

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

May 1, 1932

Money Market in April

During April there was further continued easing of the banking situation. The principal influence in this direction was an increase in the rate of purchases of Government securities by the Federal Reserve Banks. From the beginning of March through the first week of April purchases were made at the rate of \$25,000,000 per week but in the last three weeks of April the rate was increased to about \$100,000,000 per week. These purchases resulted in the first material increase in several months in the total volume of Federal Reserve credit outstanding. In addition, there was a further return flow of currency from circulation, so that the combined gain of funds by member banks from these two sources during the past two months is now well over \$600,000,000.

The following table summarizes the principal receipts of additional funds by member banks during the past two months and the disposition of these funds.

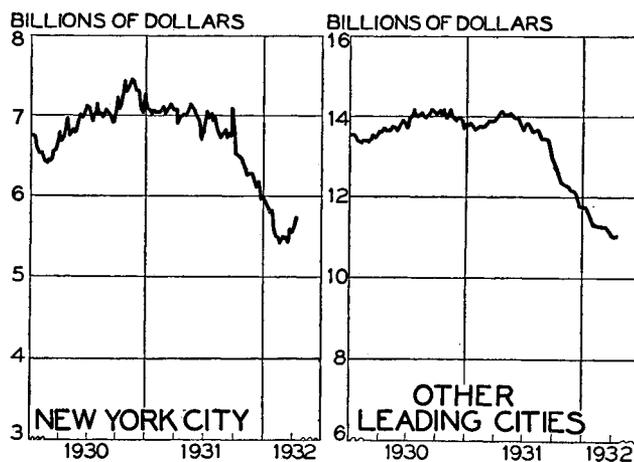
(In millions of dollars)		Feb. 24 to April 27
FUNDS RECEIVED BY MEMBER BANKS THROUGH:		
Federal Reserve purchases of U. S. securities.....		450
Return of currency from circulation.....		194
Net increase in gold stock.....		18
Total		662
DISPOSITION OF FUNDS:		
Repayment of indebtedness at Federal Reserve Banks	303	
Reduction in Federal Reserve bill holdings and other Federal Reserve credit.....	95	
Transfer of funds to Federal Reserve Banks by for- eign central banks, etc.....	28	
Increase in member bank reserve balances.....	236	
Total		662

As this table indicates, the indebtedness of member banks at the Reserve Banks has been reduced by more than \$300,000,000 during the past two months. This reduction in indebtedness, together with a decline of nearly \$100,000,000 in other forms of Federal Reserve credit, due principally to maturities from the acceptance holdings of the Reserve Banks, has absorbed somewhat more than half of the funds received by member banks, but there was an increase of \$236,000,000 in their reserve balances.

Thus, the position of member banks as a whole has been changed within the past two months from one of

heavy indebtedness, in which they were endeavoring to relieve their situation through credit liquidation, to a position in which many banks throughout the country have been able to retire, or greatly reduce, their indebtedness, and a considerable number of banks have surplus funds with which they can increase the amount of their credit employed in investments or extended directly to their customers. This change in the situation of member banks is similar to the change in the banking situation which occurred following crises on several occasions previous to the creation of the Federal Reserve System. At such times there was a tendency for funds to flow back into New York after a crisis, so that surplus funds accumulated in New York, and within a comparatively short time found their way to work in an expansion of credit. The business recoveries of 1915-16, 1908-09, 1904-05, 1896-97, 1893-95, and 1885-87, all were preceded by such a concentration of excess funds in New York.

A similar accumulation of funds does not readily occur under present conditions, due to the fact that since the war-time expansion the commercial banking system has been continuously dependent upon the Federal Reserve Banks for varying amounts of Federal Reserve credit. Any return flow of currency to the banks, and any release of member banks' reserves through credit liquidation, tends to be absorbed by the repayment of Federal Reserve credit. Consequently, positive action of the Reserve Banks, through open mar-



Net Demand and Time Deposits of Weekly Reporting Banks in New York City and in Other Leading Cities

ket purchases of Government securities, has been necessary before excess reserves could be created.

Among the immediate effects of the recent change in the banking situation have been a considerable recovery in prices of Government bonds, and a rapid decline in yields obtainable from the shortest and most liquid means of employment for funds—bankers acceptances and short term Government securities. The decline in yields obtainable from these investments and the increase in the reserves of many banks, whereby they are now able, without impairment of their liquidity, to employ funds for longer periods, have been followed by indications of a tendency to invest in high grade bonds, and in some cases to increase loans to customers. Consequently, following a diminished rate of decline in member bank credit during March, there was some evidence by the end of April of a tendency toward expansion.

This is reflected in the foregoing diagram, which shows the total net demand and time deposits of weekly reporting banks in New York City and elsewhere. As this indicates, the deposits of the New York banks, after declining at an extraordinary rate during the last quarter of 1931 and the first two months of the current year, showed somewhat greater stability in March and have turned upward recently to the highest level since January. This upturn in deposits reflects in part the direct effect of Reserve Bank security purchases and of redemptions of currency in the banks, but near the close of the period it reflected also, in part, the expansion of bank credit.

The easing of the credit situation has not been limited to New York. Although the bulk of Reserve Bank purchases of Government securities have been made in New York, the proceeds have been widely distributed. As in March, the distribution of funds during April occurred mainly through Treasury operations, including the disbursements made by the Reconstruction Finance Corporation. The greater part of the reduction in member bank borrowings at the Reserve Banks has occurred outside of New York, and the decline in the deposits of reporting member banks in cities other than New York appears to have been checked during the past few weeks, as the second part of the diagram indicates.

