

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

March 1, 1934

Money Market in February

Large purchases of new issues of Government securities during the past month have carried the total loans and investments of weekly reporting member banks in 91 cities throughout the country to the highest level in two years. During the four weeks ended February 21 the Government security holdings of the reporting banks increased \$954,000,000 to \$6,199,000,000, a volume substantially larger than was reached by the total Government security holdings of all member banks during the financing of this country's participation in the World War. The increase during the past month reflected chiefly purchases of Treasury certificates and Treasury notes issued on January 29, and of the Treasury notes issued on February 19, but included also smaller amounts of new Treasury bills. Other forms of member bank credit showed a small net increase for the month, but, on the whole, are no larger than a year ago and are considerably less than two years ago.

The net demand and time deposits of the reporting banks did not increase in proportion to the increase in total loans and investments during the past month, as a large part of the proceeds of new Government securities purchased by the banks for their own account and for their customers was left on deposit in the banks pending Government expenditures. Nevertheless the demand deposits of these banks increased slightly further, largely as the result of inter-bank deposits, so that the total of net demand and time deposits rose to a level approximately as high as at any time since 1931, as the diagram shows. Excluding inter-bank deposits which have been responsible for much of the fluctuation in deposits during the past two years, other demand deposits have been fairly steady, and on the whole have been increasing gradually since last autumn. A potential source of a further large increase in the supply of "deposit currency" may be seen in the great increase in Government deposits in the banks which occurred during the past month as the result of Government borrowing; the unexpended balances of the Government on deposit in weekly reporting member banks rose more than a billion dollars in four weeks to \$1,418,000,000 on February 21, the largest amount on record. When these funds are spent, it is to be expected that a considerable part will go into widely distributed deposit accounts of individuals and business concerns, and thus will expand the active money supply of the country.

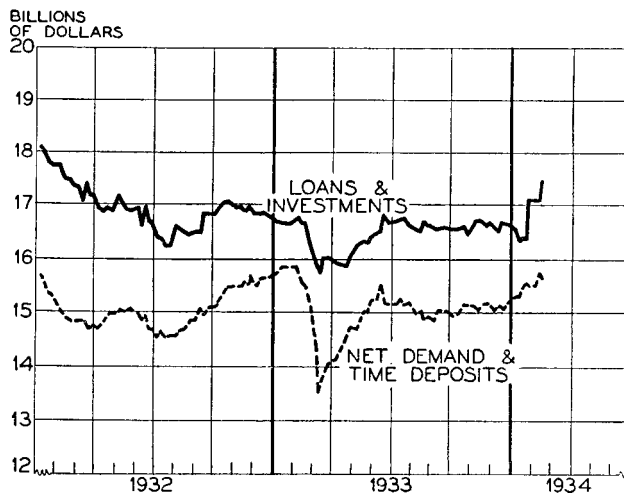
At the outset the creation of these large deposits to the credit of the Government had no effect on the reserve

position of the banks, but fairly large amounts of the new Government securities were paid for in cash, which was transferred temporarily from member bank reserves to Government deposits in the Reserve Banks. This had the effect for a time of reducing excess member bank reserves from the high level reached near the end of January, but in the latter part of February there was a renewed and rapid expansion of excess reserves, due chiefly to the heavy inflow of gold. The gold movement for the month amounted to about \$381,000,000, which is by far the largest gold inflow in dollar amount that has ever been received by the United States in a single month, and is also the largest amount in weight.

As a result of the payments received by the banks for imported gold, excess reserves of the principal New York City banks rose above \$350,000,000 at the end of February, an amount approximately equal to the previous high point reached in January 1933, and excess reserves for all member banks rose to a new high level above \$1,000,000,000.

MONEY RATES

In view of the large inflow of gold, money market conditions were continuously easy throughout the month, even though for a short period, as described above, the excess reserves of the principal New York banks were largely eliminated by payments for new Government securities. Rates of discount on new Treasury bills remained low in the early part of the month despite continued large offerings, and other money rates remained



Total Loans and Investments and Total of Net Demand and Time Deposits of Weekly Reporting Member Banks

steady. Later in the month the Treasury bill offerings were reduced in volume, as the Treasury was amply supplied with funds, and, with excess reserves and the demand for high grade short term paper increasing, the rates on new Treasury bills declined. Rates on bankers bills, which were also in good demand, remained unchanged. In the commercial paper market the tendency was towards slightly lower rates near the end of February.

Money Rates at New York

	Feb. 28, 1933	Jan. 31, 1934	Feb. 28, 1934
Stock Exchange call loans.....	1	1	1
Stock Exchange 90 day loans.....	*2½	1	**¾-1
Prime commercial paper—4 to 6 months	1¼-1½	1¼-1½	1¼-1½
Bills—90 day unindorsed.....	1½	¾	¾
Customers' rates on commercial loans..	†3.50	†2.46	†2.54
Treasury securities			
Maturing June (yield).....	0.10	0.25	0.03
Maturing September (yield).....	0.49	1.14	0.45
Maturing December (yield).....	0.31	1.67	0.62
Average rate on latest Treasury bill sales—91 day issue.....	0.99	0.72	0.57
182 day issue.....	.....	.....	0.62
Federal Reserve Bank of New York re-discount rate.....	2½	2	1½
Federal Reserve Bank of New York buying rate for 90 day indorsed bills.	1	½	½

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

During the four weeks ended February 21, the total loans and investments of the principal New York City banks increased more than \$500,000,000 to the highest level since the banking crisis of a year ago. As usual a substantial proportion of the new Government securities was sold in New York, and purchases by the New York banks for their own account were reflected in an increase of about \$350,000,000 in their holdings of Government securities. There was also an increase of \$123,000,000 in the security loans of these banks, and an increase of \$41,000,000 in other loans. Net demand and time deposits showed comparatively little change, but Government deposits increased \$533,000,000.

