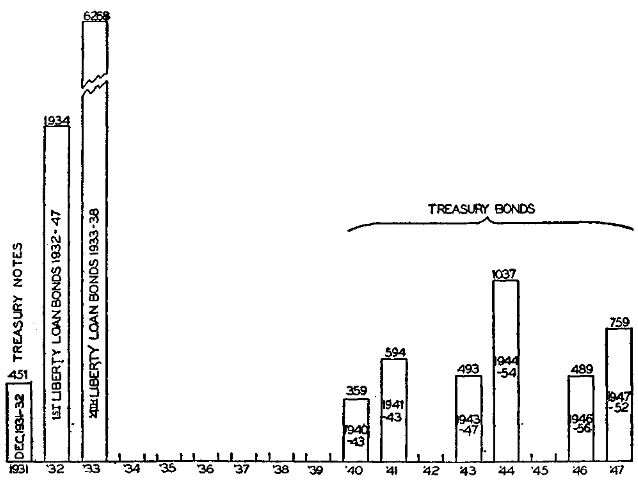
per cent until late in March, when a decline to a range of $2\frac{1}{4}$-$2\frac{1}{2}$ per cent occurred.

The lack of open market paper was shown in the outstandings of 20 dealers at the end of February, which at $315,000,000 were $3\frac{1}{2}$ per cent smaller than a month earlier, whereas the usual seasonal tendency at this time of year is upward. As compared with the outstandings in February a year ago, there has been a net reduction of 31 per cent. The decline has been practically continuous since April of last year, which marked the recent peak of commercial paper outstandings.

March Treasury Financing

In March one of the largest Treasury financing operations since the Victory Loan was successfully completed. The Series A and B $3\frac{1}{2}$ per cent Treasury notes of 1930-1932, totaling $1,100,000,000, which had been called for payment were replaced by issues bearing lower interest rates, and in addition about $400,000,000 of new funds were raised with which to pay loans granted to veterans against their adjusted service certificates. The new issues included $594,000,000 of $3\frac{3}{8}$ per cent Treasury bonds of 1941-43; $624,000,000 of 2 per cent certificates of indebtedness, maturing in March 1932; and $300,000,000 of $1\frac{1}{2}$ per cent certificates of indebtedness, maturing in September 1931. For the $1,518,000,000 of new securities allotted and issued, subscriptions throughout the country reached a total of $3,736,000,000, or nearly two and one-half times the amount of securities actually sold. All of the bonds were issued in exchange for called Treasury notes, and of the allotments of certificates $72,000,000 of the one-year issue and a smaller amount of the six-months issue represented exchanges. Payments for the remaining allotments were made largely in deposits established to the credit of the Treasury by subscribing banks, but around $100,000,000 of the payments were made in cash.

Through these refunding operations the first important step was taken toward meeting the heavy maturities of the national debt during the next few years. The accompanying diagram shows the distribution of the principal outstanding United States Government bonds and notes according to their earliest redeemable dates. As it indicates, an additional $450,000,000 of $3\frac{1}{2}$ per cent Treasury notes will mature in December 1932 but can on six months' notice be called for payment in December 1931 or in June 1932 if conditions are favorable. In June 1932, $1,900,000,000 of First Liberty Loan bonds of 1932-1947 become redeemable, of which $536,000,000 bear $4\frac{1}{4}$ per cent interest and most of the balance $3\frac{1}{2}$ per cent. Then comes the $6,300,000,000 of Fourth Liberty Loan $4\frac{1}{4}$ per cent bonds which are redeemable in whole or part on October 15, 1933, and mature in 1938. This issue, because of its size, presents the major problem in coming refunding operations of the Treasury. Beyond the Fourth Liberty Loan of 1933-1938, there are six issues of Treasury bonds, including the issue just floated, aggregating $3,700,000,000, which have optional redemption dates ranging from 1940 to 1947 and maturities from 1943 to 1956.



Distribution of Principal Outstanding United States Government Securities, According to Earliest Dates on Which They Become Callable for Redemption (In millions of dollars)

The $3,400,000,000 approximate maturity value of veterans' adjusted service certificates which will fall due in 1945 are not included in the diagram, nor are the $735,400,000 of 4 per cent Treasury notes, Series 1932 to 1936, held as investments by the Adjusted Service Certificate Fund included.

As is usually the case, a large part of the Treasury operations during March were conducted at the Federal Reserve Bank of New York. Total transactions of the bank on March 16 were probably the largest for any single day in the history of the institution. Fiscal agency operations for the Treasury alone reached $1,700,000,000, and ordinary and extraordinary banking operations raised the total turnover of funds for the day to nearly $3,400,000,000. The transactions for the day are summarized in the following table.

