MONTHLY REVIEW
of Credit and Business Conditions
Second Federal Reserve District

Federal Reserve Agent *Federal Reserve Bank, New York* *April 1, 1932*

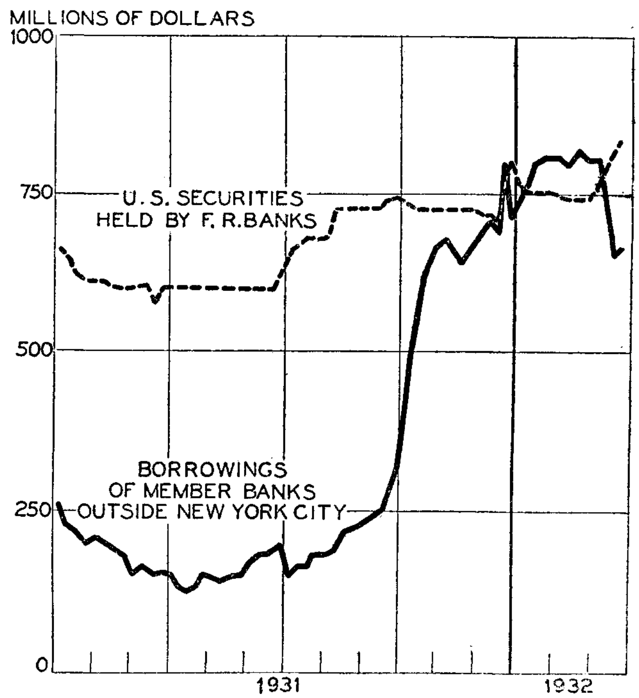
Money Market in March

The most important new development in the banking situation during the past month has been a considerable reduction in the indebtedness at the Reserve Banks of member banks outside of New York. Member banks in many communities were forced to borrow heavily from the Reserve Banks last autumn, due partly to withdrawals of currency by their depositors, and partly to a persistent flow of deposits to New York which continued in the early part of this year, so that indebtedness of these banks rose further in January and February to above $800,000,000, the highest level since 1929. Such a volume of indebtedness at any time exercises a restraining influence on the banks, and, under present conditions when all banks are striving to attain a liquid position, it constitutes a heavy burden, and has a tendency to create considerable pressure toward the limitation of credit.

The reduction during the past month, which has amounted to about $180,000,000, may be attributed in part to the indirect effects of purchases of United States Government securities by the Reserve Banks, and in part to the return flow of currency to the banks. Federal Reserve purchases of Government securities necessarily were conducted largely in New York, but the funds paid out were widely distributed through Treasury transfers of funds to other parts of the country to cover payments of loans made by the Reconstruction Finance Corporation, as well as ordinary Government expenditures. Through this process many member banks obtained funds with which to reduce indebtedness. The result is in accordance with the usual effect of security purchases by the Reserve Banks; an increase in Government security holdings does not ordinarily increase the total volume of Federal Reserve credit, but rather helps to reduce the dependence of the member banks and of the acceptance market on money borrowed from the Reserve Banks, and so to promote easier banking conditions.

The return flow of currency to the banks has proceeded at a fairly steady rate of at least $25,000,000 in most weeks, after allowance is made for seasonal variations in the demand for currency, and in the seven weeks ended March 26 the movement totaled around $165,000,000. This flow of currency into the banks, together with the operations of the Reconstruction Finance Corporation, undoubtedly has strengthened the position of many banks, and bank closings were reduced in March to the smallest number in many months. In the latter part of the month, closings were nearly equaled in number, and were considerably exceeded in the amount of deposits involved, by reopenings of banks previously closed.

These developments have retarded, although they have not yet stopped, the decline in bank deposits. During the four weeks ended March 23, the total loans and investments of weekly reporting member banks showed a further decline of about $200,000,000, notwithstanding large purchases of Government securities on March 15, and the net demand and time deposits of these banks showed an accompanying reduction of approximately $170,000,000. The return flow of currency, disbursements by the Treasury for Government expenditures, and Reserve Bank purchases of Government securities all have tended to increase bank deposits, but their influence has been more than counter-balanced by the reduction in deposits which accompanied the decline in loans and investments other than Government security holdings of the reporting banks. The March reduction in deposits,



United States Government Security Holdings of Federal Reserve Banks and Borrowings of Member Banks Outside New York City

however, is considerably less than the reduction of nearly $540,000,000 in the previous month, and of $550,000,000 in January.

Money Rates

The influence of the various factors which tended to ease the position of the banks during March was reflected also in a moderate decline in money rates, as the following table indicates. Acceptance rates were reduced 3/8 per cent, yields on short term Government securities declined about 3/4 per cent, and nominal quotations for stock exchange time money were lowered by 1/2 per cent. Commercial paper rates were unchanged, however, and the rate at which call loans were placed on the Exchange remained at the 2 1/2 per cent level which has prevailed since early January, although loans were made outside the Exchange at 2 and 2 1/4 per cent.

Money Rates at New York

	Mar. 31, 1931	Feb. 29, 1932	Mar. 31, 1932
Stock Exchange call loans	1 1/2–2	2 1/2	2 1/2
Stock Exchange 90 day loans	**1 3/4–2	**3 1/4–3 1/2	**2 3/4–3
Prime commercial paper	2 1/4–2 1/2	3 1/2–3 3/4	3 1/2–3 3/4
Bills—90 day unindorsed	1 1/2	2 3/4	2 3/8
Customers' rates on commercial loans	†3.56	†4.46	†4.48
Treasury securities			
Maturing June 15 (yield)	1.16	1.97	1.21
Maturing September 15 (yield)	1.45	2.91	2.02
Federal Reserve Bank of New York rediscount rate	2	3	3
Federal Reserve Bank of New York buying rate for 90 day indorsed bills	1 5/8	2 3/4	2 1/2

** Nominal † Average rate of leading banks at middle of month

March Treasury Financing Operations

The March offering of $900,000,000 or thereabouts of Treasury certificates of indebtedness, in two series, was heavily oversubscribed by banks, investment houses, and the investing public. Subscriptions to the one year 3 3/4 per cent certificates of indebtedness reached $2,451,000,000, of which $661,000,000 were allotted, and subscriptions to the seven month 3 1/8 per cent certificates amounted to $953,000,000, of which $333,000,000 were allotted.