In the other 90 cities throughout the country which are represented in the weekly member bank reports, the total loans and investments of the reporting banks increased \$571,000,000. Government security holdings increased more than \$600,000,000, but there was a further small reduction in loans other than security loans. Net demand deposits in these banks increased \$124,000,000 during the four week period; time deposits increased slightly; and Government deposits increased \$515,000,000.

BILL MARKET

During the first half of February the bill market was extremely quiet; offerings of bills slightly exceeded dealers' sales and their portfolios tended to increase somewhat although still remaining of limited proportions. After the middle of the month, when excess reserves of the New York banks began to mount as a result of the gold import movement, the investment demand for bills increased and in the last week of February was very active. As a consequence, dealers' portfolios of bills at the end of February dropped to a small amount. Throughout the month comparatively few bills came into the discount market from accepting and discounting banks, and no change was made in open market offering rates which have remained since the end of December at ½ per cent for unindorsed bills up to 90 day maturity,

5/8 per cent for 4 month bills, and 7/8 per cent for 5 and 6 month maturities. The bill portfolio of the Federal Reserve Banks declined from \$111,000,000 on January 31 to \$75,000,000 on February 21 and continued to decline in the following week, due to the maturing of bills acquired in November and December.

At the end of January, the volume of dollar acceptances outstanding was \$771,000,000, or \$7,000,000 more than at the end of December, reflecting a rise in export bills to the highest level since November 1931, partly offset by declines in import bills and in bills based on goods stored in or shipped between foreign countries. During January, accepting banks and bankers increased their holdings of bills by \$125,000,000 to \$567,000,000, which is 73.5 per cent of the amount outstanding.

COMMERCIAL PAPER MARKET

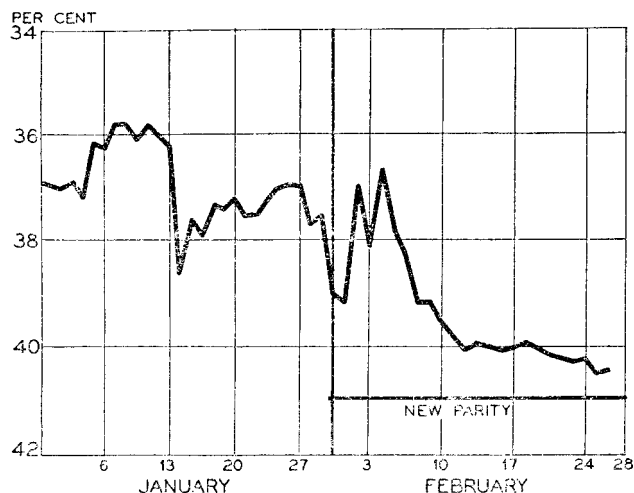
Little change in conditions in the commercial paper market occurred during February. Throughout the month the investment demand for paper exceeded the amount which dealers were able to secure from commercial and industrial concerns and to offer in the market. The prevailing rate for prime commercial paper of 4 to 6 month maturity remained at 1¼-1½ per cent. Investment demand was largely centered on paper maturing within 4 months and for this maturity the rate was chiefly 1¼ per cent. The quantity of 5 and 6 month paper in the market was small and for these maturities the rate was usually 1½ per cent. Some paper not exceeding ninety day maturity was also moved at 1 per cent during the month.

At the end of January, the total amount of outstanding commercial paper reported by dealers was \$108,000,000, as compared with \$109,000,000 at the end of December. January outstandings were 28 per cent larger than a year ago, the largest year to year increase since November 1930.

Foreign Exchange

The immediate effect on the foreign exchange market of the devaluation of the dollar on January 31 was a sharp advance in all currencies against the dollar. The French franc rose to 6.42¼ cents, indicating an exchange value of the dollar 39.00 per cent below its old parity, as compared with a reduction of 40.94 per cent in the gold value of the dollar set by the President's proclamation on that day. In the next few days, however, the dollar instead of declining further to its new parity, actually advanced against the French franc which declined to 6.18½ cents on February 5, as compared with the new par of 6.63 cents. A reversal of this downward movement of the franc followed immediately accompanying heavy sales of gold abroad for shipment to the United States, and throughout the remainder of the month French exchange climbed gradually, until dollar-franc exchange was close to its new parity, and the discount on the dollar from its old parity in foreign exchange markets closely approached the reduction in the gold value of the dollar in the United States, as the accompanying diagram indicates.

The new gold import point from France is estimated in the vicinity of 6.59 cents, so that during most of Feb-



Discount on the Dollar from Old Parity with the French Franc, Showing New Parity Established on January 31

ruary shipments of gold to the United States for sale to the Treasury at the new purchase price of \$35 per fine ounce were profitable, but near the end of the month the profit on gold shipments was largely eliminated. The course of the Dutch and Swiss exchanges closely paralleled that of the French currency, and substantial amounts of gold were also imported to the United States from these countries.

Sterling advanced to \$5.03½ immediately following devaluation of the dollar but thereafter declined to \$4.88 on February 2, the lowest since November 4, 1933. Subsequently, the pound strengthened to \$5.13½ on the 19th, and fluctuated between \$5.05 and \$5.09⅓ during the final week of February. Throughout the month, the London price for gold and sterling quotations made it profitable to secure gold in the open market for shipment to the United States. The Scandinavian currencies, the Japanese yen, and the Argentine peso tended to follow sterling. The Italian lira, which during the first half of the month moved with the currencies of other gold bloc countries, weakened during the last half of February.

