

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

May 1, 1931

Money Market in April

Important banking developments during April included a considerable growth in the deposits of reporting member banks outside of New York City, an acceleration of the flow of gold to this country, and a decline in bankers acceptance rates and in yields on short-term Government securities to levels which approximately equaled the previous low points reached earlier in the year.

The expansion in the private deposits of reporting member banks located in cities other than New York, which since early March has exceeded \$300,000,000, made available a considerable increase in purchasing power, the effects of which on business are as yet obscure. This increase, which is shown in the accompanying diagram, is quite definitely attributable to Treasury disbursements. Since the latter part of March, Treasury disbursements have steadily exceeded tax receipts and other revenue, due largely to the payment of loans to veterans, and large amounts of the credit obtained by the Government through the sale of new securities on March 15 and again on April 15 have been withdrawn

from the banks by the Treasury and paid out into private deposit accounts. In addition the Government obtained funds for immediate disbursement on two occasions in April through the sale of Treasury bills. Thus an expansion of bank credit through Government borrowing has been taking place at a rapid rate.

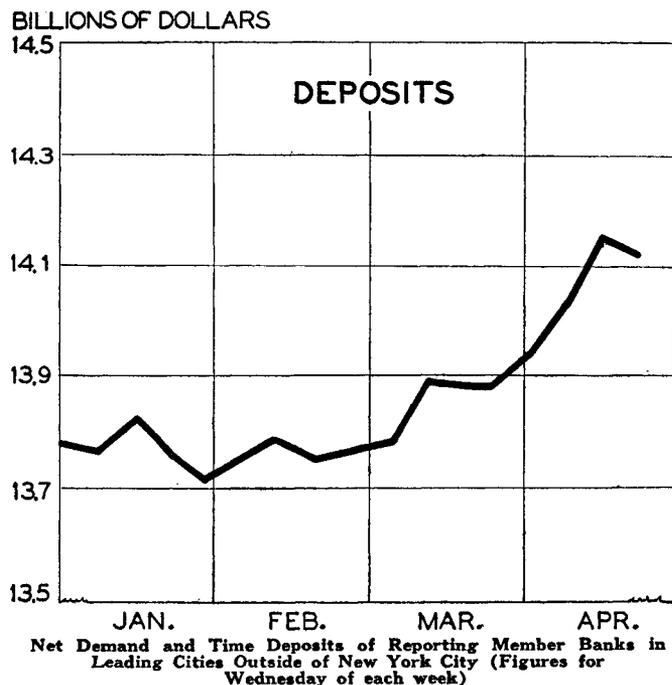
GOLD INFLOW

The shipment of a substantial amount of gold from Paris to New York marks the reversal of a tendency during the past three years for gold to move from New York to Paris, especially at times when money rates in this market declined to levels that offered no attraction in comparison with rates in the Paris money market. So far this year about \$110,000,000 of gold has been received in the United States from other countries, and substantial additional shipments are reported to be in transit to this country. This follows the net import of \$280,000,000 of gold in 1930.

Thus far the heavy inflow of gold this year has had little apparent influence toward the lowering of money rates or an expansion of bank credit here, due to the fact that the funds obtained by the banks through gold imports have been applied, directly or indirectly, to the retirement of Federal Reserve credit instead of forming the basis for an expansion of bank credit. Member bank borrowings from the Reserve Banks have declined to new low levels for many years, and the acceptance holdings of the Reserve Banks during recent months have averaged much below the usual volume for the time of year.

This retirement of Reserve Bank credit together with the recent increase in currency circulation has absorbed not only the imported gold but also most of the excess reserves which were held by the New York City banks earlier in the year. In fact, money conditions during most of April were less continuously easy than in the previous three months. In the absence of continuous or substantial excess reserves in the New York banks, every movement of funds from New York, even though temporary, tended to produce a slight firming of money conditions. Such tendencies did not proceed far enough to affect money rates materially, however, as the reserves of the New York banks were quickly adjusted through temporary borrowing or the sale of acceptances to the Reserve Bank.

Near the end of April, two successive reductions of $\frac{1}{8}$ per cent in acceptance rates were made, accompanying reductions in the Reserve Bank buying rates for bills, so



that rates quoted at the end of the month equaled the previous low levels reached in early February. Yields on short-term Government securities followed acceptance rates downward, but other open market money rates at the end of April were unchanged from a month previous.

Money Rates at New York

	Apr. 30, 1930	Mar. 31, 1931	Apr. 30, 1931
Stock Exchange call loans.....	*3 1/4-4	*1 1/2-2	*1 1/2
Stock Exchange 90 day loans.....	4	††1 3/4-2	††1 3/4-2
Prime commercial paper.....	3 3/4-4	2 1/4-2 1/2	2 1/4-2 1/2
Bills—90 day unindorsed.....	2 7/8	1 1/2	1 1/2
Customers' rates on commercial loans..	†4.59	†3.56	†3.54
Treasury certificates			1 3/8
Maturing September 15 (yield).....	3.02	1.45	1.30
Maturing December 15 (yield).....	3.19	1.69	1.52
Federal Reserve Bank of New York re-discount rate.....	3 1/2	2	2
Federal Reserve Bank of New York buying rate for 90 day indorsed bills.	3	1 3/4	1 3/4