(In millions of dollars)

Fiscal Agency Operations:		
Redemption of called Treasury Notes		
For cash	191	
In exchange for new issues	513	
Total Redemptions		704
Allotments of New Bond and Certificate Issues		
By book credit	272	
By exchange	513	
Cash sales	54	
Total Allotments		839
Income tax collections		22
Government coupons paid		19
Commissioner of Public Debt transactions		132
Total Fiscal Agency Transactions		1,716
Banking Operations:		
One-Day Special Certificate of Indebtedness issued to cover Treasury overdraft		170
Sale of participations in Special Treasury Certificate		106
Purchases and sales of securities and bills		186
Loans paid, or rebated, and new loans made		13
Check collection operations		735
Wire transfers		429
Currency receipts and payments		20
Other coupons handled		1
Total Banking Operations		1,660
Total Turnover for Bank		3,376

International Movement of Short-Term Capital

A considerable movement of short-term funds from the United States to other countries during 1930 is indicated by a report recently issued by the Department of Commerce. This movement occurred largely in the form

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of the withdrawal of funds deposited in this country or employed here in short-term loans and investments, and to a smaller extent in the form of increased American deposits and short-term loans abroad. The following table presents in condensed form the amounts reported at the end of 1930 compared with a year previous.

(In millions of dollars)

	Dec. 31, 1929	Dec. 31, 1930	Change
Due to Foreigners			
Foreign deposits with Americans	1,662	1,672	+ 10
Short-term borrowings from foreigners	102	71	— 31
Foreign funds employed in:			
American acceptances	865	701	—164
Brokers loans	270	151	—119
U. S. Treasury certificates	62	86	+ 24
Other short-term loans	11	39	+ 28
Undiscounted foreign-drawn acceptances (Held for collection by American banks)	105	73	— 32
Total	3,077	2,793	—284
Due from Foreigners			
American deposits with foreigne s	210	266	+ 56
Acceptance credits to foreigne	833	820	— 13
Overdrafts by foreigners	205	201	— 4
Other short-term loans and advances to foreigners.	278	344	+ 66
American funds employed in foreign money markets	40	94	+ 54
Total	1,566	1,725	+159
Net Short-Term Indebtedness to Foreigners on Banking Account	1,511	1,068	—443

As this summary indicates, the principal withdrawals of foreign funds were from investments in American acceptances and from brokers loans. Foreign deposits in American banking institutions, the largest element in foreign funds in this market, showed little change during the year, and investments in short-term United States Government securities and in other short-term loans increased somewhat.

On the other side of the ledger, there were increases in American deposits in foreign institutions, in short-term loans to foreigners, and in the amount of American funds employed in foreign money markets.

The reduction in short-term foreign funds in this market amounted to $284,000,000, and the increase in short-term American funds employed abroad totaled $159,000,000. Consequently, the net amount of short-term indebtedness to foreigners was reduced $443,000,000 during the year, from $1,511,000,000 on December 31, 1929 to $1,068,000,000 on December 31, 1930. To some extent this large movement of funds no doubt reflected the more rapid decline in interest rates in the New York money market than in foreign money markets, and the consequent transfer of funds to markets which offered more profitable employment for funds. It is probable, however, that the major part of the decline in foreign funds employed here reflected the use of such funds to meet payments due in this country during a period when the issues of new foreign loans in the United States were much reduced.

New Financing

In addition to the large amount of United States Treasury financing which is commented on in another section of this Review, the volume of other new security issues during March was comparatively heavy. The total of domestic corporate, State and municipal, and foreign financing exceeded $675,000,000 for the month, which is three times the February flotations, and is the largest volume for any month since June of last year. Much of the financing represented refunding operations, but the investment market also absorbed a substantial volume of issues representing new capital without material effect on prices of previously existing securities.

In the domestic bond flotations, both corporate issues and State and municipal issues were large, owing in the first instance to three railroad bond flotations totaling $175,000,000, and in the second instance to the City of New York $100,000,000 issue of bonds and corporate stock and to the $66,000,000 flotation of the Port of New York Authority. The New York City issue was floated to meet maturities of short-term debt and the Port of New York Authority issue had for its chief purpose the reimbursement of the States of New York and New Jersey for their investment in the Holland Tunnel. Both issues were sold quickly at exceptionally low interest rates. The amount of industrial financing also was larger than in a number of months, and public utility security issues were in moderate amount. In the field of foreign financing, on the other hand, new security issues continued to be very small and were confined to Canadian borrowings.

Final figures for February indicate an exceptionally small volume of new financing during that month. The total of $232,000,000 of new capital raised was the smallest for any month in recent years, with the single exception of last August, when mid-summer dullness was added to other influences. Refunding issues also declined to a small amount, following the large operations of January. Of the $232,000,000 of new capital raised, $128,000,000 represented State, municipal, and farm loan financing, and $30,000,000 was foreign financing, including a private credit and several issues placed privately amounting to $19,000,000; new domestic corporate issues amounted to only $74,000,000.