Closing Cable Rates at New York

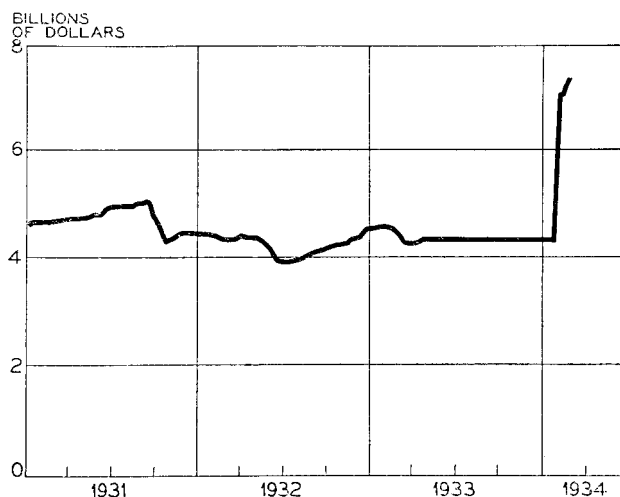
Exchange on	Par of Exchange	Feb. 28, 1933	Jan. 31, 1934	Feb. 28, 1934
Belgium.....	\$.2354	\$.1408	\$.2225	\$.2330
Denmark.....	.4537	.1532	.2235	.2267
England.....	8.2397	3.4213	4.9900	5.0650
France.....	.0663	.03949	.06280	.06575
Germany.....	.4033	.2389	.3795	.3960
Holland.....	.6806	.4048	.6415	.6718
Italy.....	.0891	.0512	.0838	.0857
Norway.....	.4537	.1758	.2515	.2550
Spain.....	.3267	.0834	.1290	.1357
Sweden.....	.4537	.1818	.2580	.2615
Switzerland.....	.3267	.1954	.3100	.3225
Canada.....	1.6931	.8363	.9919	.9938
Argentina.....	.7187	.5865	.3327	.3377
Brazil.....	.2026	.0763	.0850	.0863
Uruguay.....	1.7511	.4750	.7800	.7900
Japan.....	.8440	.2063	.2970	.2995
India.....	.6180	.2590	.3770	.3825
Shanghai.....	.....	.2913	.3400	.3506

Gold Movement

Following the approval by the President of the Gold Reserve Act of 1934 on January 30, all metallic gold

owned by the Federal Reserve Banks was taken over by the Treasury. Accompanying the reduction of the weight of the gold dollar from 25.8 grains to 15 5/21 grains of gold nine-tenths fine by Presidential proclamation at 3:10 P.M. on January 31, the price of gold was raised from \$20.67 to \$35.00 per fine ounce, and the dollar value of the monetary gold stock of the United States, which before devaluation of the dollar had been \$4,035,000,000 exclusive of United States gold coin still reported as in circulation, which is no longer treated as part of the country's monetary gold stock, became \$7,030,000,000 following devaluation. This increase in the dollar value of the gold stock, which is shown in the accompanying diagram, represented chiefly the enhanced value of gold due to devaluation, but reflected also the inclusion in the monetary gold stock of gold which had previously been acquired at home and abroad by the Reconstruction Finance Corporation and the Treasury.

The further sizable increase in the monetary gold stock which is shown for February represented chiefly imports of gold purchased abroad by commercial and private banks to take advantage of the Treasury's new purchase price for gold. These imports during the course of the month totaled \$381,000,000, comprising \$213,000,000 from England, \$93,000,000 from France, \$53,000,000 from Holland, \$12,000,000 from Canada, \$5,000,000 from Switzerland, and \$5,000,000 from Mexico. In addition, the monetary gold stock of the United States was also increased \$8,600,000 by releases of gold from the earmark accounts of foreign correspondents. Gold held under earmark for foreign account declined an additional \$61,700,000, due to releases of gold in New York against gold delivered abroad which had been previously acquired and included in the monetary gold stock. Likewise, there were imports of \$17,500,000 from France which were without effect on the monetary gold stock, since this gold had already been included in the gold stock of the United States, and there was also an import of \$1,660,000 from Colombia which was immediately earmarked.



Dollar Value of the Monetary Gold Stock of the United States

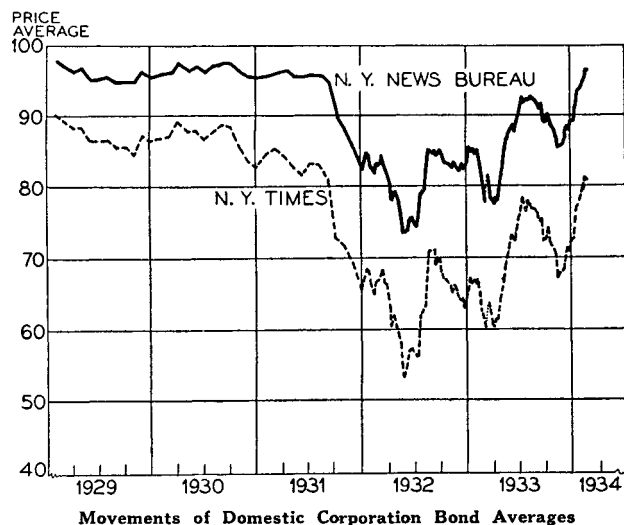
Central Bank Rate Changes

On February 9 the Bank of France raised its discount rate from $2\frac{1}{2}$ to 3 per cent, following some reduction in its gold reserve. This is the first change since October 10, 1931 when the rate was raised from 2 to $2\frac{1}{2}$ per cent. Also on February 9 the National Bank of Yugoslavia lowered its discount rate from $7\frac{1}{2}$ to 7 per cent. The previous rate had been in force since June 20, 1931.

Security Markets

The bond market continued active during February and prices of domestic corporation bonds advanced further to new highs since before the rapid decline which began in September 1931 and continued down to June of 1932. Toward the end of the month, however, a moderate reaction occurred. Trading in bonds on the New York Stock Exchange on several days in the first part of February was at or near record proportions, but tended to diminish somewhat as the month progressed.

The advance in domestic corporation bond averages amounted to about 3 points by the end of the third week of February, and at that time certain of the averages composed largely of the highest grade issues were at levels which compared favorably with those prevailing from 1929 through the first half of 1931. Averages containing a larger proportion of the medium or lower grade issues showed even more substantial advances, but were still some distance below the 1929-1930 level. The comparative movements of different grades of bonds are indicated in a general way by the accompanying diagram; this shows the movements over the past five years of two bond averages—the New York News Bureau average, which rates rather high as to general quality of the component issues, and the New York Times bond average, which contains a larger proportion of the lower grade issues. It may be noted, however, that substitutions of issues in the various bond averages have tended to maintain to some extent the average grade of bond included, and that lists of identical issues dating back through 1929 would not now be quite as close to the pre-depression price levels as are the current bond averages.