On March 15, $624,000,000 of Treasury certificates of indebtedness became due and payable, but since nearly $500,000,000 were tendered to the Reserve Banks in exchange for the new certificate issues, the excess of Treasury disbursements over receipts on March 15 was unusually small for the first day of a Treasury tax period. As a result the Treasury found it necessary to issue to the Reserve Banks a special one day certificate of indebtedness for only $53,000,000 in order to balance its position for that day. Most of the excess of net cash redemptions of maturing certificates and interest payments over income tax collections on the 15th and cash payments for new certificate issues occurred in New York, and was added to the reserve accounts of the New York City banks. Consequently, participations totaling $33,500,000 in the special one day certificate issued to the Reserve Bank were sold to the New York banks to provide employment for part of the temporary excess of funds. The participation of the City banks was reduced on the succeeding day and was finally retired on the 17th, concurrent with reductions in the special certificate of indebtedness, which were effected through income tax collections and a withdrawal of funds from Government depositaries. During the month of March income tax returns representing the first quarterly payment on 1931 income totaled about $192,000,000, a reduction of approximately 42 per cent from the tax yield received last year.

On March 2, and again on March 30, an issue of $100,000,000 of ninety one day Treasury bills was floated to replace similar amounts of maturing Treasury bills. Both of these issues were largely oversubscribed at an average cost to the Government of 2.50 per cent on the March 2 issue and of 2.08 per cent on the later issue.

Bill Market

During the first part of March, the investment demand for bills diminished, with the result that dealers' portfolios increased somewhat, and offerings of bills to the Reserve Banks increased between March 2 and March 9. In the succeeding week, dealers' sales were stimulated by local bank buying around March 15, as well as by foreign buying through the Reserve Bank, and the supply of bills was reduced as the banks retained newly created bills. Consequently dealers' portfolios were reduced substantially, and open market rates for bills maturing within 90 days were reduced 1/8 per cent on March 11, following a decline of 1/8 per cent in bills of longer than 60 day maturity on March 1.

For the balance of the month, the demand for bills was large relative to the amount of bills being released to the discount market by accepting and discounting banks, and dealers were unable to fill orders. A further reduction of 1/8 per cent in dealers' rates for all maturities of bills was effected on March 22, bringing the offering rate for 90 day unindorsed bills to 2 3/8 per cent, the lowest since the middle of last October, and on March 25 the buying rate of the New York Reserve Bank was lowered to 2 1/2 per cent for indorsed bills not exceeding 4 months maturity. Following the increase in the first reporting week of March, Federal Reserve holdings of purchased bills declined steadily and on March 30 amounted to only $66,000,000, the smallest volume since last August.

At the end of February, there were outstanding $919,000,000 of dollar acceptances, a decline of $42,000,000 from January and of $600,000,000 from February 1931. Further declines were reported in the outstanding volume of import and export bills, and there were also decreases in dollar exchange bills and in bills based on goods stored in or shipped between foreign countries.

Commercial Paper Market

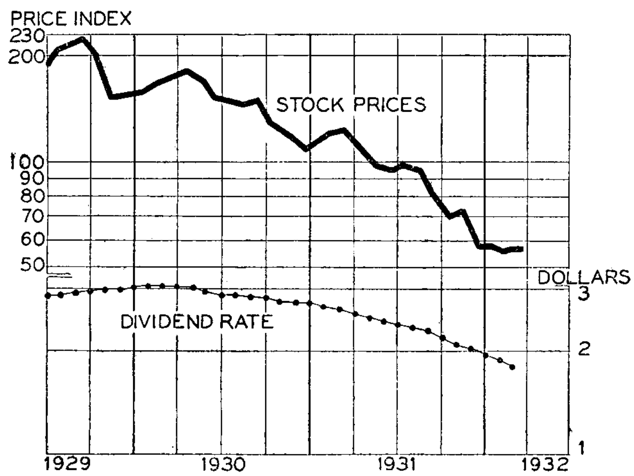
The dealers' sales of commercial paper continued to be in limited volume during March, although distribution of paper became somewhat wider as the month progressed. The principal factor restricting the sales volume was the small amount of new paper being created by the type of concern which is able to finance through the open market. Investment demand continued to be concentrated on prime names of 3 to 4 month maturity, which were mostly offered and sold at 3 1/2 and 3 3/4 per cent.

Reports to this bank from dealers showed $103,000,000 of commercial paper outstanding on February 29. This compares with a revised total of $108,000,000 outstanding at the end of January, and with $315,000,000 in February 1931.

Security Markets

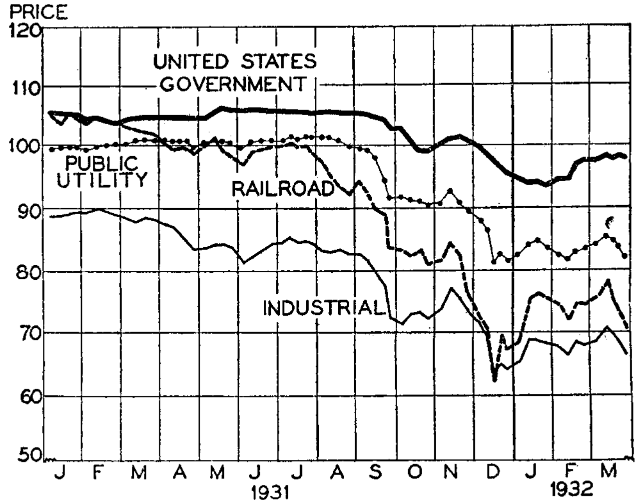
Stock prices were fairly firm during the first week of March, and representative price averages rose several points to levels that slightly exceeded the January and February highs. After the 8th of the month, price movements in the stock market were predominantly downward, and as a result of an almost continuous decline the general level of prices by the close of the month had dropped to a slightly lower point than was reached in the first part of February. The railroad stocks were relatively the weakest group during this period, declining about 26 per cent but industrial and public utility shares also declined about 18 per cent. Throughout the month the turnover of shares on the Exchange was of limited volume, reaching 2 million shares only one day and averaging about 1,400,000 shares daily.