Security Markets

Conditions in the security markets were relatively stable during most of March, and turnover on the Exchange, both of stocks and bonds, was of moderate volume. In the stock market, prices in general fluctuated without definite direction until the last week of March when average quotations declined below the levels of the beginning of the month, and were considerably below the highest levels reached in February at the culmination of the recovery from the December low point. During the first part of the month, the public utility stocks as a group extended somewhat further the previous months' gain, but the subsequent reaction reduced the net gain from the December low to 28 per cent. Industrial stocks at no time reached as high a level as in February, and toward the end of March were selling approximately 12 per cent higher than at the December low. The railroad stocks exhibited reactionary tendencies throughout the month, accompanying further dividend reductions, and near the close of March quotations showed a net loss of 10 per cent for the month, but remained 8 per cent higher than at mid-December.

The general bond market held fairly steady during March, despite the flotation of a large volume of new securities, especially railroad, State and municipal, and United States Government issues. The domestic corporate bond averages generally moved within a narrow range during the month; those composed largely of the highest grade issues showed slight advances, while those

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which include a greater proportion of less high grade issues underwent declines. After the announcement of the Treasury's financing program early in March, the outstanding Liberty Loan and Treasury bonds advanced about ¾ of a point on the average, but in the latter half of the month lost a portion of this gain, and at the close were about 1 point below the highest level of the year.

Notable improvement occurred in foreign bond prices during the first three weeks of March. A representative average of 40 foreign issues listed in this market rose over two points further, and by March 20 had reached the highest level since October. In the closing part of the month, however, prices showed a tendency to decline.

Business Profits

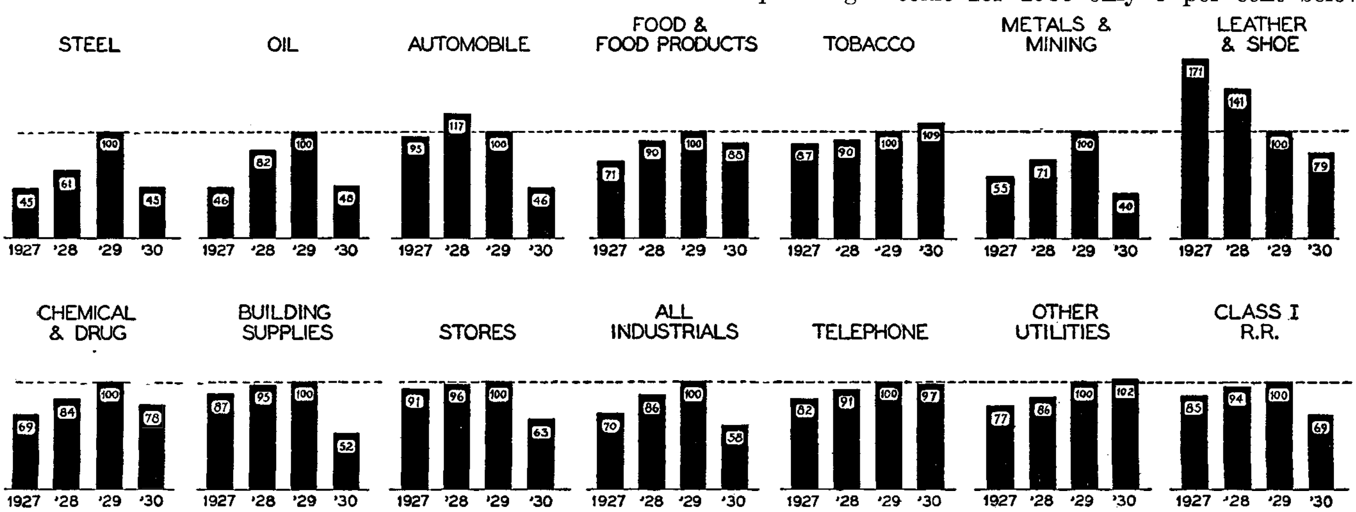
Reflecting the depressed business conditions throughout the past year, the 1930 net profits of 722 industrial and mercantile companies for which reports are available were about 42 per cent smaller than for the year 1929, 32 per cent smaller than in 1928, and 16 per cent below the 1927 level. In fact, industrial profits appear to have been the smallest since 1924. The decline compared with the previous year became progressively larger as the year advanced; the decline shown by reports from representative industrial companies was enlarged from about 25 per cent in the first quarter to 35 per cent in the second quarter, to 50 per cent in the third quarter, and to about 60 per cent in the fourth quarter.

Of the 33 groups of industrial and mercantile concerns listed in the accompanying table, only two reported as good earnings as in 1929. These were the tobacco group, whose net return increased 9 per cent, and the beverage group, for which aggregate net earnings were practically the same as a year previous. There were, however, a few industrial groups whose net profits were not greatly below those of the previous year, notably the food products groups, the motion picture, and the printing and publishing industries. Profits of certain other groups, including the chemical and drug, leather and shoe, and railroad equipment companies, underwent considerably less reduction than the average. On the other hand, the steel, automobile, and oil companies received less than half as much net profit as in 1929, and the earnings of mining and smelting concerns, and of automobile parts and accessories companies showed particularly large shrinkages. The rubber concerns as a group reported a sizable deficit. Aggregate returns of reporting corporations in the textile and kindred lines likewise showed deficits.