United States Government bonds advanced further in the opening days of February, and after declining slightly for a few days resumed the advance and reached the highest level since the beginning of November. In Treasury bond issues, there was an average rise of nearly 1 point for February, and Liberty's rose about $\frac{1}{2}$ point, but in the closing days of the month there was a slight decline accompanying the general reaction in the security markets. Foreign bonds also tended irregularly higher in February.

Stock prices, unlike bond prices, showed no further net gain during February, but rather a small decline. The devaluation of the dollar on January 31 was followed by a strong and active stock market for a few days, during which the general level of stock prices approached the highs of last July, but this advance was lost soon afterward. A subsequent slight recovery and renewed decline left the general level of stock prices near the end of February somewhat below the final quotations for January.

New Financing

During February, accompanying a strong bond market, there was some indication of a beginning of new corporate financing. On February 8, announcement was made by the Federal Trade Commission that the American Water Works and Electric Company had filed for registration a proposed \$15,000,000 issue of 5 per cent 10 year collateral trust bonds and 2,500,000 shares of no par common stock, the proceeds of which are to be used to retire a maturing bond issue on April 1 and for general corporate purposes. This is the first public utility issue of any material size to be filed for registration since the Securities Act of 1933 went into effect last July.

Later in the month, the New York Central Railroad Company, whose security issues are under the jurisdiction of the Interstate Commerce Commission, rather than the Federal Trade Commission, announced an issue of \$59,911,000 of 10 year 6 per cent convertible bonds, in connection with plans to meet its 1934 maturities, of which about \$48,000,000 come due on May 1. These bonds are to be offered first to present stockholders, but in addition, the financing has been underwritten by a banking group and to some extent by the Reconstruction Finance Corporation. Advance quotations on the new bonds indicate a favorable reception to the issue. These two refunding operations constitute important steps toward providing for this year's corporate bond maturities, which are estimated to total between \$900,000,000 and \$1,000,000,000, roughly the same amount as in each of the past four years.

New securities actually offered for purchase by the public in February remained small, however, being limited to about \$60,000,000 of State and municipal financing, composed of nearly 50 issues. This is exclusive of United States Government financing which aggregated \$1,323,000,000 during the month, of which \$1,012,000,000 represented new funds and \$311,000,000 the replacement of maturing Treasury bills. The bulk of the new money was raised through two Treasury note issues dated Feb-

ruary 19—\$418,000,000 of 2½ per cent notes due December 15, 1935, and \$429,000,000 of 3 per cent notes due February 15, 1937. Subscriptions to these note issues during the one day on which the subscription books were open amounted to \$3,618,000,000. Treasury bill issues put out in February included \$275,000,000 of 91 day bills and \$200,000,000 of 182 day bills, the latter an innovation in United States Treasury financing. Provision was made whereby payment for the 182 day bills could be made by qualified depositaries by crediting the account of the Treasury for bills received for the depositary banks' own account and for the account of customers. Rates on the 182 day bills sold by the Treasury declined from 0.94 per cent on the first issue to 0.62 per cent on the last issue of the month, and rates on the three month bills declined from 0.66 to 0.57 per cent.

Commodity Prices

Commodity prices continued to advance during the first half of February, and, as indicated by the accompanying diagram, the wholesale price index of the Bureau of Labor Statistics reached a level 24 per cent above the low point of March 4, 1933. The figure attained on February 17 was the highest since the early months of 1931 and indicated a recovery of between 35 and 40 per cent of the 1929-1933 decline.

Prices of farm products rose steadily up to the middle of February, and in general reached a level only 1 per cent below that of last July, as the diagram shows, and other groups of the index which are largely influenced by raw material prices either exceeded or were close to the 1933 peak levels. The price index for metals and metal products, in which the rise was much more gradual in 1933, has held around the high point reached in January, and other groups which reflect chiefly the movement of prices of semi-manufactured or finished goods approached or exceeded their previous highs in the early part of February.

Among individual commodities, the outstanding rise was cotton which advanced to 12.65 cents a pound at New York, the highest level reached since 1930. Scrap steel during the course of the month rose further to \$14.75 a ton, and gains occurred also in silver, tin, rub-

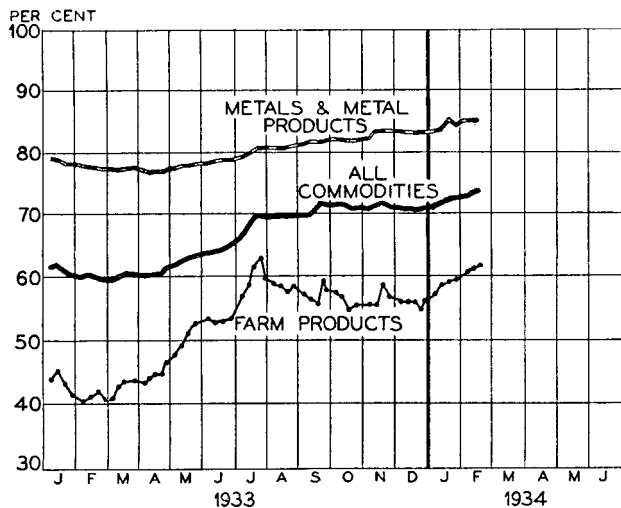
ber, sugar, corn, hogs, and steers. Toward the close of the month, however, a reactionary tendency was apparent in a number of commodities, and declines from the highest levels reached during the month occurred in wheat, sugar, hogs, corn, cotton, silk, and rubber. Prices of hides and copper were lower for the month as a whole. Reflecting these declines the Bureau of Labor Statistics weekly index was slightly lower for the week ended February 24. The largest reduction occurred in farm products, and other declines were largely confined to the raw material groups, while those groups principally affected by semi-manufactured and finished goods prices were steady.