The comparative movements of stock prices and of dividend payments since 1929 are shown in the accompanying diagram. From the peak in September 1929, stock prices have declined approximately 75 per cent to the present level, whereas the decrease in the average dividend rate from the peak has amounted to 42 per cent. However, the high point of dividend payments was reached in March 1930, or well after the peak of stock prices and general business was passed, indicating a considerable lag in changes in dividend policies. In recent months, the reduction of dividend payments has been accelerated, while stock prices have fluctuated within a fairly constant range.



Decline in Stock Prices, Compared with Reduction in Dividend Rates (Standard Statistics Company weekly price index of 421 issues, and Moody's Investors Service monthly weighted average dividend rate for 600 identical common stocks. Ratio scale used to show proportionate changes)

Following some advance in the second half of February, bond prices continued to rise during the first ten days of March and reached the highest levels since early last December, but subsequently, as the accompanying diagram indicates, domestic corporate issues declined, while only United States Government bonds held part of the earlier gains. All classes of corporate bonds participated in the advance during the early part of the month, which averaged over 2 points. The later downward movement, which was most pronounced in railroad issues, reduced representative averages somewhat



Movements of Bond Prices (Standard Statistics Company corporation bond indexes and Federal Reserve Bank of New York average of 11 United States Government bonds)

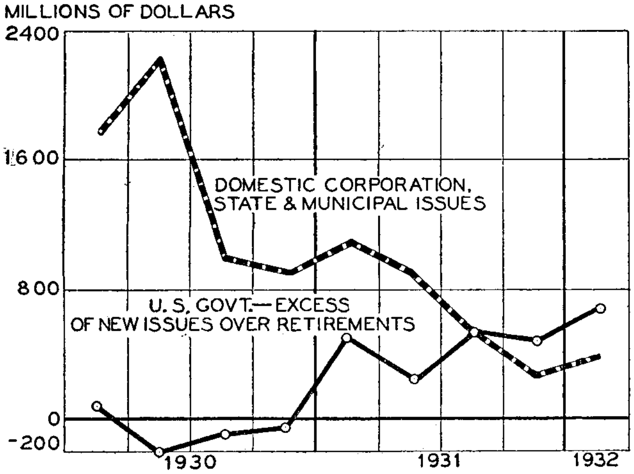
below the levels prevailing at the opening of the month, but left them some 4 points above their December lows. United States Government bonds were uniformly strong in the first part of the month, so that from the low point of January the average price of Liberty Loan and Treasury bond issues around March 10 had regained nearly half of the ground lost since last August. Subsequently, Liberty Loan issues showed some further net advance, reflecting principally investment demand for the tax-exempt First Liberty Loan 3½'s, but the long term Treasury issues declined, so that the average price of Government bonds closed the month about ½ point below the high level reached around March 10.

Foreign bonds listed in this market showed movements similar to domestic corporation issues. An advance of about 2 points in a representative average of 40 foreign bonds between the last of February and the 10th of March was followed by a decline of about the same proportions.

New Financing

Aside from the United States Government financing, the flotation of new securities continued in small volume during March, though the total appears to have been somewhat above the February offerings. Security issues of public bodies again predominated and included in addition to a number of State and municipal flotations an issue of $25,000,000 of 4½ per cent Federal Intermediate Credit Bank debentures which were put out in replacement of debentures maturing on March 15. The entire issue was sold without recourse to the Reconstruction Finance Corporation, which had offered to take any of the debentures remaining unsold on March 15. The largest piece of financing in the State and municipal category was a $50,000,000 note issue of the State of New York. Virtually all of the rest of the month's new offerings represented public utility issues, the volume of which was somewhat larger than in other recent months.

The following diagram indicates the decline that has occurred during the past two years in offerings of new securities by domestic corporations, States, and mu-



New Security Offerings of Domestic Corporations, States, and Municipalities; and Excess of United States Government Security Issues over Retirements (Quarterly figures; data for March 1932 preliminary)

nicipalities, due to the low level of investment demand for new securities which has increasingly restricted the types of borrowers that are able to obtain new capital through the security markets.

The shrinkage in corporation financing through the security markets has been especially severe, and the total of security issues other than United States Government securities has included during the last nine months a somewhat larger amount of State and municipal financing than of domestic corporation issues. With the concentration of demand on the highest grade issues, United States Government obligations have been absorbed in increasing volume, as is shown by the other line in the diagram, which represents the excess of sales of United States Treasury issues over maturities from the interest bearing debt. A considerable part of the increase in Government issues has been necessitated by the shrinkage in ordinary Government receipts, but in recent months a part of the proceeds of Government issues has represented the financing through the Reconstruction Finance Corporation of business which under more normal conditions would be financed through the market for corporation securities.

Central Bank Rate Changes

Nine European central banks reduced their official rates of discount in March, and like action was taken by the Bank of Japan. A reduction was reported to have been made also by the Central Bank of Chile.

The Bank rate at London, which had been lowered from 6 to 5 per cent on February 18, was reduced to 4 per cent on March 10 and again to 3½ per cent on March 17. On the 3rd, the central banks of Sweden and Norway reduced their rates from 5½ to 5 per cent, this being in each case the fourth reduction from the high of 8 per cent made effective September 28, 1931. The Reichsbank rate was lowered from 7 to 6 per cent on the 9th, this being the fourth reduction since the high rate of 15 per cent was fixed on August 1 of last year. The Danish bank rate, which had been 6 per cent since last September 26, was lowered to 5 per cent on the 11th. The Bank of Italy, whose rate had been 7 per cent since September 28, 1931, effected a reduction to 6 per cent on March 21. Other European rate reductions in March were effected as follows: Bank of Lithuania, from 8½ to 7½ per cent on the 1st; National Bank of Rumania, from 8 to 7 per cent on the 4th; Austrian National Bank, from 8 to 7 per cent on the 18th.