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

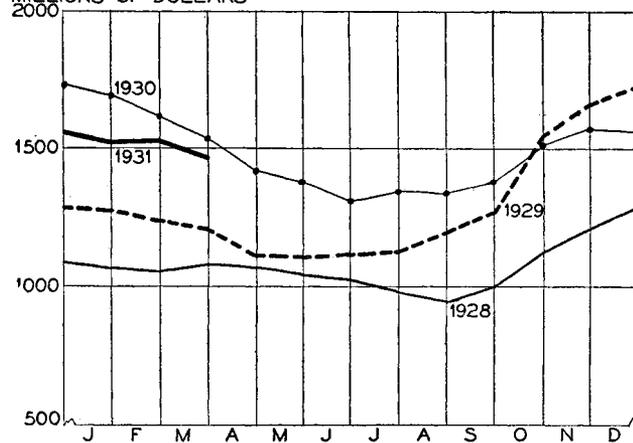
BILL MARKET

During the first week of April, slightly firmer money conditions caused the New York banks to dispose of some of their bill holdings and to call a substantial amount of their loans to dealers against acceptances. This situation resulted in a further increase in dealers' portfolios, and in the bill holdings of the Federal Reserve System, reflecting the purchase of bills from dealers under repurchase agreement. Subsequently as the reserve position of the banks improved they began to lend more freely to the bill dealers, and investment demand also became more active; consequently by the middle of the month considerable reductions occurred in dealers' portfolios and in Federal Reserve bill holdings. Again, shortly after the 15th, there was a period when withdrawals of funds from the New York banks caused renewed firmness in money conditions, and again the bill holdings of the System rose, due chiefly to purchase of bills from dealers under repurchase agreement. By the 22nd, the banks' reserves had been raised to such an extent by an inflow of funds from other centers that easier money prevailed; bills previously sold to the Reserve Bank under repurchase agreement were taken up by the dealers, and considerable improvement in the investment demand was reflected in a decline in dealers' portfolios. Following this, the supply of and demand for bills continued approximately in balance until the closing days of the month, when slightly firmer conditions developed, and the discount market again had recourse to the Reserve Bank by selling bills under repurchase agreement.

Two general reductions of 1/8 per cent were made in the New York Reserve Bank's buying rates for bills, and at the end of the month the rate for 1-45 day maturities was 1 1/4 per cent and the rate for longer maturities up to 120 days was 1 3/8 per cent. Open market rates were reduced similarly, and at the end of the month these rates were at the same levels as in early February—levels which had not previously been equaled in the history of the bill market in this country.

The volume of acceptances outstanding showed a seasonal reduction of \$53,000,000 during March, making a total decline of \$89,000,000 since December 31, and of \$105,000,000 since November 30, 1930, when the largest amount was reached. This decline compares with a drop

MILLIONS OF DOLLARS



Volume of Bankers Acceptances Outstanding, 1931 Compared with Previous Three Years

of \$193,000,000 in bills outstanding during the first quarter of 1930. Outstandings on March 31, 1931 of \$1,467,000,000 were only \$73,000,000 smaller than a year ago, and, as the accompanying diagram indicates, were larger than at the corresponding period of other previous years. It is probable that, after allowing for the substantial decline in commodity prices, a larger volume of trade has been financed during recent months by the use of the bankers acceptance than in any previous year. The largest reductions from February to March were in the amount of acceptances based on goods stored in or shipped between foreign countries and in domestic warehouse credits, the two accounting for \$38,000,000 of the \$53,000,000 total decline. At the end of March, the group of accepting banks and other institutions reporting to the American Acceptance Council held in their own portfolios \$78,000,000 less acceptances than a month earlier, but their holdings remained large, totaling \$472,000,000.

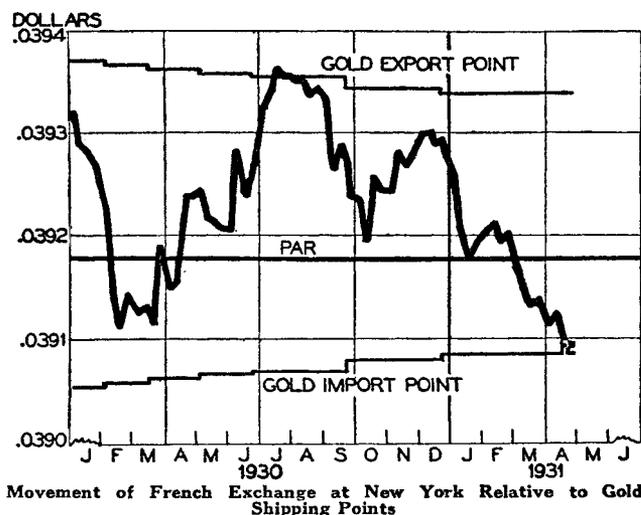
COMMERCIAL PAPER MARKET

Rather quiet conditions prevailed in the commercial paper market during April, due to the small amount of new paper that the dealers were able to offer to interested institutions. Throughout the month, the investment demand was in excess of the amount of paper drawn by commercial and industrial concerns. Recently it has been reported that the banks are exercising an unusual degree of care in the selection of paper. Rates of 2 1/4-2 1/2 per cent, the prevailing range reached toward the end of March, continued to be generally quoted in April.

The amount of open market paper outstanding at the end of March at \$311,000,000 was slightly more than 1 per cent smaller than a month earlier and 41 per cent below the figure of a year ago. The amount of paper outstanding has been declining since April 1930, and has shown no seasonal rise this year.

Foreign Exchange

During the first half of April the major exchanges were on the whole hesitant and inclined to weakness. The French franc declined from \$0.0391 5/16 on the 1st to \$0.0390 15/16 on the 20th. A temporary reduction in the cost of shipping gold from France to New York



having meanwhile been announced, the gold import point was momentarily higher than the \$0.0390 15/16 quotation and \$3,500,000 of gold was engaged in Paris for shipment to New York on the 22nd. Additional gold totaling \$15,500,000 was engaged for shipment on the 25th. Thereafter the freight rate was reported as having reverted to the earlier level. French francs held above the readjusted gold import point during the rest of the month, although displaying renewed weakness as the month closed.

The weakness of the franc was probably in part a reflection of the strength shown by sterling in the latter half of April, which was itself in part a consequence of the widened differential between bill rates in London and New York, which tended to draw funds to London. With the first reduction of the bill rate here, sterling gained 5/16 of a cent to \$4.86 5/16. When the bill rate was lowered a second time on the 27th, the pound moved up to \$4.86 7/16, and it closed on the 29th at \$4.86 11/32.

The Netherlands guilder firmed from \$0.4008 1/4 on the 1st to \$0.4020 1/2 on the 28th. Guilder strength is attributed to the firming of money rates at Amsterdam after a rather long period of extreme ease. The Swiss franc also gained in the course of the month. Narrow fluctuations, closing with a show of strength, were recorded by the reichsmark, the belga, the lira, and the Scandinavian currencies; the Swedish crown, at \$0.2681, crossed its parity for the first time this year.