(Net profits in millions of dollars)

Corporation group	No. of Cos.	1927	1928	1929	1930
Automobile	19	312	384	328	151
Automobile parts and accessories (excl. tires)	43	33	60	69	19
Bakery products	13	49	53	59	52
Beverage	5	13	16	19	19
Confectionery	10	19	21	25	23
Meat packing	15	24	42	44	37
Other miscellaneous food products	34	123	159	177	152
Building supplies	39	68	74	78	41
Chemical and drug	26	102	124	148	116
Clothing	8	9	12	9	Def. 1
Silk	15	10	10	8	Def. 2
Other miscellaneous textiles	30	24	16	14	Def. 14
Coal and coke	16	10	7	13	6
Copper	11	26	44	57	17
Other mining and smelting	24	50	60	85	40
Electrical equipment	23	100	116	151	97
Heating and plumbing	9	23	24	23	7
Household equipment	13	14	15	19	4
Leather and shoe	13	32	27	19	15
Machinery	42	44	52	65	39
Motion picture	9	25	32	58	52
Office equipment	11	25	31	41	25
Oil	47	154	271	332	158
Paper	12	10	12	11	7
Printing and publishing	14	29	33	37	31
Railroad equipment	19	57	54	72	54
Realty	8	9	8	8	5
Rubber	13	57	32	42	Def. 21
Shipping	10	11	12	16	10
Steel	25	159	216	357	160
Stores	38	155	164	171	107
Tobacco	18	96	100	110	121
Miscellaneous	90	223	293	344	224
Total 33 groups	722	2,095	2,574	3,009	1,751
Telephone (net operating income)	103	228	253	278	270
Other public utilities (net earnings)	95	775	869	1,007	1,025
Total public utilities	198	1,003	1,122	1,285	1,295
Class I. R. R. (net operating income)	171	1,086	1,193	1,275	885

Net operating income of Class I railroads for 1930 sustained a 31 per cent decrease from the relatively large earnings of the previous year, and was the smallest since 1922. In contrast to the large decline in industrial and railroad profits, the telephone companies reported net operating income for 1930 only 3 per cent below



Annual Net Profits of Industrial, Mercantile, and Public Utility Corporations, and Net Operating Income of Class I Railroads in 1930, Compared with Previous Three Years (1929=100 per cent)

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1929, and somewhat larger than in other preceding years. Net earnings of other public utilities, which in previous years had been increasing rapidly, showed a further slight increase in 1930.

Foreign Exchange

One of the principal influences on the major European exchanges during March was the wide disparity between money rates in London and in certain other markets, notably New York, Paris, Amsterdam, and Zurich. In addition there were indications of renewed offerings to Berlin of foreign short money, as well as the repatriation of German funds previously sent abroad.

Sterling, reichsmarks, and the Scandinavian exchanges displayed strength throughout March, although only reichsmarks made a steady and appreciable advance. The English pound moved from $4.85¾ on the 2nd to $4.86 on the 21st and closed the month only slightly under the latter level. As against the French franc, sterling gained fresh strength and crossed par towards the end of the month with the result that French withdrawals of gold from London ceased. German exchange at New York firmed from $0.2377 on March 2 to $0.2384, or two points above parity, near the close of the month, and small advances were recorded in Danish, Norwegian, and Swedish crowns. French francs and Swiss francs were weak, the former declining from $0.0391 13/16 to $0.0391 3/16, and the latter moving narrowly around $0.1924½, or 5½ points below par. Belgas also weakened. Guilders broke to $0.4007¼, or slightly below the theoretical gold import point to this country; they recovered later to $0.4009 but were 1½ points down for the month. The lira was firm in a range of $0.0523⅞-$0.0524. Pesetas had an irregular decline from $0.1097 to $0.1036, but after the 19th they rose steadily to $0.1077, and on the announcement of the extension of a stabilization credit to Spain, advanced a further 11 points to $0.1088.

Canadian dollars were steady at par until the middle of the month, but weakened subsequently to a discount of 3/64 on the 26th. The Japanese yen eased from $0.4942 to $0.4938, remaining below our gold import point, but other Far Eastern exchanges, in response to some recovery in silver prices, firmed appreciably, the rupee rising from $0.3598 to $0.3628.

Reflecting fairly substantial gold shipments, the Argentine peso firmed notably from $0.7547 on the 2nd to $0.7924 on the 26th and closed at $0.7911. The Brazilian milreis dipped to $0.0727 and closed at $0.0770 in an inactive market, showing a decline of more than ½ cent for the month.