The discount rate of the Bank of Japan, which had been the equivalent of 6.57 per cent since November 5, 1931, was reduced to a rate equal to 5.84 per cent. It is reported that the Central Bank of Chile lowered its discount rate to member banks from 6 to 5½ per cent, effective March 1.

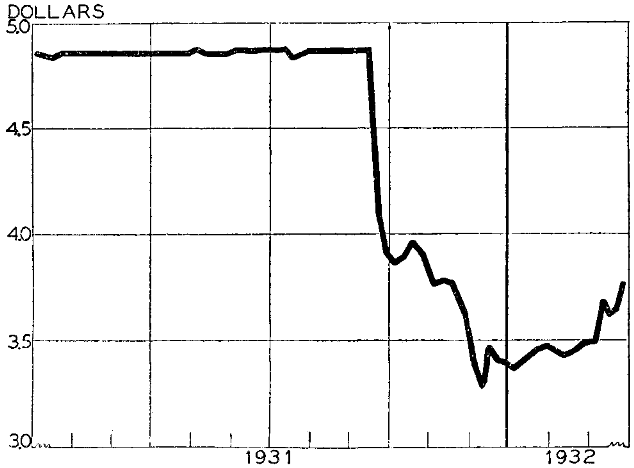
Gold Movement

During March there was a steady increase in this country's gold stock, and by the close of the month the total was approximately $36,000,000 higher than at the end of February. Exports, which were composed almost entirely of gold which previously had been earmarked, ceased by the 15th of the month; these exports in the first half of the month totaled $43,900,000, of which $37,500,000 was shipped to France and $6,300,000 to Belgium, leaving less than $100,000 of gold shipped to other countries. Gold imports at New York amounted to $13,500,000, of which $7,000,000 came from Canada, $2,700,000 from Argentina, $2,500,000 from Mexico, and $1,000,000 from Brazil; and at San Francisco, $2,900,000 was received from China and $700,000 from Australia. In addition to these imports, there was a net decrease of $58,300,000 in the total of gold held under earmark for foreign account, including both the amount released for export and other net releases the proceeds of which were employed in this market.

Foreign Exchange

The principal development of the month in the foreign exchange market was a rise in the sterling quotation. On March 2, following closely upon an announcement by the British Treasury that it would shortly repay part of the credits granted by banking syndicates in this country and France, the pound, which had ruled in the vicinity of $3.45 during February, rose from $3.48½ on March 1 to $3.53 on the 7th, and suddenly advanced to $3.70⅜ the next day. This movement, which is illustrated in the accompanying diagram, was followed by a recession to around $3.62 a few days later, but, again showing a rising tendency, sterling advanced 18 cents in four days' trading to $3.83¼ on March 28, reacting somewhat when the European markets reopened after the Easter holidays.

All the other important European currencies moved irregularly during March; for the most part, they showed a tendency to weaken against the dollar at the time of sterling's first sharp rise, but shared in the upward movement in the last week and were thereafter slightly easier at the close of the month. French francs moved erratically in a range of $0.0392 to $0.0394 during most of the month, the lower rate being quoted on March 24. French exchange then strengthened to $0.0394¾ on the 28th, but receded from this high as the month closed. Reichsmarks varied between $0.2376 and $0.2383 until the 28th, when they closed at $0.2385, later returning to about their previous level. Belgas, guilders, and Swiss francs



Course of Sterling Exchange Quotations at New York

at some time during the month declined to or below their parity; lire failed to improve materially; and the Scandinavians tended to move with sterling. Most of the other European currencies fluctuated in a fairly wide range in the course of the month.

No decided movement occurred in the South American list, the largely artificial rates being held at a constant level. Japanese yen went as low as \$0.3113 early in the month, but sold between \$0.32 and \$0.33 most of the month. The silver currencies receded, chiefly in the last two weeks. Canadian dollars rose from \$0.88½ on March 1 to \$0.90½ on the 29th.

Closing Cable Rates at New York
(In dollars)

Exchange on	Par of Exchange	Mar. 31, 1931	Feb. 29, 1932	Mar. 31, 1932
Austria	$ .1407	$ .1406	$ .1396	$ .1394
Belgium	.1390	.1391	.1392	.1397
Denmark	.2680	.2675	.1922	.2087
England	4.8666	4.8588	3.4825	3.8050
France	.0392	.03913	.03935	.0394
Germany	.2382	.2383	.2376	.2380
Holland	.4020	.4008	.4023	.4038
Italy	.0526	.0524	.0520	.0518
Norway	.2680	.2675	.1894	.2007
Spain	.1930	.1093	.0770	.0754
Sweden	.2680	.2677	.1926	.2047
Switzerland	.1930	.1924	.1937	.1941
Canada	1.0000	.9996	.8838	.9025
Argentina	.9648	.7905	.5865	.5865
Brazil	.1196	.0745	.0625	.0625
Uruguay	1.0342	.7180	.4725	.4750
Japan	.4985	.4938	.3325	.3320
India	.3650	.3615	.2636	.2888
Shanghai	.....	.3200	.3438	.3313

Business Profits

Annual earnings statements of 719 industrial and mercantile companies show aggregate net profits in 1931, after payment of fixed charges, that were 61 per cent smaller than in 1930, 78 per cent less than in 1929, and 74 per cent below 1928. It appears from quarterly reports available for a smaller list of companies that the trend of industrial earnings was downward as the year 1931 progressed, the percentage decline in profits for the full year being larger than that reported for the first half year.

Only one industrial group, the beverage concerns, reported slightly larger net profits in 1931 than in the previous year, but the tobacco group showed very little reduction, and profits of confectionery concerns were down only 7 per cent from 1930. Comparatively moderate reductions of 15 to 25 per cent in net profits were indicated for the leather and shoe, bakery, retail store, food products, and chemical and drug groups, and declines of more than 40 to 60 per cent, or less than the average for all companies, occurred in such groups as office equipment and electrical equipment, and also in the automobile group, including the General Motors Corporation but not the Ford Company. Although the motion picture, automobile accessory, meat packing, railroad equipment, and realty groups suffered large reductions in profits they still were able to show some net return for 1931. Eleven of the 33 groups of companies listed in the accompanying table, however, reported deficits of varying amounts from 1931 operations; prominent among these were the oil, steel, rubber, copper, coal and coke, and heating and plumbing companies.