Canadian dollars were inclined to weaken, but they closed on the 29th at a discount of only 3/128 of one per cent, a shade above their month's opening. The Argentine peso was steady early in the month at \$0.7911. On the 16th, following announcement by the Banco de la Nacion Argentina that it had ceased to support this exchange, the peso dropped to \$0.7407. It temporarily recovered somewhat, but on the 29th it closed at \$0.7385. Uruguayan pesos moved in sympathy with Argentines. The Brazilian milreis was last quoted nominally at \$0.0730.

Gold Movement

Gold shipments from South America and Mexico continued during April and were supplemented late in the

month by shipments from France. Gold imported at the Port of New York during April included \$14,800,000 from Argentina, \$1,200,000 from Mexico, and \$3,500,000 from France. At San Francisco, \$7,600,000 was received from China and \$2,700,000 from Japan. Exports were negligible, but there was an increase of \$7,500,000 in gold held under earmark for foreign account at this bank and at the Federal Reserve Bank of Boston. A preliminary estimate indicates a net gain to the country's gold stock of \$23,000,000 for the month and of \$117,000,000 for the year. As the month closed, an additional \$15,500,000 of gold was about to enter this country's gold stock from France. The following table shows the origin of the principal gold imports into the United States thus far in 1931.

Gold Imports into United States

Country of origin	Amount
Argentina.....	\$41,100,000
Canada.....	24,800,000
China and Hong Kong.....	12,500,000
Mexico.....	6,000,000
Colombia.....	6,000,000
Japan.....	4,900,000
France.....	3,500,000
Uruguay.....	2,300,000
Cuba.....	995,000

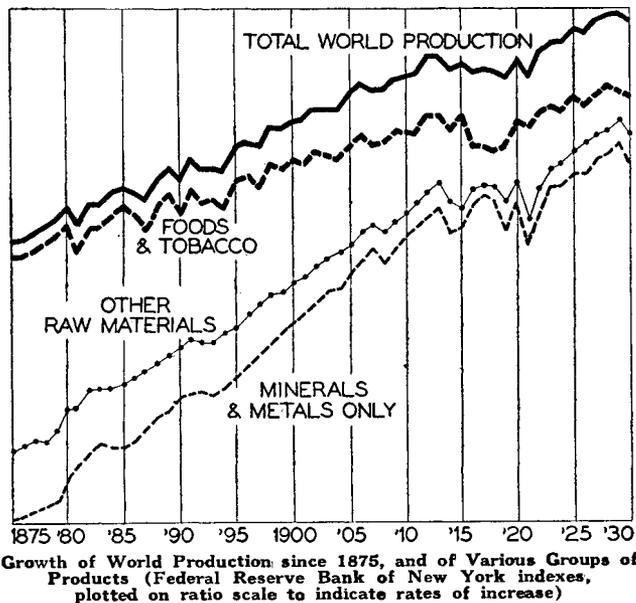
The Bank of England increased its gold holdings during April by \$13,100,000. Gains through the purchase of \$17,300,000 of gold in the open market and the reported receipt in sovereigns of \$4,900,000 from South Africa, \$3,400,000 from Australia, and \$2,400,000 from Brazil were offset in part by gold "set aside" at the Bank of England amounting to \$20,400,000. Gold continued to be shipped from Russia to Germany during April to the amount of \$10,300,000.

Central Bank Rate Changes

On April 1, 1931 the National Bank of Roumania lowered its discount rate from 9 to 8 per cent. The earlier rate had been in force since November 26, 1929. Advice has been received of an increase in rates at the Central Bank of Ecuador, during March, as follows: discount rate to member banks, raised from 9 to 10 per cent; to the public, from 11 to 12 per cent. The last previous change was effected in November 1930.

World Production of Basic Commodities Since 1875

This bank recently has compiled an index of the world production of basic commodities, excluding Russian production, for more than the last half century. This index was weighted in accordance with the 1923-25 values of the component series, and calculated in percentages of the 1923-25 average. For the years 1875-1883, data on 14 lines of production were available; for the period 1884-1889 the number was increased to 17; for 1890-1899 to 20; and for the balance of the years through 1930, when considerably more data were available than for the earlier years, 30 series were included. In addition to the aggregate index, group indexes were computed for foods and tobacco, and for other raw materials, with a subgroup composed of minerals and metals. These indexes are shown in the following diagram on a ratio scale



in order to indicate the comparative rates of growth in the various indexes and in various periods.

This diagram shows clearly the interruption to the normal growth of agriculture and industry which was caused by the World War, and indicates that the increased output during recent years has not carried world production to levels that appear high in relation to the pre-war trend of growth. In fact the rate of increase in production since the recovery from the post-war depression has been at much the same rate as before the war—the rate of increase in each case being slightly less than 3 per cent a year. In the earlier years the foods and tobacco group predominated in the aggregate production index, but as the subsequent rate of increase in this group has been much less rapid than in other raw materials, in recent years the two groups have been of nearly equal importance in the composite. It appears that, except during and following the war, variations in the aggregate index of world production have been due principally to fluctuations in the production of foods. The index of production of minerals and metals has shown a steady growth except in periods of pronounced depression and in the war period. This latter index leads to the surprising conclusion that the demands of the war did not result in an acceleration of the rate of growth in the production of minerals and metals, but rather that the growth in these industries was retarded during the war and the few years immediately following. Since 1922 the production of commodities in this group has shown a renewed increase, but at a rate slightly less rapid than in the period from 1875 to 1913.