Employment

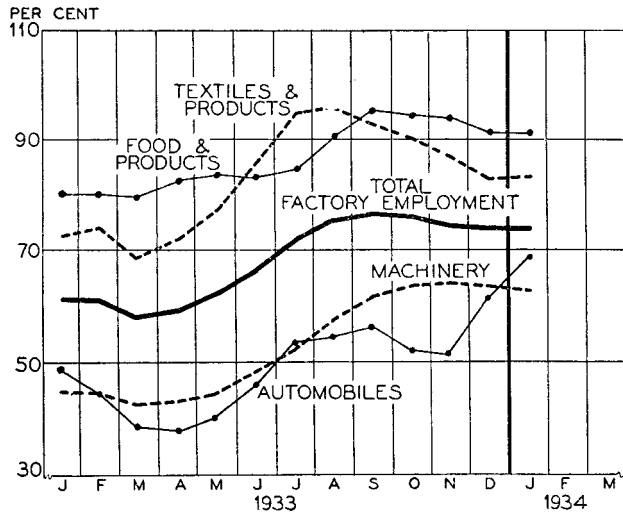
A further seasonal decrease in private employment occurred during the period from the middle of December to the middle of January. The principal factor accounting for this decline was the removal from the payrolls of department and other general merchandise stores of a considerable number of workers who had been employed on a temporary basis for the Christmas trade. Employment on private construction projects was also reduced seasonally, and factory working forces showed about the customary recession. A large increase in employment occurred at automobile factories, but moderate decreases in working forces were fairly general in other principal manufacturing lines.

The reduction in private employment during this period was exceeded, however, by a further increase in the number of workers provided with temporary relief jobs through the Civil Works Administration, so that the number of workers without employment of any sort at the middle of January was smaller than a month earlier. By the middle of January the original quota of 4,000,000 C.W.A. jobs had been filled. In February the number of workers obtaining relief employment was considerably reduced, but this decline in public employment was probably offset at least in part by an increase in factory working forces, accompanying the expansion of industrial operations in February. During the coming months increased private employment in outdoor activities, such as farming and building and road construction should offset to some extent the prospective curtailment of C.W.A. activities.

The extent of the increase in working forces during 1933, which resulted from the rise in industrial activity and the spreading of work through the reduction in the length of the average working week under the program of the National Recovery Administration, is shown in the following diagram for manufacturing industries as a whole and for four of the principal manufacturing lines. Increased employment in the food industry appears to have been due largely to the second factor, as most of the advance occurred during the period from July to September, when industrial codes were being put into effect. In the textile and automobile industries large increases in employment were shown from March to July in connection with the marked expansion of output in these industries, and the subsequent reductions in working forces were less than in output, due to restrictions on working hours. During December and January employment at automobile factories rose further accompanying



Bureau of Labor Statistics Weekly Price Indexes for All Commodities, Metals and Metal Products, and Farm Products (1926 average=100 per cent)



Indexes of Total Factory Employment and of Important Groups
(Federal Reserve Board seasonally adjusted indexes
converted to a 1928 base)

the introduction of new models. The increase in working forces in the machinery industries reflects in part increased demand for machine tools on the part of automobile producers and a growth in the sales of farm implement manufacturers which has been associated with the advance in agricultural income, as well as the spreading of work under the National Recovery program.

Foreign Trade

The dollar value of merchandise exports from the United States in January was 42 per cent larger than a year previous, and imports showed an increase of 41 per cent. The increase in exports was somewhat less than in December, while the increase in imports was somewhat larger. Compared with December, January exports showed an unseasonal decline, and imports increased by less than the usual seasonal amount.

Available statistics concerning the foreign merchandise trade of leading commercial countries show some interesting comparisons between 1933 and 1929 which are summarized in the accompanying table. For the United States, the combined value of export and import trade during 1933 expressed in dollars was about one-third that of 1929, a slightly larger reduction than is indicated for any of the other principal countries. In Germany and Italy the 1933 percentages of 1929 trade were only a little larger than in the United States, but in France 1933 trade was 43 per cent of the 1929 amount, and, expressed in sterling and yen, respectively, 1933 foreign trade in the United Kingdom was over 50 per cent and in Japan 87 per cent of the 1929 value.

Total Foreign Trade (Exports and Imports)
1933 Values Expressed as Percentages of 1929 Values

	In Own Currency	In Gold Dollars
United States.....	32	25
Germany.....	34	34
Italy.....	36	36
France.....	43	43
United Kingdom.....	54	37
Japan.....	87	38
73 Countries Combined.....	..	35

Comparisons of foreign trade values, expressed in terms of gold dollars, as calculated by the League of

Nations, rather than in the currencies of the various countries, make a very different showing, however, as the second column of the table indicates. On a gold basis, the foreign trade of 73 countries in 1933 amounted to 35 per cent of the 1929 value. For the United States the 1933 foreign trade reduced to a gold basis was 25 per cent of 1929; for Japan 38 per cent; and for several other principal countries the percentages of 1929 trade were considerably smaller on a gold basis than on the basis of their own currencies.

For the United States and Japan, exports declined at about the same rate as imports; in the case of Germany and Italy there was a much larger contraction of imports than exports, with the result that the trade balances of these countries improved. France and the United Kingdom, on the other hand, had larger reductions in exports than in imports.

Building

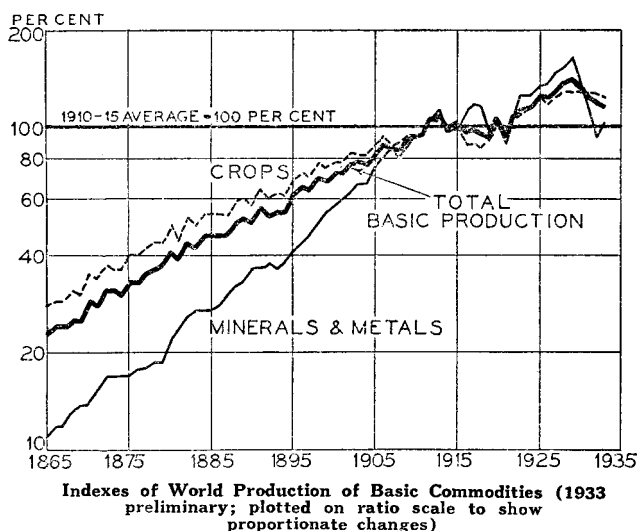
Total building and engineering contracts awarded in 37 States declined about 10 per cent from December to January, and this bank's seasonally adjusted index of building contracts receded 7 points to 47 per cent of the long term trend. With the exception of December, however, the index remained higher than in any month since October 1931, and was far above the low point reached in April 1933 when the index declined to 11. Contracts for publicly financed building increased slightly from December to January, while privately financed construction showed a decline which was partly seasonal. Compared with a year ago, the January total was more than twice as large; publicly financed projects were up from \$39,000,000 to \$157,000,000, but privately financed construction was reduced from \$44,000,000 to \$30,000,000.