MONEY RATES

Changes in the more important open market money rates during the past month have been substantial, due to the accumulation of funds in New York and the limited

Money Rates at New York

	Apr. 30, 1931	Mar. 31, 1932	Apr. 29, 1932
Stock Exchange call loans.....	1½	2½	2½
Stock Exchange 90 day loans.....	*1¾-2	*2¾-3	*2
Prime commercial paper.....	2½-2¾	3½-3¾	3½-3¾
Bills—90 day unindorsed.....	1¼	2¾	¾
Customers' rates on commercial loans..	†3.54	†4.48	†4.38
Treasury securities			
Maturing September 15 (yield).....	1.30	2.02	.53
Maturing December 15 (yield).....	1.30	2.56	.96
Federal Reserve Bank of New York re-discount rate.....	2	3	3
Federal Reserve Bank of New York buying rate for 90 day indorsed bills.	1¾	2½	2½

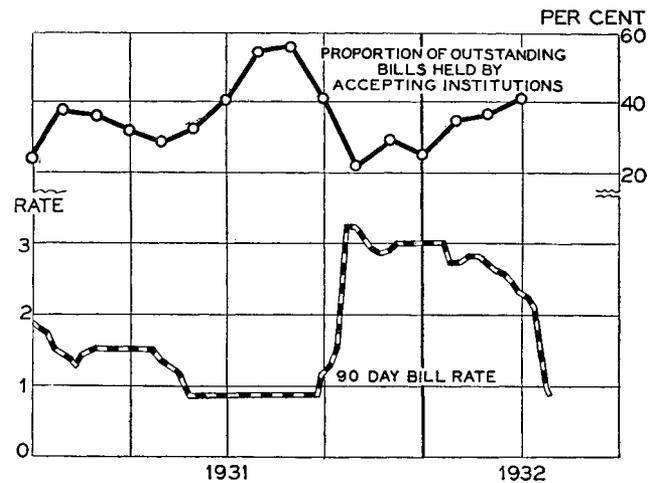
* Nominal † Average rate of leading banks at middle of month

supply of paper of the types that are most in demand. As the accompanying table shows, the offering rates for bankers bills and yields on Government securities maturing within six months have declined from above 2 per cent to less than 1 per cent. Smaller declines have occurred in the quotations for Stock Exchange time money, which are largely nominal, and also in commercial paper rates.

BILL MARKET

Throughout the month of April, the investment demand for bills was greatly in excess of the amount of bills that the dealers were able to secure from discounting and accepting banks. This sustained strong demand for acceptances, which the dealers were unable to satisfy even by reducing their rates to a very low level, reflected the plentiful supply of funds in the market arising largely from the purchases of Government securities made by the Federal Reserve Banks. Under these conditions no bills were offered to the Reserve Banks, whose total portfolio of purchased bills declined to \$46,000,000 on April 27, including foreign currency bills acquired in other countries. At the same time Federal Reserve holdings of bills for foreign central banks declined about \$40,000,000, due in part to inability to obtain bills in which to reinvest the proceeds of maturing bills.

The rapid reduction in open market rates, taken in four steps of ¼ per cent each and one of ½ per cent, extending from April 1 to April 21, resulted in the establishment of offering rates of 7/8 per cent for bills maturing within 90 days, of 1 per cent for 4 month bills, and 1¼ per cent for 5 and 6 month maturities. These rates are the same as prevailed between May and September of 1931. The following diagram indicates that the decline in bill rates since the sharp advance of last October has accompanied an increase in the proportion of outstanding bills held by the accepting institutions from about 20 per cent at the end of October to 40 per cent in March of this year, with an even larger proportion indicated for April, in view of the very limited amounts of bills that the dealers were able to secure from the banks.



Proportion of Outstanding Bills Held by Accepting Institutions, and Movement of Open Market Offering Rate for 90 Day Bills

The volume of dollar acceptances outstanding showed the comparatively small reduction of \$8,000,000 during March, according to the American Acceptance Council figures, which gave a total for March 31 of \$911,000,000. Import and dollar exchange bills and those drawn under domestic warehouse credits declined from February to March by an amount that was only partly offset by increases in bills arising from exports, domestic shipments, and the storage of goods in or shipment between foreign countries.

COMMERCIAL PAPER MARKET

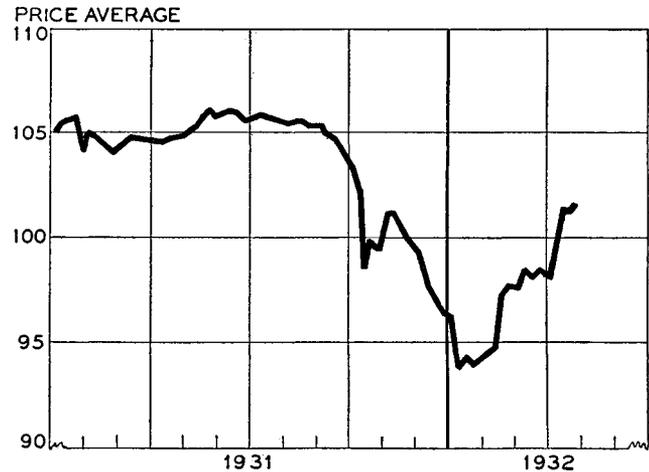
During April, some broadening of the market for commercial paper occurred throughout the country. Investment demand was reported by the dealers as coming from many banks, including to a limited extent the New York City institutions, whose inquiry was in part for their own account and in part for out-of-town correspondents. The paper dealers, as a consequence, were in the position of being able to sell more of the better grade of short paper, on which the demand concentrated, than they were able to obtain, because of the dearth of new drawings by the kind of industrial and commercial concerns able to finance themselves through the open market. Rates for prime paper therefore showed a downward tendency, the prevailing range becoming $3\frac{1}{4}$ - $3\frac{1}{2}$ per cent on April 15, as compared with the $3\frac{1}{2}$ - $3\frac{3}{4}$ range which had prevailed since the latter part of February. Some variations from this range were reported, including quotations of 3 per cent for 90 day paper of especially choice names, and $3\frac{3}{4}$ per cent for paper of borrowers with less high ratings.