Security Markets

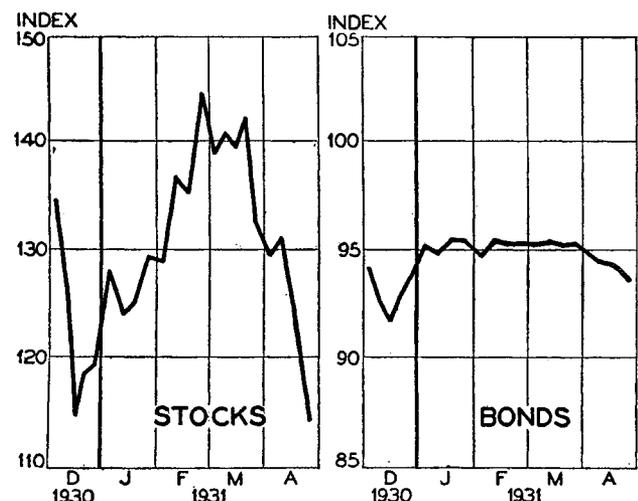
Following declines in the latter part of March, stock prices continued downward during April, and the general level near the end of the month was virtually the same as at the lowest point reached in December. As the first part of the accompanying diagram indicates, the decline since late March has wiped out all of the advance

of the preceding three months. The railroad stocks as a group declined at least 5 per cent below the December bottom level to new lows since the autumn of 1924, and industrial stocks dropped somewhat below their lows of last December and toward the end of the month were the lowest since early 1927. The public utilities also suffered substantial declines throughout April, but on the whole remained above the December low.

Price movements in the bond market were also generally downward during April. All of the well known domestic corporate bond averages showed declines for the month of varying amount, depending upon the composition of the averages. Those including a large proportion of high grade issues registered relatively moderate recessions, while those with a heavier weight of lower grade issues showed declines averaging about 2 points. The composite of 5 domestic bond averages, shown in the second part of the diagram, underwent a decline of about $1\frac{1}{4}$ points to the lowest level of the year, but remained about 2 points above the low of mid-December 1930. All of the individual price averages remained somewhat above their December lows, although some did establish new lows for 1931. Weakness was most pronounced in the industrial issues during April, though railroad bonds again declined, following the sharp drop during March. Public utility issues, on the other hand, were fairly well sustained at quotations considerably above the December lows, and municipal issues continued to advance.

Foreign bonds traded in this market were under pressure throughout April, and an average of 40 representative issues has lost $3\frac{1}{2}$ points since March 20, following a rise of $2\frac{3}{4}$ points in the preceding four weeks. Much of the loss was in South American bonds and in Australian issues.

The United States Government security market was in contrast to the market for domestic corporate and foreign bonds. Liberty Loan and Treasury issues for the most part held steady or advanced slightly, and the average price of the 9 issues now outstanding showed a net advance of about $\frac{3}{8}$ of a point for the month.



Weekly Price Movements of Stocks and Bonds (Standard Statistics Company index of 90 industrial, railroad, and public utility stocks; Federal Reserve Bank of New York composite of 5 domestic corporate bond averages)

New Financing

Final figures showed a total of \$584,000,000 of security issues sold for new capital purposes during March, of which \$260,000,000 represented domestic corporate flotations, \$291,000,000 State and municipal issues, and \$33,000,000 foreign financing. Despite the relatively large total for that month, the aggregate volume of new security issues, both bonds and stocks, brought out during the first quarter of this year, totaling \$1,227,000,000, was considerably smaller than in any of the previous four years, as the accompanying diagram indicates. In fact it is necessary to go back to 1922 for a year with a smaller first-quarter output of new securities, although the volume in 1923 and 1924 was not materially larger. Refunding issues, flotations by investment trusts and financial trading and holding companies, and private foreign credits have been excluded from the figures shown in the chart. These figures do not include United States Government issues which were about \$500,000,000 in excess of maturities. The anticipation of large additional Government financing in connection with payments to veterans was partly responsible for restricted issues of other sorts of securities.

Domestic corporate financing during the first quarter, totaling \$614,000,000, fell substantially below any of the past four years, being roughly half of the 1930 and 1927 volume, less than 40 per cent of the amount in 1929, and about two-thirds of the 1928 volume. State and municipal financing, including farm loan issues, has continued to increase since 1929, however, and the 1931 total of \$474,000,000 was the largest in at least ten years. Foreign financing in this market, even including sales of securities by American companies to raise funds to be used abroad, was particularly small in the first three months of this year, and the total at only \$139,000,000 was considerably less than in the corresponding period of the years back at least to 1924.

During the first ten days of April, numerous large security issues were offered, but subsequently the volume of security flotations has become exceedingly small, probably reflecting weakness in the bond and stock markets. The total for the month of April appears to have been considerably smaller than March or January flotations, though much in excess of the offerings during the short month of February. The month was marked by a complete absence of domestic railroad issues which had been large earlier this year. Industrial issues, however, increased somewhat above the small totals for several months past. Public utility financing also was larger than in the previous two months, due partly to the \$100,000,000 Pennsylvania Power and Light Company issue, most of which was for refunding purposes, and partly to several other substantial issues. In the aggregate, domestic corporate financing differed not greatly from the previous month, but State and municipal issues showed a large reduction from the March volume, which was unusually high because of the inclusion of the Port of New York and New York City issues aggregating \$166,000,000. The principal April issue in this category was the State of New York sale of \$34,975,000 of 3¼ and 3½ per cent serial bonds. These bonds were sold at a net interest cost to the State of 3.46 per cent, the lowest rate in more than 25 years. Foreign security flotations, as for some months past, continued in restricted volume, representing largely Canadian borrowings.

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Foreign Trade

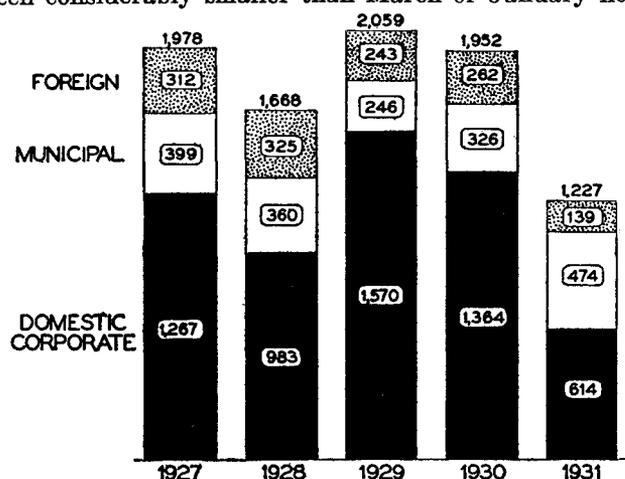
The value of this country's foreign merchandise trade during March showed a gain over the low level of the previous month, which appears to have been only partly seasonal. Imports, valued at \$211,000,000, increased considerably more than usual over February, and showed the smallest percentage decline from a year ago since last June. The increase in exports to \$237,000,000 was about in accordance with the usual seasonal increase.