During the first three weeks of February, total awards of building and engineering contracts declined considerably further. Residential building increased somewhat in keeping with the usual seasonal tendency, but contracts for public works and utilities and other non-residential work were sharply reduced.

An analysis of allotments for construction under the Public Works Administration, made by the F. W. Dodge Corporation, indicates that expenditures are not being limited to public works projects alone, but include substantial amounts for educational, public, social, recreational, and residential buildings and for hospitals, institutions, and public utilities, in addition to the large amounts being expended for highways, streets, roads, and other projects which are generally included in the public works category.

World Production of Basic Commodities in 1933

Preliminary data for 1933 have just been compiled bringing up to date this bank's index of the world production of basic commodities, which at the present time is composed of 30 leading commodities. It appears that total basic production in 1933 averaged about 1½ per cent less than in the previous year and about 17 per cent less than in 1929, and, as is indicated in the accompanying diagram, the 1933 level was the lowest since 1924. The further decline in total output during 1933 was due entirely to a reduction of about 5 per cent in crop pro-



duction which prior to 1933 had shown little reduction from the 1929 level. The index of crop output includes such commodities as cotton, wool, rubber, silk, and tobacco in addition to food crops, but it was the food crops which caused the drop in the index for 1933. Production of minerals and metals showed a recovery of about 11 per cent over 1932. This upturn followed a decline of 44 per cent between 1929 and 1932, and represented a recovery of about one-seventh of the preceding decline.

Indexes of Business Activity

General business activity during the first half of February appears to have maintained or exceeded the previous month's level. An indication of the course of retail distribution was given by department store sales in the New York Metropolitan area, which increased more over the previous month than is usual for the time of year, and showed a larger increase over a year ago than has been shown in recent months. In addition, the railroad movement of merchandise and miscellaneous freight showed at least the usual seasonal increase, and the movement of bulk commodities rose considerably, owing in part to an increase in coal shipments induced by unusually cold weather.

During January, a continued moderate improvement in business activity and trade was indicated by this bank's seasonally adjusted indexes. Advances occurred in the indexes of railway freight traffic and life insurance sales, business failures increased less than usually, and the indexes of the volume of check payments were little changed. In retail distribution, department store trade showed about the usual post-Christmas recession, but increases were indicated after seasonal allowance in the sales of mail order houses and chain stores other than grocery chains.

In comparison with a year ago the increase in retail trade has been much more marked in agricultural regions than in urban and industrial districts. The largest rise in department store sales has occurred in the South and Middle West, while in the industrial Northeast the recovery has been comparatively moderate. The preceding decline in sales from 1929 to 1933 was approximately

uniform throughout the country. A compilation of retail sales of representative concerns operating in farming regions, prepared by the Department of Commerce, has also shown a more pronounced recovery in agricultural areas than in urban districts. The sales of this group of concerns in January were 45 per cent larger than in the corresponding period a year ago, whereas for representative department stores throughout the United States the gain was only 14 per cent.

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

	1933			1934
	Jan.	Nov.	Dec.	Jan.
Primary Distribution				
Car loadings, merchandise and misc.	55	56	59	61
Car loadings, other	50	57	58	60
Exports	44	53	60 _p	52 _p
Imports	54	59	63 _p	57 _p
Waterways traffic	47	55	60	..
Wholesale trade	82	78	99	93
Distribution to Consumer				
Department stores sales, U. S.	69	65	70	69 _p
Department store sales, 2nd Dist. r	74 _r	69 _r	72 _r	70 _r
Chain grocery sales	62	51	52	50
Other chain store sales	77	70	73	80
Mail order house sales	65	63	61	70
Advertising	51	58	56	54
Gasoline consumption	80	72	69	..
Passenger automobile registrations	38	49	36 _p	..
General Business Activity				
Bank debits, outside New York City	58	55	58	57 _p
Bank debits, New York City	50	43	42	45 _p
Velocity of demand deposits, outside New York City	73	72	72	72
Velocity of demand deposits, New York City	44	51	50	53
Shares sold on N. Y. Stock Exchange	49	75	86	133
Life insurance paid for	80	73	67	73
Employment in the United States	61	74	73	73
Business failures	95	59	47	42
Building contracts	25	42	54	47
New corporations formed in N. Y. State	81	69	63	65
Real estate transfers	52	52	54	..
General price level*	127	133	132 _p	133 _p
Composite index of wages*	173	178	177 _p	179 _p
Cost of living*	130	136	135	136

p Preliminary r Revised * 1913 average=100

Production

Industrial activity increased further during February in continuation of the upward movement of the two preceding months. The ratio of operations to capacity in the steel industry rose from an average of 34 per cent in January to about 47 per cent in the latter part of February. This expansion of output, which was considerably in excess of the usual seasonal proportions, accompanied increased demand for steel on the part of the automobile and miscellaneous steel consuming industries. In addition, orders recently placed by the railroads for rails, freight cars, and locomotives, which have been financed largely by the Public Works Administration, should tend to sustain the demand for steel in coming months. Automobile output continued to rise more than seasonally, the activity of cotton mills expanded further, and production of bituminous coal was stimulated both by weather conditions and by increased industrial requirements for fuel. The output of electric power also showed a gradual increase during February.