The volume of commercial paper outstanding through reporting dealers at the end of March amounted to \$106,000,000. Although this amount is 66 per cent less than the total of March a year ago, it represents an increase of 3 per cent during the month, the first increase in nearly two years.

Security Markets

The most consistent movement in the bond market during April was in the United States Government division, which showed the greatest response to the influence of declining short term money rates, although other high grade bonds also turned moderately firmer after some weakness in the first part of the month. Prices of Government's advanced continuously and, on several occasions, quite rapidly during the first three weeks of the month, and thereafter prices showed little net change. Long term Treasury bond issues showed an average net advance of nearly 4 points for the month, and Liberty bond issues, which have nearby optional call dates, rose more than $1\frac{1}{2}$ points. The sharp advance in the average price of Liberty Loan and Treasury bonds is shown in the accompanying diagram which indicates that, as a result of this movement and of the general upward tendency since January, United States Government bonds have recovered 70 per cent of the decline that occurred between last August and January of this year.

Domestic corporation bonds, after declining 3 to 6 points between the end of March and April 13, recovered



Average Price of Outstanding Liberty Loan and Treasury Bond Issues

about half of this loss within the next week. Thereafter, high grade issues fluctuated irregularly but lower grade issues showed renewed weakness. Foreign dollar bonds quoted in this market declined about $3\frac{1}{4}$ points during the first half of the month, and showed little net recovery by the close of the month.

The continuance in April of the decline in stock prices which began in March carried average prices below the comparatively narrow range which had prevailed since December to a new low level since about 1915. The decline occurred chiefly in the first half of April and was practically uninterrupted during this period. In the second half of the month, the general level of prices declined only slightly further, as the relative steadiness of most railroad and public utility stocks somewhat offset a continued decline in industrial stock prices. Trading on the Stock Exchange during April was in about the same small volume as in other recent months.

In the market for bank stocks also, further substantial declines occurred during the first half of April. The Standard Statistics index of the share prices of 20 leading New York City institutions, however, remained somewhat above the mid-December low, and in the closing weeks of April advanced slightly.

New Financing

The volume of new security issues in April was about the same as in March. Much of the new financing continued to be of a public nature, not including the issues sold by the United States Government. The largest item was the allotment by the State of New York to a number of banks of \$75,000,000 of one year $2\frac{3}{4}$ per cent notes, following the sale of \$50,000,000 under a similar arrangement at the close of March. The month's offerings also included \$25,000,000 of Federal Intermediate Credit Bank short term debentures, which were entirely absorbed without recourse to the Reconstruction Finance Corporation, and \$24,000,000 of serial bonds of the Boston Metropolitan District maturing from 1933 to 1966 and priced to yield 4.25 to 5 per cent. The volume

of corporate financing, which was smaller than in March, included principally \$30,000,000 of short term notes, yielding 4.75 to 5.44 per cent, issued by the Edison Electric Illuminating Company of Boston.

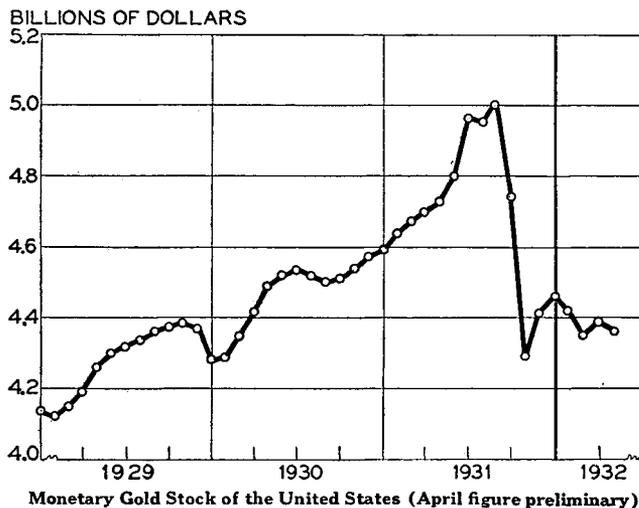
United States Government financing consummated during April included the sale of three issues of 91 day Treasury bills, totaling \$203,000,000. As the two Treasury bill maturities of the period aggregated only \$101,000,000, the Treasury thus raised \$102,000,000 of new funds through this medium. Reflecting the ease that developed in the money market, the first April issue was sold at an average rate of 1.05 per cent and the later issues at an average rate of about $\frac{5}{8}$ of one per cent. As recently as March 30, a Treasury bill issue was sold at over 2 per cent.

In addition to the bill issues, the Treasury on April 25 offered for subscription \$225,000,000 of 3 per cent two year Treasury notes of Series A-1934 and \$225,000,000 of 2 per cent one year certificates of indebtedness of Series B-1933, both issues to be dated May 2. Investment demand for these issues was very large and they were oversubscribed nearly ten times, although the subscription books remained open only one day. These issues constituted a part of the Treasury's financial program projected in January, which includes provision for funds required by the Reconstruction Finance Corporation as well as for ordinary Government expenditures.

Gold Movement

Following an increase of \$36,000,000 in March, the monetary gold stock of the United States was reduced about \$26,000,000 in April. As the accompanying diagram indicates, the monetary gold stock has in recent months been at an average level about \$75,000,000 above the figure reached at the end of the outflow of last autumn, and is higher than during most of 1929, when it supported a much larger credit structure than at present.