The main groups of imports were all substantially larger than in February. Quantity receipts of raw silk continued to show a large increase over a year ago, but the total value of imports of crude materials again showed a heavy loss.

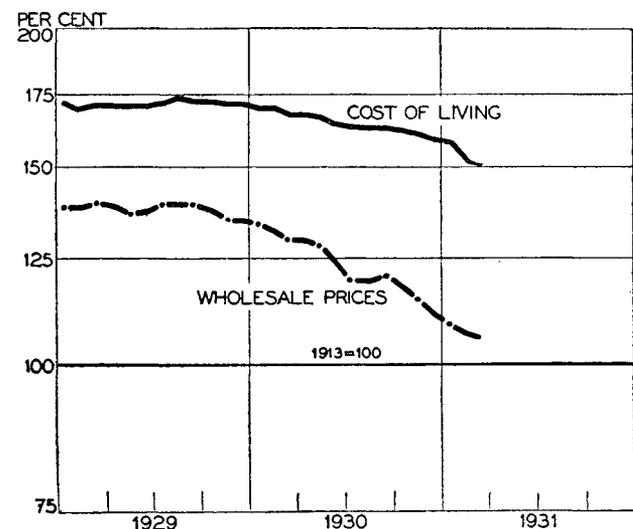
Exports of finished manufactures, the value of which is the largest for any group, showed a further decline, and were about 45 per cent less in value than a year ago. All of the other principal groups, however, made seasonal gains over February. Compared with a year ago, exports of crude foodstuffs increased slightly in value, while shipments of crude materials were down 20 per cent.

Commodity Prices

A pronounced downward tendency in commodity prices continued during April, and average quotations reached new low levels for the post-war period. Losses were rather general and included practically all of the basic commodities with the exception of wheat, which advanced moderately. Among the metals, scrap steel broke through the previous low of \$12.75 a ton, which had been touched two or three times since last November, dropping to \$12.25, the lowest figure since 1915. Zinc declined to 3.35 cents a pound, the lowest price since 1896, lead was reduced 50 points to 4.00 cents, and losses were shown also in copper, tin, and silver; tin established a new low level, and copper was officially quoted at 91½ cents, the previous low, with small sales reported at 93⅞ cents. The price of crude petroleum dropped to 85 cents a barrel, a new low for many years, and anthracite coal was reduced markedly.



New Security Offerings During the First Three Months of 1927-1931 (Commercial and Financial Chronicle figures for domestic flotations; Federal Reserve Bank of New York data for foreign issues—in millions of dollars)



Wholesale Commodity Price Index of the Bureau of Labor Statistics and Federal Reserve Bank of New York Monthly Estimate of Cost of Living (Data on a 1913 base plotted on ratio scale to show relative declines)

Another important decline was in the price of rubber, which established a new low at slightly under 6 cents. The price of steers dropped sharply, and lower prices also prevailed for cotton, wool, and silk. The price of corn held well during most of the month, but broke to a new low toward the close of the month. Hides reacted, following the sharp recovery of March.

The wholesale price index of the Bureau of Labor Statistics declined further for the month of March to a level only 7 per cent above the 1913 average. The decline since January 1929 now amounts to 23 per cent. As the diagram shows, there has been an accompanying decline in the cost of living in the United States, at a less rapid rate, however, than the decline in wholesale prices, due to the fact that there are a number of items in living costs which are comparatively inflexible and respond slowly to changes in wholesale commodity prices. In March the cost of living remained about 50 per cent above the 1913 level.

Building

The total volume of building contracts awarded in 37 States during March was 57 per cent larger than in February according to the F. W. Dodge Corporation, and as this increase was somewhat more than the usual seasonal expansion between these two months, this bank's adjusted index of total building contracts rose 5 points further, following a similar increase in February, and reached the highest level since June of last year. The rise reflected chiefly larger contracts for public works and utilities, although increases were also reported for other non-residential building work and for residential contracts. The expansion in residential construction, however, was less than the average March increase of other recent years, and the seasonally adjusted index of residential contracts computed by this bank, after rising considerably in February, receded several points in March.

Following the March increase, the daily average volume of building contracts awarded during the first three weeks of April was 12 per cent less than in the previous

month, and about one-third smaller than a year ago. Ordinarily, the seasonal movement continues upward through April.

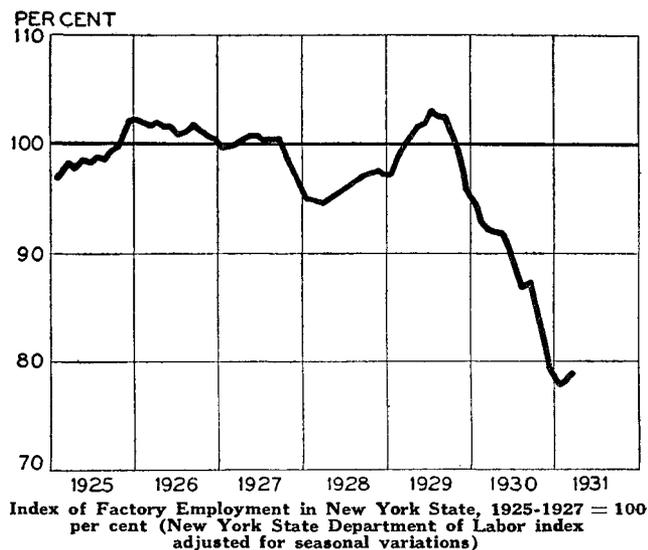
The first quarter total of building contracts was 24 per cent smaller than the figure for the comparable period of 1930. Residential work, with a decline of only 4 per cent in value, made the most favorable comparison with a year ago; in fact, figures on the amount of residential floor space contracted for were 2 per cent larger than in 1930. In public works and utilities the 1931 first quarter reduction amounted to 16 per cent, gains in highway, sewerage, and water front developments being more than offset by large declines in contracts for bridges, lighting, power plant, and railroad construction. A 41 per cent drop in other non-residential work occurred, due to large decreases in the volume of commercial and factory building.