Gold Movement

Gold imports through the Port of New York during March included chiefly receipts from South America and Mexico; $11,500,000 came from Argentina, $2,900,000 from Colombia, $1,200,000 from Uruguay, and $3,600,000 from Mexico. At San Francisco, $1,600,000 was received from Japan, and $1,600,000 from China. There was in addition a gain of $3,000,000 to the country's gold stock through a decrease in the amount of gold held under earmark for foreign account. Exports were negligible, and a preliminary estimate indicates that the country's gold stock has been increased about $26,500,000, as the result of net imports and changes in earmarked holdings during the month.

During March the Bank of England was able to increase its gold holdings by £3,000,000, mainly through the purchase of £2,600,000 of gold in the open market and the receipt of £750,000 in sovereigns from South Africa. On the 17th of the month the Bank of England made its first open market purchase since March 1930. Of the South African gold offered in the open market earlier in the month, France obtained £1,200,000 and Belgium £1,300,000. About 20,000,000 reichsmarks of gold were received by Germany from Russia during the latter part of March.

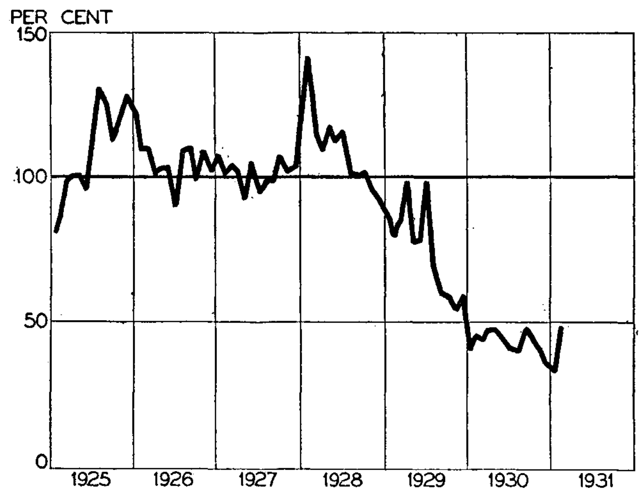
Central Bank Rate Changes

The South African Reserve Bank lowered its rate from 5½ to 5 per cent effective March 13, the earlier rate having been in force since September 29, 1930. No other central bank rate changes were reported during the month.

Building

Due to an upturn in residential building, the volume of building contracts awarded in February, as reported by the F. W. Dodge Corporation, increased more than seasonally over the figure reported for January, and as a result this bank's index of total building contracts in 37 States advanced 5 points further, the largest increase since last June. The volume of residential contracts for the month of February was 43 per cent above the January total and was 4 per cent larger than a year previous. This is the first year-to-year increase to be reported in residential construction since August 1928. The percentage increase over January was considerably more than in the corresponding month of other recent years, and this bank's seasonally adjusted index of residential contracts rose sharply from the low level of immediately preceding months, as the accompanying diagram indicates.

Much of the increase in residential building occurred in Metropolitan New York and vicinity, where February contracts were more than 70 per cent larger than in either the preceding month or February 1930. This was the second consecutive month in which residential con-



Index of Residential Building Contracts in 37 States, Adjusted for Seasonal Variations (1925-29 average =100 per cent)

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tracts in this locality rose above the level of a year ago. The type of residential building primarily responsible for the increase was apartment house construction, but a substantially larger total was also reported for contracts covering other housing developments.

The total amount of building and engineering work contracted for in 37 States during February was 26 per cent lower than a year ago, as public works and utilities and other non-residential building showed declines which considerably exceeded the increase in residential contracts. For the first two months of this year, total contracts have been 28 per cent smaller than in the corresponding period of 1930.

During the first three weeks of March, average daily awards of building contracts were considerably above the February level, even after allowing for the usual seasonal rise between these two months. Gains occurred in residential, non-residential, and public works and utility contracts, with the largest increase in the last group. The total contracts continued below a year ago, however, due to the small amount of non-residential contracts, other than those for public works and utilities.

Production

March data indicate a continuation of the recovery in industrial production which began early in the year. A current indicator of operations in the steel industry, the Iron Age ratio, advanced to 57 per cent of theoretical capacity at the middle of the month and remained at that level in the succeeding week, as compared with 52 per cent in the latter part of February, and an increase in pig iron production was indicated by reports that some additional furnaces were brought into blast in March. A further seasonal expansion in the automobile industry during March was also reported, and increases occurred in the production of crude petroleum and in the output of cotton goods.

The February expansion in productive activity proved to be of more than seasonal proportions in a majority of important industries, and a moderate rise occurred in the adjusted index of the Federal Reserve Board. Production of pig iron and of steel ingots showed increases that were larger than usual, and mine output of copper rose moderately. Activity in the automobile industry also increased more than seasonally, so that this bank's index showed a gain for the fourth successive month. An upward trend also was evident in the textile industries, increases in consumption of raw cotton and in activity of wool mills being only partly offset by an unseasonal decline in mill consumption of silk. Production of coal was smaller, and activity in other branches of industry showed no consistent change.