The April exports, which totaled \$49,500,000, consisted chiefly of shipments of \$24,500,000 to France and of \$22,000,000 to Holland; the latter included gold re-



leased from earmark, as well as gold shipped on exchange transactions. Imports totaled \$15,000,000, of which \$7,000,000 came from Canada, \$1,000,000 from Uruguay, \$1,000,000 from Peru, and \$600,000 from Mexico through the Port of New York; in addition, through the Dallas District \$1,000,000 was imported from Mexico, and through San Francisco \$2,000,000 was received from China, \$1,300,000 from Japan, and \$970,000 from Australia. The gold released from earmark for export and to cover payments in this country was in part offset by some new earmarkings, but the total amount of gold held under earmark for foreign account was reduced during the month by \$4,000,000.

Foreign Exchange

The major foreign exchanges were strong in the two middle weeks of April, when belgas, guilders, and French and Swiss francs were quoted on several days above their estimated gold export points from this country, but subsequently eased moderately. French francs maintained a premium throughout the month, but after a rise which carried them to \$0.0395 on the 7th and 8th, declined to \$0.0393 $\frac{7}{8}$ by the close of the month. Belgas gained steadily during the first two weeks and reached \$0.1403 on April 12, and, though continuing strong, they did not again touch this level. Guilders rose rapidly from \$0.4040 at the end of March to \$0.4053 on April 7, and except for a temporary recession in the third week, held close to the export point. Swiss francs reached \$0.1949 $\frac{1}{2}$ on April 11, but failed to maintain this level, closing the month lower than at the beginning. Sterling recovered to its end-of-March level at \$3.81 on the 6th, but in the next two weeks quotations moved irregularly lower, and in the last week of the month the pound was quoted as low as \$3.64 $\frac{1}{4}$. Reichsmarks were quoted in a range of \$0.2372 to \$0.2379, with little net change for the month. Lire declined steadily in the first part of the month, and then steadied. The Scandinavians, moving largely with sterling, closed the month with a net loss.

In the South American list, Argentine pesos were quoted at the official rate of \$0.5865. Milreis showed a stronger tendency and sold at \$0.0685 on the 29th compared with \$0.0625 on April 1.

Closing Cable Rates at New York
(In dollars)

Exchange on	Par of Exchange	Apr. 30, 1931	Mar. 31, 1932	Apr. 29, 1932
Austria	\$.1407	\$.1406	\$.1394	\$.1396
Belgium	.1390	.1391	.1398	.1401
Denmark	.2680	.2678	.2090	.2010
England	4.8666	4.8644	3.8100	3.6575
France	.0392	.03909	.0394	.03939
Germany	.2382	.2382	.2381	.2380
Holland	.4020	.4022	.4040	.4053
Italy	.0526	.0524	.0518	.0516
Norway	.2680	.2678	.2015	.1856
Spain	.1930	.1058	.0755	.0786
Sweden	.2680	.2681	.2045	.1840
Switzerland	.1930	.1927	.1940	.1942
Canada	1.0000	.9997	.9025	.8950
Argentina	.9648	.7273	.5865	.5865
Brazil	.1196	.0710	.0625	.0685
Uruguay	1.0342	.6600	.4750	.4800
Japan	.4985	.4940	.3305	.3238
India	.3650	.3620	.2888	.2745
Shanghai	.....	.3125	.3313	.3075

Japanese yen moved irregularly at somewhat above \$0.33 until April 21 after which they fluctuated between \$0.3225 and \$0.3260. The silver currencies receded in the last week. Canadian dollars were fairly steady, but the discount tended to widen in the last half of the month.

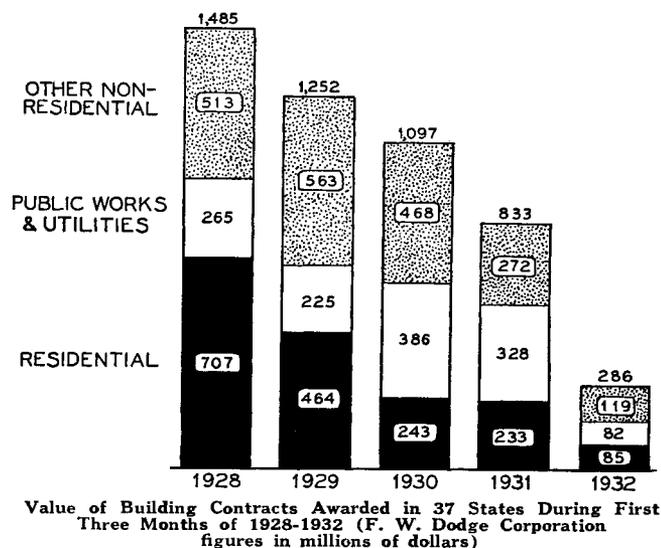
Central Bank Rate Changes

Following two reductions in March, the discount rate of the Bank of England was lowered another half per cent on April 21 to 3 per cent. The Reichsbank rate was twice reduced in April, from 6 to 5½ per cent on the 9th and to 5 per cent on the 28th. On the 19th the Netherlands Bank rate was lowered to 2½ per cent from the 3 per cent rate which had ruled since September 29, 1931. Other central bank rate reductions in April were reported as follows: Bank of Portugal, from 7 to 6½ per cent on the 4th; National Bank of Czechoslovakia, from 6 to 5 per cent on the 12th; National Bank of Hungary, from 7 to 6 per cent on the 18th; Bank of Finland, from 7 to 6½ per cent on the 20th; and the Imperial Bank of India, from 6 to 5 per cent on the 28th.

Building

During March, the value of building contracts awarded in 37 States was about 26 per cent larger than in February, but the total was 70 per cent smaller than in March a year ago, according to the F. W. Dodge Corporation figures. Residential building rose seasonally between February and March, and non-residential building work of the industrial and commercial type showed most of the usual expansion, but public works and utilities projects declined whereas they usually show a substantial seasonal increase in March; consequently, this bank's index of total awards of building and engineering contracts declined to a new low level.