Net operating income of 171 Class I railroads, that is, income before allowing for fixed charges, was reduced 40 per cent from 1930 to 1931 and was 58 per cent smaller than in 1929. In fact, in no year since 1920 has the net operating income of the railroads been as low. Net income of a list of 76 railroads, after allowing for fixed charges, was reduced 78 per cent between 1930 and 1931. Telephone companies' net operating income, on the other hand, was slightly in excess of 1930 and only 2 per

(Net profits in millions of dollars)

Corporation group	No. of Cos.	1928	1929	1930	1931
Beverages	5	18	21	22	22
Tobacco	17	89	95	102	101
Confectionery	9	21	23	22	21
Leather and shoe	14	29	19	11	9
Bakery products	14	52	58	52	42
Stores	37	161	165	100	82
Miscellaneous food products	34	128	154	145	111
Chemical and drug	26	109	131	110	82
Printing and publishing	10	31	35	30	18
Office equipment	9	29	37	24	14
Mining and smelting (excl. coal, coke, and copper)	23	54	76	39	22
Electrical equipment	23	113	148	95	47
Automobile	21	408	355	162	69
Paper	11	11	10	7	3
Shipping	11	14	19	12	4
Building supplies	39	70	76	37	4
Motion picture	9	24	45	28	3
Automobile parts and accessories (excl. tires)	46	65	75	22	2
Meat packing	12	42	41	34	1
Railroad equipment	18	49	67	47	1
Realty	13	18	20	14	0
Machinery	41	61	76	45	— 4
Steel	27	222	361	160	— 18
Oil	39	262	336	151	— 44
Household equipment	15	15	19	4	— 2
Copper	15	59	73	16	— 8
Coal and coke	15	6	12	8	— 7
Heating and plumbing	9	32	37	11	— 10
Miscellaneous textiles	31	22	19	— 12	— 2
Silk	12	6	4	— 3	— 1
Rubber	8	28	40	— 20	— 12
Clothing	5	10	8	— 1	— 5
Miscellaneous	101	284	351	230	122
Total 33 groups	719	2,542	3,006	1,704	667
Telephone (net operating income)	104	253	278	271	272
Other public utilities (net earnings)	63	332	361	343	297
Total public utilities	167	585	639	614	569
Class I. R. R. (net operating income)	171	1,194	1,275	885	531

— Deficit

cent less than in 1929. Net earnings of other public utilities in 1931 showed the comparatively moderate drop of 13 per cent from 1930 and of 18 per cent from the 1929 level.

Employment and Wages

Factory employment in the United States increased 1½ per cent from the middle of January to the middle of February, or only slightly less than is usual at this season. The seasonally adjusted index of the Federal Reserve Board, however, reached a level 34 per cent below the peak of 1929, and was the lowest in the period of more than thirteen years for which the index has been computed. Reductions, after allowance for seasonal changes, were shown in February in most of the important manufacturing lines, but increased employment was reported in the textile and shoe industries. Total wage payments increased by a somewhat larger amount than the number of workers employed, and the average remuneration per worker consequently advanced slightly.

In New York State, however, the number of workers employed in manufacturing industries did not show any of the usual February increase. Wage payments declined unseasonally, and average weekly earnings of those employed reached the lowest level since 1919. Average factory earnings have decreased from a high point of $30.47 a week in September 1929 to $24.02 in February, a reduction of 21 per cent. This decline reflects both a lower level of wage rates and a decrease in the number of working hours.

Building

The value of building and engineering contract awards in the 37 States covered by the F. W. Dodge Corporation report rose 5 per cent between January and February, which is about the usual seasonal increase. The increase reflected a more than seasonal rise in public utility projects from the low level of January and about the usual increase in other non-residential construction, partly offset by an unseasonal decline in residential contracts. Compared with February 1931, the contract value of February of this year showed a loss of 62 per cent; there were large reductions in all classes of contracts, with the greatest falling off in public works and residential building.

The Metropolitan area of New York reported in February a total building contract value that was only 20 per cent as large as a year ago, and for the first two months of 1932 the total was 71 per cent below the 1931 figure.

In the first three weeks of March a smaller than seasonal increase was reported in aggregate awards of building contracts. Although a considerable increase occurred in residential contracts, the total of building contracts was affected by an unseasonal decline in public works and utilities, and the expansion in other non-residential work was less than usual.

Production

Steel mill activity declined somewhat further in March, instead of showing the usual substantial upturn at this time of year, and production of automobiles likewise failed to expand seasonally. Output of cotton goods was lower than in February. Production of crude petroleum, however, increased seasonally, and output of bituminous coal rose contrary to the usual tendency.

In February, manufacturing and mineral production increased slightly less than seasonally. The output of automobiles, lead, lumber, and crude petroleum declined instead of showing seasonal increases, and curtailment occurred also in mill consumption of raw silk and in production of wheat flour and tobacco products. Output of pig iron increased somewhat less than usually, while steel ingot production for the month as a whole showed about the usual seasonal gain, although output at the close of the month was slightly below the level reached toward the end of January. Output of bituminous coal had an unseasonal increase, however, slaughterings of live stock declined less than usually, mill consumption of raw cotton rose moderately, wool mills were more active, and shoe production increased more than seasonally.