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

	1930		1931	
	Feb.	Dec.	Jan.	Feb.
Metals				
Pig iron	101	55	57	60
Steel ingots	109	57	59	67
Copper, U. S. mines	87	69	65	69*p*
Lead	89	81	69	67
Zinc	81	54	51	52
Tin deliveries	73	119	102	73
Automobiles				
Passenger cars	88	48	50	55*p*
Motor trucks	109	78	79	82*p*
Fuels				
Bituminous coal	81	71	66	63*p*
Anthracite coal	100	88	91	88*p*
Coke	99	71	70	70
Petroleum, crude	107	82	81	81*p*
Petroleum products	94	77	73	
Textile and Leather Products				
Cotton consumption	86	68	71	75
Wool mill activity	75	58	62	75
Silk consumption	108	111	104*r*	99
Leather, sole	108	98	87	85*p*
Boots and shoes	96	77	77*p*	84*p*
Foods and Tobacco Products				
Live stock slaughtered	94	90	92	96
Wheat flour	97	91	92	91
Sugar meltings, U. S. ports	75	74	72	67
Tobacco products	102	96	89	98
Miscellaneous				
Cement	110	81	81	76
Tires	78	51	61	
Printing activity	98	88	86	
Paper, newsprint	106	87	85*r*	86
Paper, other than newsprint	99	77	80	
Wood pulp	105	80	76*p*	

p Preliminary *r* Revised

Indexes of Business Activity

Business activity in general has continued to show signs of stability. Car loadings of merchandise and miscellaneous freight, considered to be a representative measure of general business conditions, increased in about the usual seasonal proportions in February, but in the early part of March the advance did not quite measure up to the usual expansion. Loadings of bulk freight showed about the usual seasonal decline in February, and foreign trade showed irregular changes, after seasonal adjustment.

Retail distribution of goods appears to have improved somewhat in February; in the case of department store sales, increases over the January level occurred both in this district and in the country as a whole. The number of business failures, though continuing at a high level, showed at least the usual decline from January.

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

	1930		1931	
	Feb.	Dec.	Jan.	Feb.
Primary Distribution				
Car loadings, merchandise and misc.	96	78	78	78
Car loadings, other	95	80	76	75
Exports	84	60	60	65*p*
Imports	97	91	76	74*p*
Panama Canal traffic	80	62	63	63
Distribution to Consumer				
Department store sales, 2nd Dist.	99	85	86*r*	91
Chain store sales, other than grocery	96	85	84	86
Life insurance paid for	106	88	89	84
Advertising	93	76	77	80
General Business Activity				
Bank debits, outside of New York City	98	91	88	82
Bank debits, New York City	126	103	89	91
Velocity of bank deposits, outside of New York City	115	95	97	91
Velocity of bank deposits, New York City	143	95	83	87
Shares sold on N. Y. Stock Exchange	267	196	159	242
Postal receipts	97	90	88	86
Electric power	94	84	81*p*	
Employment in the United States	96	82	80	80
Business failures	116	123	132	131
Building contracts	90	62	63	68
New corporations formed in N. Y. State	91	80	78	85
Real estate transfers	69	60	59	61
General price level*	173	158	157	157
Composite index of wages*	226	219	216	218
Cost of living*	170	159	158	152

p Preliminary *r* Revised *1913 average=100

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Employment and Wages

Seasonal improvement in the employment situation from the low level of mid-winter is indicated by recently available data. The number of workers employed in reporting factories in February increased 1.5 per cent in New York State and 1.2 per cent in the country as a whole; the gain was slightly more than seasonal in the case of New York State and slightly less than seasonal for the entire country. According to the Department of Agriculture, some decrease occurred in the supply of farm labor by the beginning of March, which, together with some improvement in demand, lowered the ratio of supply to demand from the record figure of February first.

The number of jobs reported to the New York State Employment Bureaus increased slightly, while the number of applications for employment declined, so that there was a seasonal increase in the labor demand ratio during February. The average ratio for the first three weeks of March, however, showed no further rise. The rate of voluntary labor turnover in factories increased in February, accompanying the increase in employment. Improvement in employment conditions is shown also by payroll data for February; weekly factory payrolls in New York State rose 3.1 per cent over January, and average weekly earnings per employee also increased.

Wholesale Trade

Reporting wholesale firms in this district showed total February sales about 24 per cent below last year, or much the same decrease as in January. Sales of men's clothing, cotton goods, shoes, diamonds, and jewelry continued to show the largest declines from a year ago, these declines ranging from 29 per cent to 51 per cent. Wholesale dealers in hardware, stationery, and paper reported sales about 20 per cent below those of February 1930, and grocery and drug sales continued to show decreases of smaller proportions. Machine tool orders, reported by the National Machine Tool Builders Association, continued to be substantially smaller than a year previous. The Silk Association of America, however, reported a 4 per cent increase over last year in yardage sales of silk goods, continuing the tendency of the three preceding months.