Reports for Metropolitan New York and vicinity indicate that residential building contracts during the first quarter of this year were 65 per cent larger than in 1930, due principally to apartment house construction. A moderate reduction in public works and utility projects and a large drop in other non-residential work, however, resulted in a total volume of contracts for the quarter that was 21 per cent less than last year.

Employment and Wages

Further seasonal improvement in the employment situation during March is indicated by available data. The number of workers employed in reporting New York State factories showed an increase from the middle of February to the middle of March which was slightly greater than usually occurs during this interval, and the seasonally adjusted index of employment rose slightly following a small advance in February, as the accompanying diagram indicates. For the country as a whole, the gain in March equaled the average seasonal rise of past years. Factory payrolls also expanded at least seasonally, both in New York State and in the country as a whole.

The ratio of orders for workers to applications for work at New York State Employment Bureaus during March rose slightly, and during the first four weeks of



Index of Factory Employment in New York State, 1925-1927 = 100 per cent (New York State Department of Labor index adjusted for seasonal variations)

April a further rise of seasonal nature occurred. A moderate increase in the rate of voluntary labor turnover in March apparently indicates that workers found conditions somewhat more favorable for changing their positions than during the immediately preceding months.

Production

Available data for April indicate the development of some irregularity in productive activity. Contraction in the steel industry is indicated by the Iron Age operating ratio, which declined to 48 per cent of theoretical capacity in the last week of April, as against the March peak of 57 per cent. This decline, however, was partly of a seasonal nature. Production of bituminous coal also declined seasonally, but preliminary estimates indicate a further seasonal expansion in the automobile industry during April, and increases were reported in the output of cotton goods and of crude petroleum.

Industrial production in March showed a gain moderately in excess of the usual seasonal proportions following a similar gain in February, and the seasonally adjusted index of industrial production, prepared by the Federal Reserve Board, rose in March to the highest level since last September. Increases proportionately larger than those of past years were shown in the output of most important industries, including pig iron, steel ingots, petroleum, automobiles, and cement, while mill consumption of raw cotton rose further instead of showing the usual decrease, and production of bituminous coal declined less than usually. These advances were only partly offset by declines, after seasonal adjustment, in the production of non-ferrous metals, foods, and tobacco products.

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

	1930 Mar.	1931		
		Jan.	Feb.	Mar.
Metals				
Pig iron.....	101	57	60	63
Steel ingots.....	99	59	67	69
Copper, U. S. mines.....	83	65	69	65 _p
Lead.....	91	69	67	66
Zinc.....	78	51	52	51
Tin deliveries.....	115	102	73	79
Automobiles				
Passenger cars.....	90	49 _r	55	57 _p
Motor trucks.....	117	84 _r	87	76 _p
Fuels				
Bituminous coal.....	70	66	63	65 _p
Anthracite coal.....	73	96	91	78 _p
Coke.....	97	70	70	70
Petroleum, crude.....	98	81	81	82 _p
Petroleum products.....	93	73	76	
Textile and Leather Products				
Cotton consumption.....	83	71	75	78
Wool mill activity.....	67	62	75	73
Silk consumption.....	98	104	99	100
Leather, sole.....	107	87	85	81 _p
Boots and shoes.....	96	77	86 _p	94 _p
Foods and Tobacco Products				
Live stock slaughtered.....	89	92	96	91
Wheat flour.....	98	92	91	90
Sugar meltings, U. S. ports.....	75	72	67	58
Tobacco products.....	98	89	98	96
Miscellaneous				
Cement.....	111	81	76	79
Tires.....	76	61	64	
Printing activity.....	95	86	86	
Paper, newsprint.....	99	85	86	91
Paper, other than newsprint.....	94	81	83 _p	
Wood pulp.....	107	77	82 _p	

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Indexes of Business Activity

This bank's indexes continued to indicate comparatively stable general business conditions during March, with the weight of evidence on the side of a further slight recovery. Department store sales in this district rose slightly more than seasonally from the February level, and advertising showed about the usual expansion. Merchandise exports also showed an increase of about seasonal proportions, and imports rose more than usual for the month of March. On the other hand, merchandise and miscellaneous freight carloadings did not show quite the average March increase, and loadings of bulk freight declined more than usual.

The number of business failures showed about the average seasonal decline in March, but was larger than in the corresponding month of any previous year. The number of corporations chartered in New York State increased, instead of showing the usual seasonal decline.

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

	1930 Mar.	1931		
		Jan.	Feb.	Mar.
Primary Distribution				
Car loadings, merchandise and misc.....	95	78	78	77
Car loadings, other.....	86	76	75	73
Exports.....	86	60	65	66 _p
Imports.....	92	76	77	83 _p
Panama Canal traffic.....	79	63	63	
Distribution to Consumer				
Department store sales, 2nd Dist r.....	103 _r	93 _r	97 _r	99 _r
Chain store sales, other than grocery.....	93	84	86	80
Life insurance paid for.....	109	89	84	85
Advertising.....	92	77	80	81
General Business Activity				
Bank debits, outside of New York City..	101	88	82	83
Bank debits, New York City.....	142	89	91	103
Velocity of bank deposits, outside New York City.....	116	97	91	91
Velocity of bank deposits, New York City.....	159	83	87	97
Shares sold on N. Y. Stock Exchange.....	299	159	242	197
Postal receipts.....	94	88	86	86
Electric power.....	91	81	81 _p	
Employment in the United States.....	95	80	80	80
Business failures r.....	106 _r	116 _r	115 _r	114 _r
Building contracts.....	88	63	68	73
New corporations formed in N. Y. State.....	87	78	85	90
Real estate transfers.....	70	59	61	58
General price level*.....	173	157	157	157
Composite index of wages*.....	228	216	218	219
Cost of living*.....	168	158	152	151

p Preliminary r Revised * 1913 average=100

Department Store Trade

Sales of reporting department stores in this district in March were 1.7 per cent below those of a year previous. This was the smallest decline since May 1930, due in part to the fact that March sales this year included a considerable part of the Easter trade, most of which last year was done in April. The decreases in the sales reported by stores in the New York City, Southern New York State, and Capital Districts were the smallest since last May, and the decline in sales of the Bridgeport stores was the smallest since April of last year. Sales of Westchester stores continued to show an increase compared with a year ago, and reporting stores in Northern New York State showed an increase for the first time in almost a year. Sales in other localities continued to show decreases ranging from 2 per cent to 11 per cent, but in most cases the decreases were smaller than in the

previous month. Sales of the leading apparel stores were slightly larger than in March 1930, the first increase in nearly a year.