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

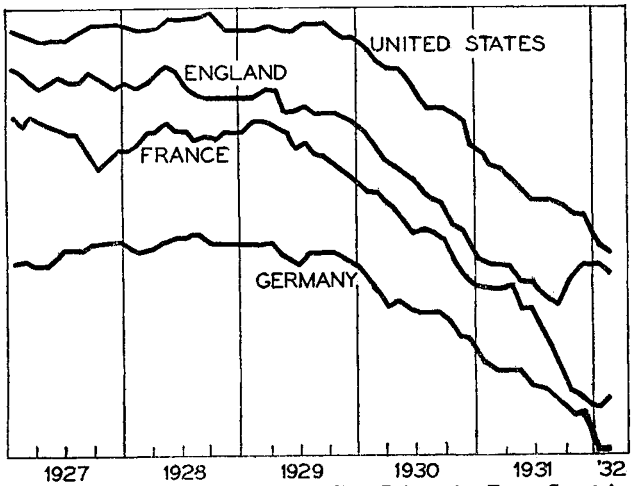
	1931		1932	
	Feb.	Dec.	Jan.	Feb.
Metals				
Pig iron r	57r	34r	32r	31r
Steel ingots r	63r	36r	35r	35r
Lead	67	56	50	45
Zinc	52	35	34	35
Tin deliveries	73	52	49	38
Automobiles				
Passenger cars	55	36	35	26p
Motor trucks	87	56	51	47p
Fuels				
Bituminous coal	76	65	58	65p
Anthracite coal	91	75	65	66p
Coke	70	50	46	46
Petroleum, crude	81	82	76	72
Petroleum products	76	71	67	
Textiles and Leather Products				
Cotton consumption	75	70	70	74
Wool mill activity	75	55	64	70
Silk consumption	99	87	102	84
Leather, sole	85	81		
Leather, upper	82	68		
Boots and shoes	88	87p	85p	88p
Foods and Tobacco Products				
Live stock slaughtered	96	98	93	100
Wheat flour	91	81	84	80
Tobacco products	98	80	85	81
Miscellaneous				
Cement	76	55	59	48
Tires	64	45	56	
Lumber	50	29	30	26
Printing activity	86	75		
Paper, newsprint	86	84	84	
Paper, other than newsprint	83	68		
Wood pulp	77	69p		

p Preliminary *r* Revised

Commodity Prices

The average price of commodities at wholesale showed little change in March from the level of the previous month, according to a new weekly index of the Bureau of Labor Statistics, which includes the prices of almost 800 commodities. Since the middle of February, this index has fluctuated between 66.2 and 66.5 per cent of the 1926 average.

The prices of a number of important basic commodities, however, continued to show a downward tendency in March. Raw silk, rubber, and raw sugar declined to new low levels in the history of these commodities, and lead was reduced to the lowest price since the 1890's. Cash wheat declined about 12 cents a bushel, reaching a level



Movements of Wholesale Commodity Prices in Four Countries (Ratio scale used to show proportionate changes)

only 3½ cents above the low of last July, and wool and hides dropped to the lowest levels in recent years. Declines occurred also in cotton, steers, and bituminous coal. Little net change was apparent in such commodities as corn, hogs, copper, zinc, tin, iron, steel, and petroleum, although in most of these instances prices remained close to the lowest levels reached during the current decline.

The commodity price decline in the United States in its broad movements corresponds closely to the price movements in Great Britain, France, and Germany, as the accompanying diagram indicates. Except in Great Britain, where a slow downward tendency had been evident since just before the stabilization of the pound in 1925, the level of commodity prices in these countries was fairly steady from 1927 to 1929. From 1929 to the present time, however, a virtually uninterrupted decline has been shown in wholesale prices in each of the four countries. The rather sudden rise in the British index last October is a reflection principally of higher sterling prices for certain imported goods, following the suspension of gold payments by Great Britain; and if adjustment be made for the depreciation of the pound sterling in terms of the currencies of gold standard countries, British prices also would show a continued decrease.

Indexes of Business Activity

The limited data so far available for March indicate that the general level of business activity continued to show somewhat less than the usual spring expansion. Car loadings of merchandise and miscellaneous freight during the first three weeks increased less than usually, and department store sales in New York City and vicinity during the first half of the month were 22 per cent lower than in the corresponding period a year ago, a somewhat larger year-to-year decline than has been shown in previous months. Easter business, however, should favorably affect the retail sales figures for the second half of the month.

In February, the distribution of goods and general trade activity declined moderately after adjustment for seasonal changes, according to this bank's indexes. None of the usual expansion took place in car loadings of merchandise and miscellaneous freight and in sales of chain grocery stores, while less than the average increase occurred in other chain store sales and in merchandise imports. Moreover, bank debits outside New York City declined more than seasonally, and the adjusted indexes of wholesale trade, postal receipts, and life insurance sales also were lower than in January. On the other hand, car loadings of bulk freight and exports of merchandise increased moderately, department store trade in the country as a whole was little changed after seasonal adjustment, and business failures diminished somewhat.

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

	1931		1932	
	Feb.	Dec.	Jan.	Feb.
Primary Distribution				
Car loadings, merchandise and misc.	78	65	65	62
Car loadings, other	75	61	55	58
Exports	73	56	51	56*p*
Imports	76	76	67	63*p*
Waterways traffic	66	47	45	43
Wholesale trade	90	91	87	80
Distribution to Consumer				
Department store sales, 2nd Dist.	97	85	82	80
Chain grocery sales	95	77	77	73
Other chain store sales	92	80	88	84
Mail order house sales	93	68	74	76*p*
Advertising	80	67	66	66
Gasoline consumption	87	80	82	
Passenger automobile registrations	65	52	44*p*	
General Business Activity				
Bank debits, outside of New York City	82	73	73	66
Bank debits, New York City	75	68	67	62
Velocity of bank deposits, outside of New York City	91	83	90	81
Velocity of bank deposits, New York City	87	71	73	70
Shares sold on N. Y. Stock Exchange	190	126	96	82
Life insurance paid for	92	103	108	92
Postal receipts	86	80	78	73
Electric power	85	78	74*p*	
Employment in the United States	80	71	70	69
Business failures	115	114	123	114
Building contracts *r*	70*r*	36*r*	25*r*	26*r*
New corporations formed in N. Y. State	85	80	83	82
Real estate transfers	61	54		
General price level*	157	140	138	136
Composite index of wages*	218	205	203	201
Cost of living*	152	142	140	137

p Preliminary *r* Revised *1913 average=100

Foreign Trade

The total value of this country's foreign merchandise trade remained substantially the same in February as in the previous month. Exports, amounting to $155,000,000, showed a slight increase over the January total, contrary to the general tendency for exports to decline between these two months. Imports, on the other hand, valued at $131,000,000, showed a small loss from the previous month, in contrast with a usual seasonal increase. Exports were 31 per cent less than a year ago and imports were 25 per cent less, but both of these declines were slightly less than have been shown in other recent months.