The accompanying diagram shows the reduction that occurred in the value of building contracts during the first three months of 1932. The total for the quarter ended with March was only 34 per cent as large as the figure for the corresponding period a year ago, and was only 26 per cent of the 1930 first quarter total and 21 per cent of the average for the first quarter of 1928 and 1929. The heaviest decline between the first quarter of 1931 and 1932 was in the public works and public utility categories, which in 1931 and 1930 had been maintained in larger volume than in the preceding two years. A decline of 75 per cent in public works was the result principally of a large curtailment of highway construction, but there were also substantial decreases in other contracts for public works which reflected the efforts of public bodies to reduce budget expenditures. Public utility contracts were 74 per cent less than in 1931, with the largest curtailment in railroad construction. Residential contracts were reduced 63 per cent, the largest decrease occurring in apartment house construction, and other non-residential contracts underwent a decrease of 56 per cent. While part of the reduction in the value of building projects has been due to some decline in building costs during the last few years, the major influence



has been the decrease in the number and size of projects undertaken.

In the Metropolitan area of New York, the first quarter total of building and engineering contracts was 26 per cent of the 1931 value. Public works and utilities showed a loss of 84 per cent, residential building dropped 75 per cent, and other non-residential work was reduced 64 per cent.

During the first three weeks of April, contracts for public works and utilities awarded in 37 States showed much more than the usual seasonal increase, and other non-residential building receded only seasonally. On the other hand, residential contracts on a daily average basis were smaller than in March, in contrast to the usual tendency for such contracts to increase between these two months.

Foreign Trade

The value of this country's foreign merchandise trade declined somewhat in March, after adjustment for the usual seasonal tendencies. Exports of \$156,000,000 were 34 per cent less than a year ago, and imports of \$131,000,000 were 38 per cent smaller. The year-to-year decline in export values was about the same as in other recent months, but the decline in import values was the largest in the past ten months.

Exports of finished manufactures increased seasonally over February, but showed a reduction of 44 per cent from March 1931, again the largest percentage decline from a year ago in any of the leading export groups. On the other hand, the value of grain exports and of raw cotton shipments was somewhat larger than in March 1931. The quantity of raw cotton and grain shipped abroad continued to be substantially larger than a year ago.

Compared with last year, there was a reduction of nearly one-half in the value of March imports of partly finished manufactured goods, which consist principally of the non-ferrous metals and wood pulp. The next largest decline in imports—44 per cent—occurred in the

crude materials, which include principally rubber and silk. The quantity of raw silk and coffee imported also showed considerable decreases from the relatively high figures of a year ago, but crude rubber imports were in somewhat larger volume.

Indexes of Business Activity

Although the limited data available for April give no evidence of a definite change in business activity, there were some indications of an upward tendency during the month. The number of railway cars loaded with merchandise and miscellaneous freight, a series which usually reflects fairly well the level of general business activity, increased in each of the first three weeks of April, and the average of this bank's seasonally adjusted index for this period was slightly above the level of the month of March as a whole. Moreover, preliminary data on bank debits in 140 centers outside New York City indicated a sizable increase from March to April, whereas no consistent seasonal tendency between these months has been observed in past years. Although department store sales in New York City and vicinity in the first half of April showed a slightly larger year to year decline than in March, the fact that Easter occurred this year in March and last year in April had an adverse effect upon the April comparison with last year's business. Car loadings of bulk freight were reduced somewhat in April, due to a marked contraction in shipments of coal which followed an increase in March.

In March, practically all of this bank's seasonally adjusted indexes of the distribution of goods and of

general business activity declined further. Increases that were smaller than would be expected on the basis of past experience were shown by car loadings of merchandise and miscellaneous freight, and by sales of department stores and of chain stores other than grocery stores. In addition, bank debits in 140 centers outside New York City showed none of the usual seasonal increase, and foreign trade declined more than seasonally. The only favorable comparison among the most important indexes was in loadings of bulk freight, which were reduced slightly less than usually. Wholesale trade and sales of chain grocery stores showed little change other than seasonal.

Commodity Prices

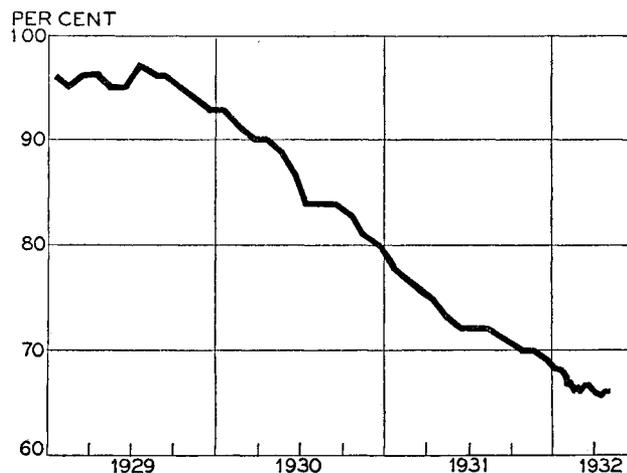
Although there continued to be instances of weakness in individual commodities in April, the general level of wholesale commodity prices held comparatively steady. This is illustrated in the accompanying diagram, which shows the revised monthly index of the Bureau of Labor Statistics from 1929 to 1931 and the new weekly index since it first became available at the beginning of 1932. From the middle of February through the third week of April this index fluctuated within a range of less than 1 point.