Commodity	Percentage change February 1931 compared with January 1931		Percentage change February 1931 compared with February 1930		Per cent of accounts outstanding January 31 collected in February	
	Net sales	Stock end of month	Net sales	Stock end of month	1930	1931
Groceries	—12.5	— 2.7	—13.5	—15.8	67.7	71.4
Men's clothing	+65.4	....	—42.5	....	34.7	36.4
Cotton goods	+15.2	+ 2.7	—29.1	—34.1	31.6	31.1
Silk goods	— 8.2*	— 2.1*	+ 3.9*	—16.8*	43.8	41.8
Shoes	+20.2	+ 1.6	—29.8	—38.5	32.4	34.8
Drugs	—14.0	+ 5.0	— 7.3	+13.9	31.4	25.0
Hardware	— 3.5	+ 9.0	—20.6	— 5.7	42.4	37.2
Machine tools**	+25.1	....	—50.8	....	....	....
Stationery	—13.0	....	—19.2	....	64.7	69.5
Paper	— 5.8	....	—20.5	....	64.1	54.8
Diamonds	+ 5.9	— 5.9	—41.2	—14.3	} 22.8	} 19.9
Jewelry	+16.2	+ 5.1	—30.2	—27.8		
Weighted average	+11.7	....	—23.6	....	45.8	46.0

* Quantity not value. Reported by Silk Association of America
** Reported by the National Machine Tool Builders Association

Department Store Trade

The total February sales of the reporting department stores in this district averaged 6 per cent smaller than in 1930, following a decrease of nearly 8 per cent in January. Department stores located in New York City reported a 5 per cent decrease in sales compared with a year previous, the smallest decline since October. The sales of the Southern New York State and Hudson River Valley reporting stores showed somewhat smaller decreases from last year in February than in January, but the sales of stores in Buffalo, Rochester, Newark, Bridgeport, and Northern New York State showed larger declines in February. Contrary to the rest of the district, the reported sales in the Westchester section were 4 per cent above a year ago. Sales of the leading apparel stores showed an 8 per cent decrease from February 1930.

Stocks of merchandise on hand at the end of the month, valued at retail prices, showed an even larger reduction from a year ago than in January, the February decline amounting to nearly 12 per cent. The percentage of charge accounts collected during February was only slightly lower than in February of last year.

Locality	Percentage change February 1931 compared with February 1930		Per cent of accounts outstanding January 31 collected in February	
	Net sales	Stock on hand end of month	1930	1931
New York	— 5.2	—11.1	44.2	44.8
Buffalo	— 7.3	—11.5	46.1	43.2
Rochester	—12.0	— 9.7	34.9	36.9
Syracuse	— 8.7	—10.4	....	....
Newark	— 6.9	—15.1	43.0	39.7
Bridgeport	—16.5	—13.6	38.1	35.0
Elsewhere	— 6.9	— 9.8	35.3	33.2
Northern New York State	—11.9	....	....	....
Southern New York State	— 6.7	....	....	....
Hudson River Valley District	— 9.7	....	....	....
Capital District	— 8.0	....	....	....
Westchester District	+ 4.6	....	....	....
All department stores	— 6.0	—11.5	42.9	42.1
Apparel stores	— 8.1	—15.7	41.3	39.4

Sales and stocks in major groups of departments are compared with those of a year ago in the following table.

	Net sales percentage change February 1931 compared with February 1930	Stock on hand percentage change February 28, 1931 compared with February 28, 1930
Toilet articles and drugs	+10.0	— 8.6
Furniture	+ 0.2	—17.6
Toys and sporting goods	0	— 1.3
Women's ready-to-wear accessories	— 1.8	—13.7
Silks and velvets	— 3.2	—16.8
Books and stationery	— 3.5	—10.3
Cotton goods	— 5.6	—15.8
Home furnishings	— 5.8	— 8.1
Men's furnishings	— 6.1	—17.1
Silverware and jewelry	— 6.1	— 8.6
Men's and Boys' wear	— 7.8	—17.9
Linens and handkerchiefs	— 7.8	— 6.7
Women's and Misses' ready-to-wear	— 8.5	—15.2
Woolen goods	— 9.4	—29.9
Luggage and other leather goods	— 9.9	—23.6
Hosiery	—10.3	—14.4
Shoes	—11.2	—14.8
Musical instruments and radio	—21.2	—20.4
Miscellaneous	—10.4	—18.4