The value of February exports of crude foodstuffs was 16 per cent larger than a year ago, due chiefly to the fact that the leading grain shipments were 70 per cent in excess of the small quantity exported in February 1931. Shipments abroad of crude materials, mainly raw cotton, showed a 10 per cent increase in value over a year ago, as a large increase in the quantity shipped more than offset the continued price decline. All other leading export groups, however, again showed decreases in value, with the largest decline—51 per cent—occurring in finished manufactures.

Compared with a year ago, all of the major import groups again showed decreases in value, ranging from 15 per cent in imports of manufactured foodstuffs to 34 per cent in crude materials. Quantity receipts of raw silk increased 12 per cent over those of February 1931, but imports of crude rubber and coffee were in considerably smaller volume.

Department Store Trade

February sales of the reporting department stores in this district averaged 16 per cent below a year ago in dollar value, although there was one more selling day this year. As in January, unseasonably warm weather restricted the buying of winter merchandise. Sales of New York City, Rochester, Syracuse, Southern New York State, and Capital District stores showed declines somewhat larger than the average for the district as a whole, but nevertheless somewhat smaller than the declines reported for January. Department store sales in Newark also declined less from a year ago than in January, and sales in Buffalo, Bridgeport, and Northern New York State showed the smallest declines in several months. The leading apparel stores reported a 21 per cent decline from the previous year, a smaller decrease than in January, but larger than in other recent months.

Reports from department stores in the Metropolitan area of New York covering business in the first 14 days in March showed a decrease of 22 per cent from the corresponding period of March a year ago. The effects of Easter buying, however, will appear in the figures for the latter half of the month.

Department store stocks of merchandise on hand at the end of February, valued at retail prices, were 14 per cent below a year ago. Collections in February continued to be a little slower than a year ago.

Locality	Percentage change from a year ago			Per cent of accounts outstanding January 30 collected in February	
	Net sales		Stock on hand end of month		
	Feb.	Jan. and Feb.		1931	1932
New York	—16.7	—17.9	—14.9	42.6	40.8
Buffalo	—10.1	—13.5	—14.3	43.2	42.0
Rochester	—18.3	—22.2	—12.0	38.6	41.9
Syracuse	—21.5	—22.9	—11.8	27.2	26.6
Newark	—11.6	—13.5	— 9.7	39.7	37.8
Bridgeport	—10.2	—21.7	—17.0	34.6	31.9
Elsewhere	—16.9	—19.1	—12.5	29.8	27.8
Northern New York State	— 4.3	......	......	....	....
Southern New York State	—18.7	......	......	....	....
Hudson River Valley District	—13.0	......	......	....	....
Capital District	—19.6	......	......	....	....
Westchester District	—16.3	......	......	....	....
All department stores	—15.7	—17.4	—13.9	40.3	38.5
Apparel stores	—20.9	—27.4	—19.3	40.6	38.5

Wholesale Trade

Wholesale firms in this district reported February sales 20 per cent below a year ago, or slightly less than the January decrease. Sales of groceries and shoes showed the smallest decreases from a year previous since 1930, and drug, cotton goods, and men's clothing firms all reported smaller declines than in the previous month. On the other hand, decreases in hardware, paper, and jewelry sales were about the same as in January, and the reduction in stationery and diamond sales was larger. Yardage sales of silk goods, reported by the Silk Association of America, were further below the level of a year previous than at any time since June 1930, and the volume of machine tool orders, as reported by the National Machine Tool Builders Association, was less than half as large as a year ago, following comparatively small declines in the three preceding months.

Stocks of merchandise on hand at the end of February continued below the level of a year previous in all lines except drugs, which showed an increase for the fourth consecutive month. The February ratio of collections to accounts outstanding was practically the same this year as last.

Commodity	Percentage change February 1932 compared with January 1932		Percentage change February 1932 compared with February 1931		Per cent of accounts outstanding January 30 collected in February	
	Net sales	Stock end of month	Net sales	Stock end of month	1931	1932
Groceries	— 9.4	— 1.4	— 9.6	—20.2	70.8	72.8
Men's clothing	+93.6	......	—22.4	......	38.9	39.6
Cotton goods	+37.9	+ 5.4	—15.3	—14.2	31.1	28.9
Silk goods	—13.1*	+ 3.7*	—19.2*	— 2.6*	41.8	50.7
Shoes	+24.2	— 4.5	— 6.8	—17.3	34.0	30.7
Drugs	— 4.2	+ 8.1	—20.0	+19.4	25.0	20.5
Hardware	— 7.1	+12.2	—18.2	—10.6	37.5	35.0
Machine tools**	—36.4	......	—55.1	......	....	....
Stationery	—20.1	......	—21.5	......	69.5	66.6
Paper	— 8.1	......	—27.9	......	54.8	52.3
Diamonds	—17.7	+ 2.7	—58.5	—33.9	17.7	16.4
Jewelry	+14.8	+ 3.8	—35.8	—31.4		
Weighted average	+15.4	......	—19.6	......	46.2	46.5

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

Chain Store Trade

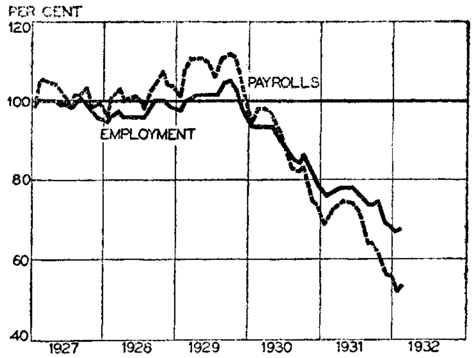
Total February sales of the reporting chain store systems in this district were 3 per cent less than a year ago, the smallest decline since October. Variety chains increased their sales for the first time since May 1930, and candy systems continued the series of increases in sales which began last October. Furthermore, ten cent, grocery, and drug chains showed smaller declines than in January. Business of the shoe chains, however, again showed a large reduction.