Wheat prices rose considerably in the first half of the month, reflecting the Government estimate of a much reduced winter wheat crop, but subsequently lost the greater part of the advance. No material change occurred in the price of steers, but prices of some of the other more important agricultural commodities such as corn, hogs, hides, and cotton declined further. Crude rubber and raw sugar, after reaching new low levels early in the month, subsequently recovered a portion of the loss. The price of crude petroleum advanced 9 cents further in April to 96 cents a barrel, the highest level in more than a year. On the other hand, there were declines in the prices of anthracite coal, copper, zinc, tin, silver, and silk.

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

	1931	1932		
	Mar.	Jan.	Feb.	Mar.
<i>Primary Distribution</i>				
Car loadings, merchandise and misc.	77	65	62	58
Car loadings, other	73	55	58	60
Exports	70	51	55	52 ^p
Imports	86	67	65	63 ^p
Waterways traffic	64	45	43	40
Wholesale trade	91	87	80	81
<i>Distribution to Consumer</i>				
Department store sales, 2nd Dist.	99	82	80	77
Chain grocery sales	94	77	73	72
Other chain store sales	88	88	84	75
Mail order house sales	81	74	76	59
Advertising	81	66	66	62
Gasoline consumption	88	82	72	
Passenger automobile registrations	64	44 ^p	38 ^p	
<i>General Business Activity</i>				
Bank debits, outside of New York City..	83	73	66	62
Bank debits, New York City	83	67	62	60
Velocity of bank deposits, outside of New York City	91	90	81	77
Velocity of bank deposits, New York City	97	73	70	68
Shares sold on N. Y. Stock Exchange ...	148	96	82	72
Life insurance paid for	93	108	92	80
Postal receipts	86	78	73	72
Electric power	86	75	74 ^p	
Employment in the United States	80	70	69	68
Business failures	114	123	114	121
Building contracts	72	25	26	21
New corporations formed in N. Y. State ..	90	83	82	
Real estate transfers	58	53	50	
General price level*	157	138	136	137
Composite index of wages*	219	203	201	201
Cost of living*	151	140	137	136

^p Preliminary *1913 average=100



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

Employment and Wages

March data generally indicated a further curtailment of employment and of wage payments. The number of workers employed in reporting factories, both in New York State and in the country as a whole, declined instead of showing the usual expansion, and after adjustment for seasonal changes was the lowest for any time for which the figures are available. According to the American Federation of Labor, the percentage of trade union members out of work increased between March 1 and April 1 for the first time in the five years for which the figures have been compiled. The United States Employment Service, moreover, reports that out-of-door work was retarded in March through adverse weather conditions.

Factory payrolls for the country as a whole declined in March, in contrast to the usual March expansion, and in New York State also factory payrolls failed to show any of the increase that ordinarily takes place. According to the Department of Agriculture, farm wages declined unseasonally between January and April and reached a level 6 per cent below the 1910-1914 average.

Production

Weekly reports on the activity of some of the principal industries indicated further declines during the first part of April, but some acceleration of activity in a few of the important industries in the latter part of the month. According to the "Iron Age" estimate, steel mill activity, after declining to 21 per cent of capacity in the first part of April, subsequently increased to 23 per cent. A gradual expansion in automobile production was also reported in the latter part of April, and crude petroleum production also increased during the month, but production of bituminous coal declined sharply and the output of cotton goods continued to decline in accordance with the usual seasonal tendency.

This bank's indexes of production for March show about an even balance between the number of increases and the number of decreases compared with February, but declines appear to have predominated in the more important industries, and the seasonally adjusted index computed by the Federal Reserve Board declined 2 points further to a level 46 per cent below the 1929 peak. Declines instead of the usual seasonal increases occurred in the daily rate of output of automobiles, pig iron, and steel ingots, and reductions were shown in mill consumption of raw silk, activity of wool mills, slaughtering of live stock, and production of tobacco products. On the other hand, bituminous coal production rose instead of conforming to the usual seasonal downward movement, output of shoes and of lumber expanded more than seasonally, and production of lead and of wheat flour also increased after seasonal adjustment.

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

	1931	1932		
	Mar.	Jan.	Feb.	Mar.
<i>Metals</i>				
Pig iron.....	59	32	31	28
Steel ingots.....	66	35	35	29
Lead.....	66	50	45	47
Zinc.....	51	34	35	35
Tin deliveries.....	79	49	38	41
<i>Automobiles</i>				
Passenger cars.....	57	35	26	23 _p
Motor trucks.....	76	51	47	30 _p
<i>Fuels</i>				
Bituminous coal.....	81	58	65	75 _p
Anthracite coal.....	78	65	66	77 _p
Coke.....	70	46	46	70
Petroleum, crude.....	81	76	74 _r	73 _p
Petroleum products.....	77	67	67	
<i>Textiles and Leather Products</i>				
Cotton consumption.....	78	70	74	74
Wool mill activity.....	73	64	70	55 _p
Silk consumption.....	100	102	84	65
Leather, sole.....	80	82		
Leather, upper.....	87	73		
Boots and shoes.....	97	87	91 _p	95 _p
<i>Foods and Tobacco Products</i>				
Live stock slaughtered.....	91	93	100	90
Wheat flour.....	90	84	80	82
Tobacco products.....	96	85	81	77
<i>Miscellaneous</i>				
Cement.....	79	59	48	45
Tires.....	67	56	56	
Lumber.....	55	30	26	31
Printing activity.....	85	75	76	
Paper, newsprint.....	91	84	83	89
Paper, other than newsprint.....	82	69 _p		
Wood pulp.....	76	73 _p		

_p Preliminary _r Revised

Department Store Trade

The dollar value of sales of the reporting department stores in this district during March averaged 19 per cent below a year ago, despite the early date of Easter and the fact that there was one more selling day in March this year than a year ago. In New York City, Newark, and the Hudson River Valley District, sales declined somewhat less than the average for the whole district but the decreases were in excess of those shown in the previous month. Sales in Rochester, Syracuse, and Northern New York State decreased approximately 30 per cent from March 1931, a larger decline than has previously been reported to this bank, and sales in Buffalo, Southern New York State, and the Capital District were reduced by more than 20 per cent from last year's dollar volume. The Westchester County stores were the only group to show a smaller year-to-year reduction than in February. Sales of the leading apparel stores in this district were 22 per cent below last year, or approximately the same decline as in February.