Stocks of merchandise on hand at the end of March, valued at retail prices, showed the largest reduction from a year previous ever reported to this bank. The rate of charge account collections during March continued to be slightly lower than a year previous.

Locality	Percentage change from a year ago			Per cent of accounts outstanding February 23 collected in March	
	Net sales		Stock on hand end of month	1930	1931
	March	January to March			
New York	-1.0	-5.0	-13.6	44.9	45.3
Buffalo	-7.4	-6.9	-9.3	47.2	45.3
Rochester	-4.3	-6.1	-11.5	39.9	34.4
Syracuse	-3.8	-6.7	-13.2	30.8	29.0
Newark	-2.1	-3.8	-18.2	42.8	41.4
Bridgeport	-5.5	-8.6	-10.8	40.6	35.7
Elsewhere	-2.5	-6.3	-11.7	33.4	30.8
Northern New York State	+3.8	....	....	....	....
Southern New York State	-3.5	....	....	....	....
Hudson River Valley District	-11.3	....	....	....	....
Capital District	-0.2	....	....	....	....
Westchester District	+4.8	....	....	....	....
All department stores	-1.7	-5.1	-13.7	43.2	42.2
Apparel stores	+0.4	-3.7	-13.3	43.0	41.4

March sales and stocks in the principal departments are compared with those of a year previous in the following table. Apparel departments are prominent among those showing increases over last year, due, no doubt, to the effects of Easter business.

	Net sales percentage change March 1931 compared with March 1930	Stock on hand percentage change March 31, 1931 compared with March 31, 1930
Men's and Boys' wear	+12.0	-19.9
Toilet articles and drugs	+9.3	-6.2
Luggage and other leather goods	+6.7	-23.6
Shoes	+4.8	-14.2
Women's ready-to-wear accessories	+4.7	-15.7
Toys and sporting goods	+4.1	-1.9
Silverware and jewelry	+3.4	-8.4
Women's and Misses' ready-to-wear	+3.2	-18.5
Woolen goods	+1.9	-30.7
Men's furnishings	-1.5	-16.7
Books and stationery	-2.9	-13.3
Hosiery	-3.7	-17.3
Home furnishings	-4.6	-11.2
Furniture	-7.2	-20.3
Cotton goods	-9.5	-9.3
Linens and handkerchiefs	-11.3	-9.2
Silks and velvets	-14.9	-21.0
Musical instruments and radio	-17.0	-22.4
Miscellaneous	-5.7	-16.2

Wholesale Trade

The dollar volume of business of the reporting wholesale firms in this district in March showed a substantial increase, largely seasonal, over February, but continued to be considerably smaller than a year previous. The decrease of 16 per cent, however, was the smallest since December. Declines of around 20 per cent continued to be reported by wholesale dealers in cotton goods, stationery, and paper, and decreases in the sales of jewelry and diamonds again were even larger. Sales of men's clothing, shoes, and hardware also continued to be considerably smaller than in 1930, but the decreases were

not as large as in February. Machine tool orders, reported by the National Machine Tool Builders Association, increased considerably over February, and the decline from a year previous, though substantial, was the smallest in a number of months. The Silk Association of America reported yardage sales of silk goods in March more than 8 per cent above last year, the fifth consecutive increase in quantity sales compared with the previous year.

The value of stocks in all reporting lines, with the exception of drugs, continued to be substantially smaller than a year ago. Collections averaged slightly better than in March 1930.

Commodity	Percentage change March 1931 compared with February 1931		Percentage change March 1931 compared with March 1930		Per cent of accounts outstanding February 23 collected in March	
	Net sales	Stock end of month	Net sales	Stock end of month	1930	1931
Groceries	+5.4	+3.3	-15.8	-11.2	75.1	76.9
Men's clothing	+35.4	....	-17.8	....	41.1	43.0
Cotton goods	+16.1	+4.0	-20.1	-32.4	32.1	34.1
Silk goods	+14.7*	-4.8*	+8.5*	-17.8*	47.8	49.3
Shoes	+61.2	-18.2	-16.0	-43.8	37.1	40.1
Drugs	+10.2	+2.7	-7.4	+15.8	34.4	46.6
Hardware	+44.6	-1.7	-13.1	-8.7	46.4	42.2
Machine tools**	+40.5	....	-35.1	....	....	....
Stationery	+2.2	....	-22.5	....	74.8	74.1
Paper	+11.7	....	-21.8	....	64.6	55.1
Diamonds	-4.2	-7.5	-36.2	-28.2	26.4	19.8
Jewelry	-0.9	-8.0	-34.9	-34.6	....	....
Weighted average	+22.8	....	-15.8	....	51.1	52.3

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

Chain Store Trade

The March sales of reporting chain stores in this district were 3.6 per cent smaller than in March 1930, indicating little change in general from conditions in February. The decreases in the sales of shoes and candy were considerably smaller than in February, probably reflecting Easter buying in March this year, and the declines in the sales of ten cent and variety chains were slightly smaller than in February. Drug and grocery chain store organizations, however, reported slightly larger decreases in sales compared with a year previous than in February.

All types of chains continued to show smaller sales per store than a year ago with the exception of candy, which showed a slight increase, due in part to a reduction in the number of stores operated, and in part to the early date of Easter this year.

Type of store	Percentage change March 1931 compared with March 1930		
	Number of stores	Total sales	Sales per store
Grocery	+5.0	-0.7	-5.5
Ten cent	+3.8	-2.1	-5.6
Drug	-3.0	-14.2	-11.5
Shoe	+11.5	-6.8	-16.4
Variety	+7.6	-7.1	-13.7
Candy	-2.4	-1.6	+0.8
Total	+4.9	-3.6	-8.1

FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, MAY 1, 1931

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

FURTHER increase in industrial activity was reported for the month of March, which usually shows little change from February. Factory employment and pay rolls increased by the usual seasonal amount between the middle of February and the middle of March. The volume of building contracts awarded in March showed considerable growth, largely of a seasonal nature. The general level of wholesale prices continued to decline.