After allowing for the number of stores operated, all lines except variety systems continued to show declines from a year ago in sales per store.

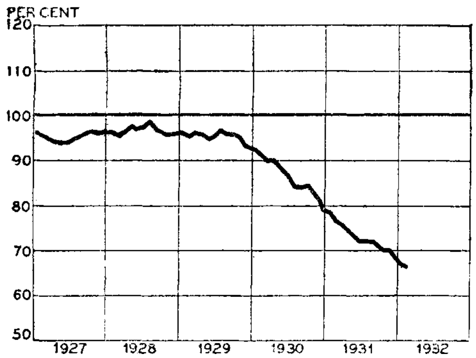
Type of store	Percentage change February 1932 compared with February 1931		
	Number of stores	Total sales	Sales per store
Grocery	+ 1.9	— 6.3	— 8.0
Ten cent	+ 2.0	— 2.7	— 4.6
Drug	+ 0.9	— 0.3	— 1.2
Shoe	— 0.6	—23.2	—22.8
Variety	+ 3.4	+ 3.7	+ 0.3
Candy	+25.0	+ 6.2	—15.1
Total	+ 2.3	— 2.7	— 4.9

FEDERAL RESERVE BANK OF NEW YORK

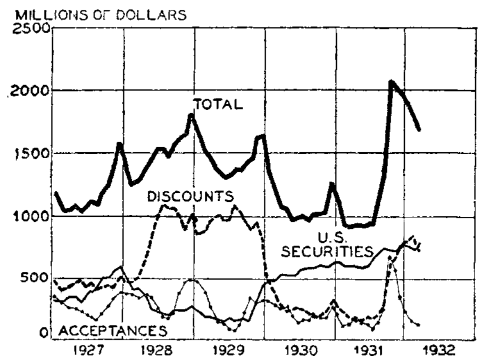
MONTHLY REVIEW, APRIL 1, 1932



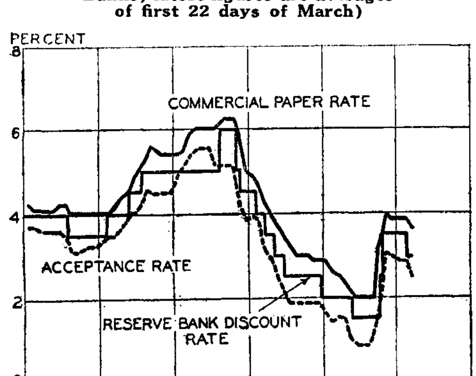
Index Numbers of Factory Employment and Payrolls, Without Adjustment for Seasonal Variation (1923-25 average = 100 per cent)



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



Reserve Bank Credit (Monthly averages of daily figures for 12 Federal Reserve Banks; latest figures are averages of first 22 days of March)



Money Rates in the New York Market (March rates are averages for the first 22 days)

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

VOLUME of industrial production and factory employment increased from January to February by an amount smaller than is usual at this season. Improvement in the banking situation during February and the first three weeks of March was reflected in a decline in bank suspensions and a return flow of currency from the public to the banks.

Production and Employment

Output of industrial products increased less than seasonally in February and the Board's index, which makes allowance for the usual seasonal variations, declined from 71 per cent of the 1923-1925 average to 70 per cent. Activity in the steel industry during February and the first three weeks of March showed little change from the January rate, although ordinarily substantial increases are reported at this time of year. Automobile production continued in small volume, showing none of the usual seasonal expansion, and the number of cars produced in the three-month period ended in February was about 35 per cent less than in the corresponding period a year ago. In the lumber industry, output declined further, contrary to seasonal tendency. Activity at cotton mills and shoe factories increased by more than the seasonal amount and was at about the same level as in the corresponding month last year.

Volume of employment at factories increased in February by somewhat less than the usual seasonal amount. In the iron and steel, automobile, and machinery industries the number employed showed an increase smaller than is usual in this month, and at lumber mills a continued decline in employment was reported. At establishments producing fabrics, wearing apparel, and shoes, volume of employment increased by more than the seasonal amount.

Daily average value of total building contracts awarded, as reported by the F. W. Dodge Corporation, showed little change in February and the first half of March, and for the period between the first of January and the middle of March the value of contracts was 65 per cent less than a year ago, reflecting continued declines in residential building as well as in other types of construction; part of the decrease in the value of awards reflects reductions in building costs.

Distribution

Carloadings of merchandise and of miscellaneous freight showed none of the usual seasonal increase in February, while sales at department stores remained unchanged, as is usual at this season.

Wholesale Prices

Wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, declined further from 67 per cent of the 1926 average for January to 66 per cent for February. Between the first week of February and the third week of March, there were increases in the prices of cotton, live stock, and meats, while prices of grains, nonferrous metals, and imported raw materials including silk, sugar, and rubber declined considerably.

Bank Credit

In the banking situation the important developments in February and the first half of March, were a considerable reduction in the number of bank suspensions and a return flow of currency from the public to the banks. The country's stock of monetary gold declined in February but increased somewhat in the first half of March. Member bank reserve balances, after decreasing almost continuously since last summer, showed a slight increase for the first two weeks in March. Purchases of United States Government obligations by the Federal Reserve Banks beginning in March were accompanied by a considerable decline in member bank indebtedness to the Reserve Banks.

Loans and investments of member banks in leading cities continued to decline until the middle of March when there was a substantial increase, owing largely to the banks' purchases of United States Government securities, issued on March 15. Demand and time deposits of these banks decreased further during February but showed little change in the first half of March.

Open market rates on acceptances and commercial paper declined during February and the first half of March. During this period yields on Treasury and other high grade bonds decreased to the lowest point since early December, but after the middle of the month yields on high grade corporate bonds increased somewhat.