Reports from department stores in the Metropolitan area of New York for the first half of April showed sales 21 per cent below the corresponding period of 1931.

Stocks of merchandise on hand at the end of March, valued at retail prices, continued to be considerably lower than a year ago. The percentage of charge accounts outstanding at the end of February collected in March was also smaller this year than last.

Locality	Percentage change from a year ago			Per cent of accounts outstanding February 29 collected in March	
	Net sales		Stock on hand end of month	1931	1932
	March	Jan. to Mar.			
New York	-18.7	-18.2	-15.9	46.9	43.8
Buffalo	-21.5	-16.5	-16.4	45.2	40.3
Rochester	-30.5	-25.3	-18.2	36.4	38.7
Syracuse	-32.4	-26.6	-13.4	29.4	26.3
Newark	-16.2	-14.5	-8.4	41.4	38.7
Bridgeport	-20.9	-21.4	-19.8	35.7	31.1
Elsewhere	-20.8	-19.7	-13.2	34.1	32.3
Northern New York State	-28.8	.....	.....	.....	.....
Southern New York State	-22.9	.....	.....	.....	.....
Hudson River Valley District	-15.6	.....	.....	.....	.....
Capital District	-26.6	.....	.....	.....	.....
Westchester District	-13.2	.....	.....	.....	.....
All department stores	-19.1	-18.0	-14.9	43.4	40.4
Apparel stores	-21.6	-25.3	-25.1	41.8	39.7

	Net sales percentage change March 1932 compared with March 1931	Stock on hand percentage change March 31, 1932 compared with March 31, 1931
Toilet articles and drugs	+ 4.9	- 1.3
Toys and sporting goods	- 0.4	- 6.8
Hosiery	- 2.7	-11.3
Books and stationery	- 6.7	-15.3
Men's furnishings	- 9.2	-11.4
Shoes	-11.1	- 2.1
Home furnishings	-16.0	-10.9
Women's ready-to-wear accessories	-16.7	-15.2
Men's and boys' wear	-19.7	- 7.5
Furniture	-20.3	-19.6
Linens and handkerchiefs	-20.4	-16.7
Cotton goods	-20.8	-14.9
Silverware and jewelry	-20.8	- 8.5
Luggage and other leather goods	-26.1	-14.9
Woolen goods	-26.2	-12.0
Women's and misses' ready-to-wear	-27.6	-15.9
Silks and velvets	-29.7	-24.9
Musical instruments and radio	-48.6	+ 4.3
Miscellaneous	-15.8	-14.7

Wholesale Trade

The total sales of the reporting wholesale firms in this district in March were 22 per cent below the level of a year ago, a figure not materially different than in the previous two months. Sales of drugs were larger than in March 1931, following large year-to-year declines in January and February, and grocery sales, in which the declines have been diminishing progressively for the past six months, showed the smallest reduction in sales since June 1930. Furthermore, sales of diamonds and of silk goods declined somewhat less than in February, and sales of stationery, paper, and jewelry decreased by approximately the same percentages as in February. Sales of shoes, men's clothing, and cotton goods, on the other hand, lost the improvement which occurred in February and registered about the same decrease from a year ago as occurred in January. Hardware sales were reduced by a larger amount than has previously been reported,

and the volume of machine tool orders, as reported by the National Machine Tool Builders Association, showed a larger reduction than in February.

Stocks of merchandise on hand at the end of March were lower than a year ago in all lines except drugs, which showed an increase for the fifth consecutive month. The rate of collections on open accounts was slower this year than last in nearly all lines.

Commodity	Percentage change March 1932 compared with February 1932		Percentage change March 1932 compared with March 1931		Per cent of accounts outstanding February 29 collected in March	
	Net sales	Stock end of month	Net sales	Stock end of month	1931	1932
Groceries	+ 9.3	- 1.2	- 6.1	-23.5	77.0	81.9
Men's clothing	+21.6	.....	-35.4	.....	35.9	34.6
Cotton goods	+ 2.8	+ 1.0	-31.3	-19.7	34.1	28.8
Silk goods	+21.0*	- 8.2*	-14.8*	- 6.1*	49.3	56.0
Shoes	+41.8	-15.9	-13.8	-15.0	50.0	40.3
Drugs	+55.1	- 2.6	+12.5	+13.3	46.6	25.4
Hardware	+18.0	- 0.4	-29.3	- 9.8	43.2	37.4
Machine tools**	-13.3	.....	-72.3	.....	.....	.....
Stationery	+ 1.4	.....	-22.1	.....	74.1	70.4
Paper	+12.8	.....	-27.2	.....	63.9	51.4
Diamonds	+ 7.7	+ 1.2	-53.4	-27.8	18.1	14.1
Jewelry	+ 6.4	- 2.5	-38.7	-27.3	.....	.....
Weighted average	+17.7	.....	-21.9	.....	52.1	50.0

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

Chain Store Trade

March sales of the reporting chain store organizations in this district totaled 4½ per cent below a year ago, a somewhat larger decline than occurred in February but less of a decrease than was reported in other months since last October. Variety stores reported a reduction in sales after showing an increase in February, and shoe and drug organizations reported larger reductions from a year ago than in the previous month. However, sales of grocery and ten cent store chains remained at about the same relative level as in February and candy chains increased their sales over last year for the sixth consecutive month.