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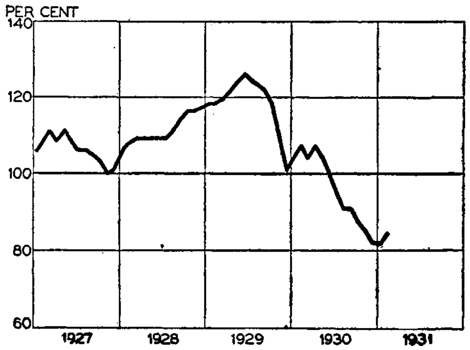
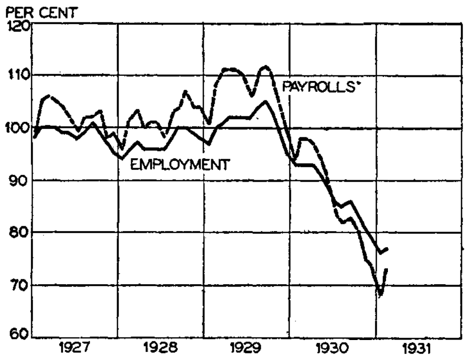
FEDERAL RESERVE BANK OF NEW YORK

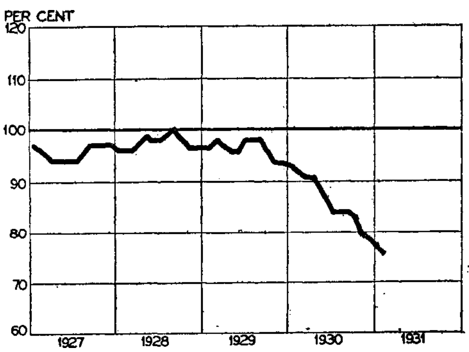
MONTHLY REVIEW, APRIL 1, 1931



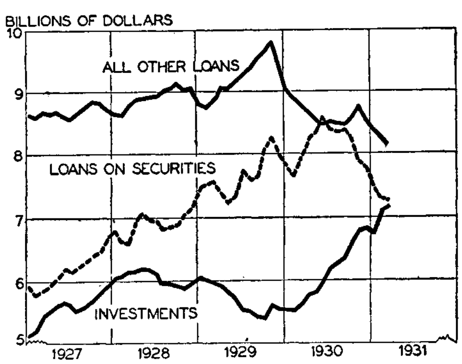
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variations (1923-25 average=100 per cent)



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



Wholesale Price Index of United States Bureau of Labor Statistics (1926 average=100 per cent)



Monthly Averages of Weekly Figures for Reporting Member Banks in Leading Cities (Latest figures are averages of first 2 weeks of March)

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

OUTPUT of most of the important industries increased more than seasonally in February; and although factory employment advanced at a less rapid rate, the volume of wage payments at factories also rose by more than the usual seasonal amount. The general level of commodity prices continued to decline.

Production

Industrial production, as measured by the Board's index, which is adjusted to allow for seasonal variation, increased by 4 per cent in February from the low level prevailing in December and January. On the basis of the average for 1923-1925 as 100 the volume of production in February was 85, compared with 82 for the two preceding months, and 107 for February of last year. At steel mills activity increased considerably, and the output of automobiles advanced by somewhat more than the usual seasonal amount. Output of shoe factories and textile mills increased substantially, while the output of coal continued to decline. During the first half of March activity at steel mills continued to increase.

Value of building contracts awarded in February was slightly larger than in January, according to the F. W. Dodge Corporation. An increase in residential building was accompanied by a decrease in contracts for public works and utilities, while awards for factories and commercial buildings continued in small volume. In the first half of March there was an increase in the daily average of contracts awarded, as is usual at this season.

Factory Employment and Pay Rolls

Factory employment increased slightly less than usual in February, while factory pay rolls increased by more than the seasonal amount from the low level of January. In many industries the rate of increase in pay rolls was about the same as in February of other recent years, but in the automobile, shoe, woolen goods, and clothing industries, the rate of increase was larger than usual.

Distribution

Daily average freight car loadings showed little change from January to February, while ordinarily there is an increase at this season. Sales by department stores increased slightly.

Wholesale Prices

Wholesale commodity prices declined further in February, and the Bureau of Labor Statistics index, at 75.5 per cent of the 1926 average, was about 18 per cent below the level of a year ago. Prices of many agricultural products decreased considerably, while the price of cotton advanced further. In the first half of March there were considerable increases in prices of silver, livestock, meats, and hides, and declines in the prices of petroleum and cotton.

Bank Credit

Loans and investments of member banks in leading cities changed relatively little between the end of January and the middle of March. Total loans on securities declined, notwithstanding the growth in brokers loans in New York City, and all other loans showed considerable further liquidation, while the banks' investments continued to increase.

Volume of Reserve Bank credit tended downward in February and showed little change between March 4 and March 18. Funds arising from gold imports in February were largely absorbed in meeting a seasonal demand for currency, while in the early part of March there was an increase in member bank reserve balances.

Money rates in the open market continued at low levels from the middle of February to the middle of March. Rates on commercial paper were reduced from a range of 2½-2¾ to a prevailing level of 2½ per cent, while rates on 90-day bankers acceptances remained at 1½ per cent. Yields on high grade bonds continued to decline.

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