PRODUCTION AND EMPLOYMENT

Industrial production increased 2 per cent further in March and the Federal Reserve Board's seasonally adjusted index stood at 88 per cent of the 1923-1925 average, compared with 104 per cent in March 1930. There was a considerable increase in daily average output of steel, which ordinarily shows little change from February to March, while production of automobiles increased by about the usual seasonal percentage. Activity at cotton mills increased slightly, contrary to the ordinary seasonal movement, and there was a substantial increase in output of shoes. In the first half of April steel mill activity declined.

The number of men employed at factories increased between the middle of February and the middle of March by about the usual seasonal amount. In the iron and steel and automobile industries somewhat larger than usual increases were shown and at textile mills and shoe factories, where the number employed ordinarily declines in March, substantial increases in employment were reported. In the agricultural machinery and petroleum refining industries and at car building shops, employment declined contrary to the usual seasonal trend, and in the automobile tire and fertilizer industries employment increased less than usual.

Volume of building contracts awarded in March increased considerably from February, according to the F. W. Dodge Corporation, reflecting in large part developments of a seasonal character. Contracts for residential building increased seasonally and were in about the same volume as a year ago, while contracts for public works and utilities rose to the high level of March 1930.

AGRICULTURE

Definite improvement in moisture conditions in the drought area was an important development in March and the first week of April; supplies of moisture in the topsoil have been replenished, but the subsoil continued to be dry in certain areas, particularly in the spring wheat belt. Department of Agriculture estimates, based on April 1 conditions, indicate a winter wheat crop of 644,000,000 bushels, about 100,000,000 bushels larger than the five-year average and 40,000,000 more than last year. Intentions to plant, as reported March 1, indicate a considerable reduction in spring wheat acreage, and an increase in acreage to be planted to corn.

DISTRIBUTION

Volume of freight-car loadings increased seasonally in March and department store sales increased during the Easter season by about the usual amount.

PRICES

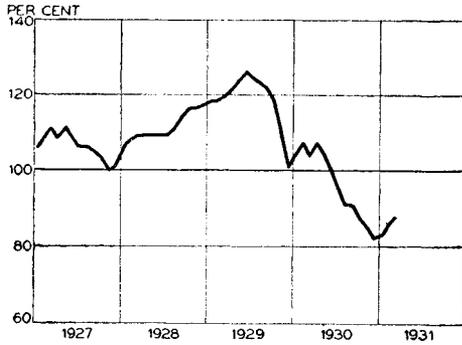
The general level of wholesale commodity prices continued to decline in March, according to the Bureau of Labor Statistics, reflecting chiefly reductions in the prices of petroleum products, bituminous coal, and textile products. Prices of farm products increased slightly and there was a substantial advance in the price of hides. In the first half of April prices of many commodities, including cattle, cotton, rubber, and coffee, declined, while the price of wheat advanced.

BANK CREDIT

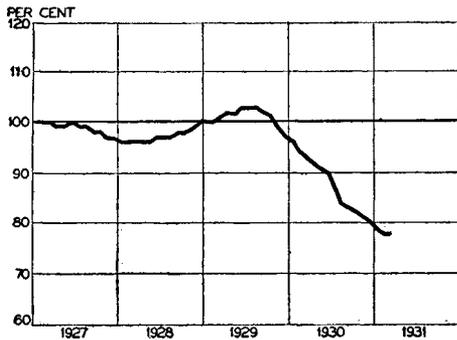
Loans and investments of member banks in leading cities, which had increased in the middle of March as the result of Treasury operations, showed a decline for every week between March 18 and April 8, but on the latter date were still \$270,000,000 larger than four weeks earlier. Investment holdings of these banks were at a new high figure on April 8, owing largely to an increase in their holdings of United States Government obligations, while loans on securities as well as all other loans showed a decline for the four-week period.

Volume of Reserve Bank credit has fluctuated since the middle of February around a level of \$925,000,000. Continued imports of gold, deposited by member banks with the Reserve Banks, have provided the member banks with sufficient funds to meet an increase in the demand for currency. United States Government security holdings of the Reserve Banks have remained at the level of \$600,000,000 established last summer, while discounts for member banks have continued to decline and holdings of purchased acceptances have fluctuated in response to temporary changes in the demand for Reserve Bank credit.

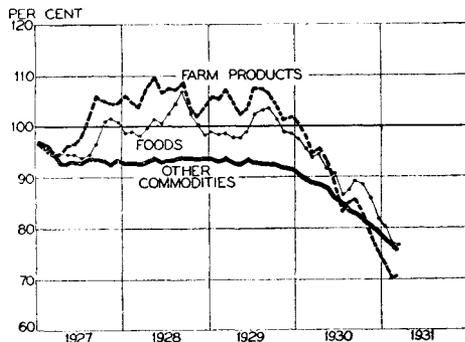
Money rates showed little change from the middle of March to the middle of April. Rates on commercial paper declined further from a prevailing rate of $2\frac{1}{4}$ per cent to a range of $2\frac{1}{4}$ - $2\frac{1}{2}$ per cent, while bond yields increased slightly.



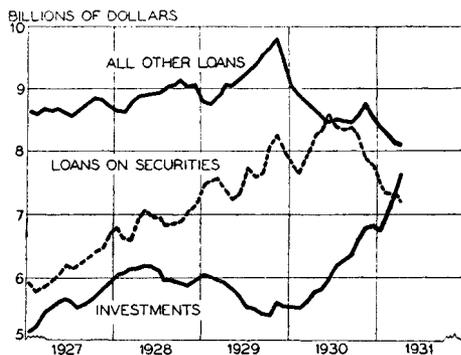
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variations (1923-25 average=100 per cent)



Federal Reserve Board's Index of Factory Employment with Adjustment for Seasonal Variation (1923-25 average=100 per cent)



Wholesale Price Indexes of the 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 three weeks of April)