After allowing for changes in the number of stores operated, sales per store in dollar value averaged about 6 per cent smaller than in March 1931; all types of stores participated in this decline.

Type of store	Percentage change March 1932 compared with March 1931		
	Number of stores	Total sales	Sales per store
Grocery	+ 1.4	- 5.3	- 6.6
Ten cent	+ 1.7	- 3.0	- 4.6
Drug	+ 1.3	- 6.9	- 8.1
Shoe	- 1.1	-28.2	-27.4
Variety	+ 3.6	- 4.7	- 8.1
Candy	+24.0	+ 9.4	-11.7
Total	+ 2.0	- 4.5	- 6.4

FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, MAY 1, 1932

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL activity was in smaller volume in March than in February, although usually little change is reported at this season, and the number of employees at factories was also reduced, contrary to seasonal tendency. Volume of Reserve Bank credit decreased in March, but showed a considerable growth in the first three weeks of April. Money rates continued to decline.

PRODUCTION AND EMPLOYMENT

Output of industrial products, as measured by the Board's seasonally adjusted index, declined from 70 per cent of the 1923-1925 average in February to 68 per cent in March. Daily output at steel mills and automobile factories decreased, contrary to seasonal tendency, and activity at woolen mills declined sharply to the lowest level in recent years. Cotton consumption by domestic mills continued at the February rate, although sales of cotton cloth declined, and output of shoes increased considerably; in both these industries production was at about the same rate as a year ago. Activity in the lumber industry, which recently has been at a level about 45 per cent lower than last year, increased by more than the usual seasonal amount. Output of coal also increased considerably during March but declined in early April.

Volume of factory employment and payrolls decreased from February to March, although an increase is usual at this season. There were substantial reductions in working forces in the steel, automobile, machinery, and furniture industries, as well as at woolen and silk mills, while clothing and shoe factories showed additions to their working forces.

Value of building contracts awarded, as reported by the F. W. Dodge Corporation, showed some increase of a seasonal character during March and the first half of April and was approximately one-third as large as last year.

DISTRIBUTION

Rail shipments of merchandise, which ordinarily increase in March, showed little change, and sales at department stores in leading cities increased by less than the estimated seasonal amount.

WHOLESALE PRICES

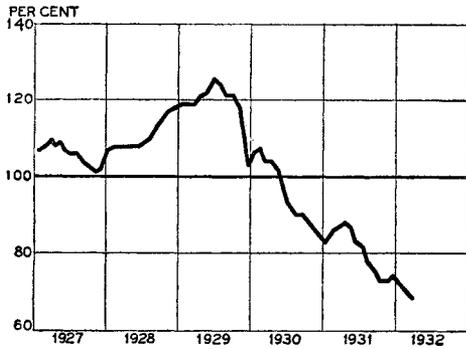
The general level of wholesale commodity prices showed little change between February and March, according to the Bureau of Labor Statistics. In the first two weeks in March prices of many commodities, including live stock and meats, advanced; between the middle of March and the third week in April, prices of cotton, silk, wool, hides, sugar, silver, and tin declined considerably, while prices of coffee and petroleum increased. Wheat prices showed wide fluctuations but were at about the same level in the week ended April 23 as in the first half of March.

BANK CREDIT

The Federal Reserve System's holdings of United States Government securities, after increasing continuously from early in March, totaled \$1,078,000,000 on April 20, an increase of \$338,000,000 since the end of February. This increase has been accompanied by some further decline in the Reserve Banks' holdings of acceptances and a reduction of \$264,000,000 in discounts. Member bank indebtedness to the Reserve Banks showed a considerable reduction in all of the Federal Reserve Districts. Total volume of Reserve Bank credit outstanding, which had declined in March reflecting a continued return of money from circulation and an increase in the country's stock of monetary gold, increased by \$115,000,000 during the first three weeks of April. This increase was accompanied by a substantial growth in member bank reserve balances.

Total loans and investments of reporting member banks in leading cities continued to decline during the five weeks ended April 13. At banks in New York City, however, there was an increase in investment holdings both of United States Government securities and other securities, offsetting the decline in loans, which continued until the middle of April.

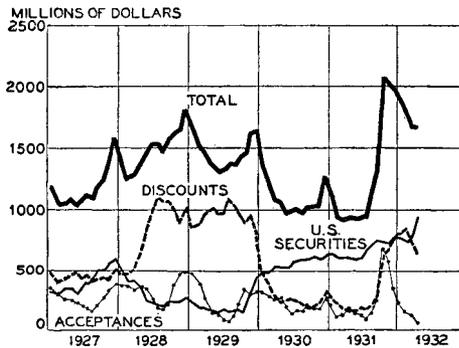
Open market rates for bankers acceptances showed successive reductions and on April 21 the offering rate for 90-day bills was $\frac{7}{8}$ of one per cent, the same rate as prevailed between May and September 1931. Rates on commercial paper also declined.



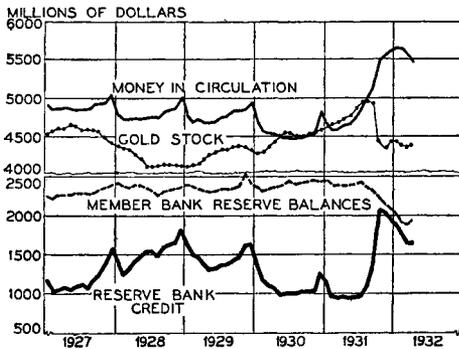
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



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



Reserve Bank Credit (Monthly averages of daily figures for 12 Federal Reserve Banks; latest figures are averages of first 21 days of April)



Federal Reserve Bank Credit and Principal Factors in changes (Monthly averages of daily figures; latest figures are averages of first 21 days of April)