In January, the seasonally adjusted index of industrial production computed by the Federal Reserve Board advanced 3 points, following an approximately equal rise in December. Substantial increases occurred in the

output of the coal, building material, automobile, textile, and tobacco products industries, and in the manufacture of those food products for which data are currently available. The output of steel declined unseasonably, however, following a temporary sharp increase in the previous month, and electric power production showed little change after seasonal adjustment.

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

	1933			1934
	Jan.	Nov.	Dec.	Jan.
<i>Metals</i>				
Pig iron.....	19	37	41	41
Steel ingots.....	24	44	52	45
Lead.....	41	60	59	56
Zinc.....	36	66	58	58
Tin deliveries.....	44	59	45	..
<i>Automobiles</i>				
Passenger cars.....	36	18	21	36 _p
Motor trucks.....	50	39	74	94 _p
<i>Fuels</i>				
Bituminous coal.....	56	67	65	67 _p
Anthracite coal.....	65	80	75	103 _p
Coke.....	40	54	56	..
Petroleum, crude.....	67	68	68	69 _p
Petroleum products.....	64	66	62	..
Electric power.....	64	64	65 _p	65 _p
<i>Textiles and Leather Products</i>				
Cotton consumption.....	76	78	65	78
Wool mill activity.....	82	86	75	88 _p
Silk consumption.....	70	54	42	60
Rayon deliveries.....	100	98	103 _p	..
Shoes.....	90	92	91 _p	..
<i>Foods and Tobacco Products</i>				
Livestock slaughtered.....	88	101	95	103
Wheat flour.....	97	83	82	92
Sugar deliveries.....	77	69	87	74 _p
Tobacco products.....	76	66	80	88
<i>Miscellaneous</i>				
Cement.....	34	36	30	42
Tires.....	39	69	75	..
Lumber.....	28	33	34	38
Printing activity.....	59	66	66	..
Newsprint paper.....	68	82	80	76

p Preliminary

Department Store Trade

During the first half of February, sales of the leading department stores in the Metropolitan area of New York were 15 per cent higher than in the corresponding period of the previous year, and exclusive of the sales of wines and liquors by a number of the stores, the advance amounted to 11½ per cent, the largest increase in recent years.

Total January sales of the reporting department stores in this district were 12 per cent higher than a year ago, and excluding liquor sales the increase amounted to 9½ per cent. Reduced to an average daily basis to compensate for differences in number of shopping days, the increase over a year ago was about the same as was shown for December. Substantial increases in total sales were reported in all localities, and on an average daily basis, sales in Bridgeport, Northern New York State, and Southern New York State showed the largest increases over a year previous in several years. Sales of the New York, Buffalo, Newark, Rochester, Syracuse, and Hudson River Valley stores also showed substantial gains over a year ago in the daily rate as well as in total volume, and apparel store sales remained well above the level of a year ago. As compared with the corresponding month of 1932, however, department store sales remained considerably smaller in all localities.

Locality	Percentage change from a year ago		Per cent of accounts outstanding December 30 collected in January	
	Net sales	Stock on hand end of month	1933	1934
New York.....	+12.6	+20.9	50.0	52.0
Buffalo.....	+11.4	+ 2.9	42.6	43.0
Rochester.....	+13.0	+ 5.0	44.3	46.4
Syracuse.....	+11.2	- 2.2	27.1	30.8
Newark.....	+ 8.2	+20.3	43.7	42.2
Bridgeport.....	+22.8	+ 3.8	34.9	37.1
Elsewhere.....	+13.6	- 1.9	34.6	32.6
Northern New York State.....	+12.4	.....	.....	.....
Southern New York State.....	+17.0	.....	.....	.....
Hudson River Valley District.....	+ 6.7	.....	.....	.....
Capital District.....	+15.2	.....	.....	.....
All department stores.....	+12.2	+17.0	45.7	46.9
Apparel stores.....	+14.8	+22.4	47.1	48.4

Wholesale Trade

During January the sales of the reporting wholesale firms averaged 34 per cent higher than a year ago, the largest advance to be reported since the record increases of July and August 1933. Hardware and grocery firms reported the largest year to year increases in sales ever recorded by this bank. In the case of the grocery concerns, liquor sales were partly responsible for the unusually favorable comparison, but the increase of 29½ per cent without liquor sales was of about the same proportion as the increases which occurred last July and August. Stationery sales, moreover, were ahead of a year previous by the largest amount in over 4 years, and sales of shoes, paper, cotton goods, and diamonds showed larger increases over a year ago than in any month since last summer. Men's clothing and jewelry firms reported more favorable year to year comparisons than in December, but the increases were somewhat smaller than in November. In sales of silk goods, which are reported in yardage by the Silk Association of America, the indicated decline from a year previous was the smallest of the past six months. Sales of reporting drug concerns were slightly smaller than a year ago, following a sizable increase in the previous three months.

Grocery and hardware firms continued to report substantially larger stocks of merchandise than a year previous, while diamond, silk, and jewelry concerns again reported sizable reductions.

Commodity	Percentage change January 1934 compared with January 1933		Per cent of accounts outstanding December 30 collected in January	
	Net sales	Stock end of month	1933	1934
Groceries.....	+46.6	+64.3	79.8	96.4
Men's clothing.....	+39.7	.....	32.7	40.9
Cotton goods.....	+45.6	.....	31.4	36.6
Silk goods.....	-11.0*	-28.8*	66.2	57.9
Shoes.....	+15.2	.....	.....	.....
Drugs.....	- 2.7	.....	.....	.....
Hardware.....	+27.8	+26.0	43.0	39.7
Stationery.....	+18.9	.....	56.4	51.4
Paper.....	+27.3	.....	41.4	49.1
Diamonds.....	+40.4	-23.7	36.0	49.2
Jewelry.....	+31.2	-29.7		
Weighted average.....	+33.9	.....	54.6	62.2

* Quantity figures reported by the Silk Association of America; not included in weighted average for total wholesale trade.

FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, MARCH 1, 1934

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

VOLUME of industrial production increased by more than the usual seasonal amount in January and the early part of February. The general level of wholesale commodity prices, after showing relatively little change during the last five months of 1933, advanced considerably after the turn of the year.

PRODUCTION AND EMPLOYMENT

Output of factories and mines, as measured by the Federal Reserve Board's seasonally adjusted index of industrial production, advanced from 75 per cent of the 1923-1925 average in December to 78 per cent in January. This compares with a recent low level of 72 per cent in November and a level of 65 per cent in January 1933. The January advance reflected chiefly increases of more than the usual seasonal amount in the textile, meat packing, automobile, and anthracite coal industries. Activity at cotton mills, which had reached an unusually high level in the summer of 1933 and had declined sharply in the latter part of the year, showed a substantial increase in January. Output of automobiles also increased by more than the usual seasonal amount, while activity in the steel industry showed little change, following a non-seasonal increase in December. In the first half of February there was a further growth in output at automobile factories and activity at steel mills showed a substantial increase.

Factory payrolls, which usually decline considerably at this season, showed little change between the middle of December and the middle of January, while factory employment declined by about the usual seasonal amount. There were substantial increases in employment and payrolls in the automobile, hardware, shoe, and women's clothing industries, while decreases, partly of a seasonal character, were reported for the hosiery, tobacco, furniture, and lumber industries.

Value of construction contracts, as reported by the F. W. Dodge Corporation, showed a decline in January and the first half of February, following a substantial increase in the latter part of 1933. As in other recent months, public works made up a large part of the total.

DISTRIBUTION

Freight traffic increased in January by more than the usual seasonal amount, reflecting larger shipments of coal and merchandise. Sales by department stores showed the usual seasonal decline after the holiday trade.

DOLLAR EXCHANGE

The foreign exchange value of the dollar in relation to gold currencies, which in January had fluctuated around 63 per cent of par, declined after January 31 to slightly above its new parity of 59.06 per cent.

PRICES

Wholesale commodity prices showed a general increase between the third week of December and the third week of February and the weekly index of the Bureau of Labor Statistics advanced from 70.4 per cent of the 1926 average to 73.7 per cent. There were substantial increases in livestock prices; wool continued to advance and cotton reached a level higher than at any other time since 1930. Scrap steel advanced to about the level prevailing in the summer of 1933.

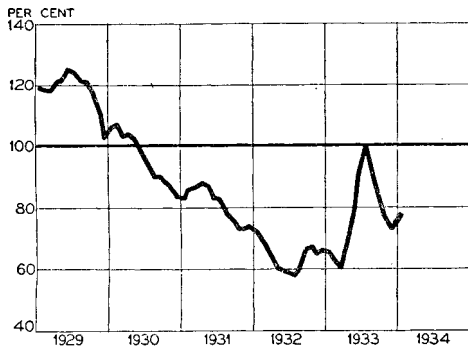
BANK CREDIT

As a consequence of the reduction on January 31 of the weight of the gold dollar, together with subsequent imports of gold from abroad, the dollar amount of the country's stock of monetary gold increased from \$4,035,000,000 on January 17 to \$7,089,000,000 on February 14. About \$3,000,000,000 of this increase was reflected in a growth of the cash held by the Treasury, which includes gold bullion.

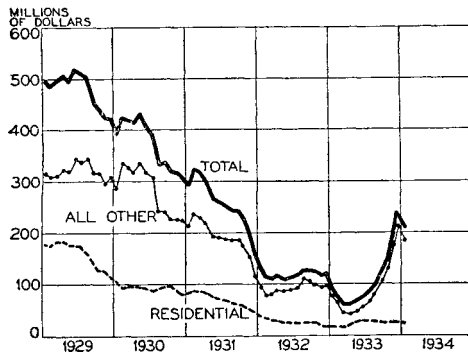
Notwithstanding a further reduction in discounts for member banks and in acceptance holdings of the Reserve Banks, member bank reserve balances increased moderately during this period, reflecting gold imports, a return of currency from circulation, and a reduction in United States Government deposits with the Reserve Banks. In the middle of February these balances were more than \$900,000,000 above legal reserve requirements.

At reporting member banks there was a growth between January 17 and February 14 of more than \$600,000,000 in holdings of United States Government securities and of more than \$500,000,000 in United States Government deposits, reflecting Treasury financing. Loans on securities and all other loans increased slightly and bankers' balances showed a substantial growth.

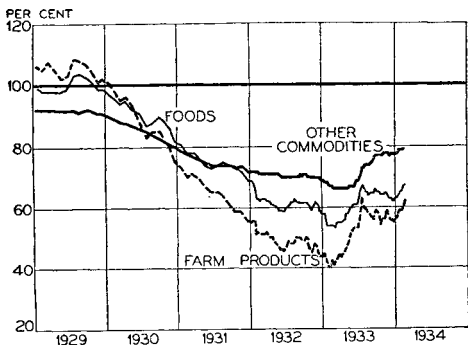
Short term money rates in the open market remained at low levels. On February 2, the Federal Reserve Bank of New York reduced its discount rate from 2 per cent to 1½ per cent and during the succeeding two weeks reductions of ½ per cent were made at the Federal Reserve banks of Cleveland, Boston, St. Louis, Dallas, Richmond, Kansas City, Atlanta, and San Francisco.



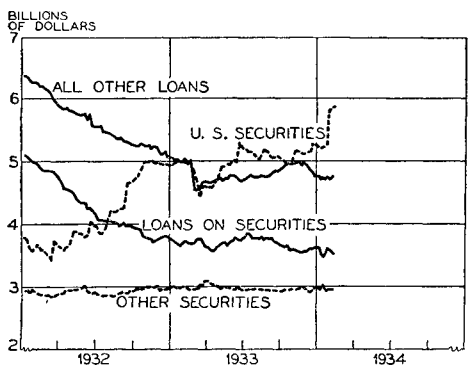
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



Value of Construction Contracts Awarded (Three month moving averages of F. W. Dodge Corporation data for 37 Eastern States, adjusted for seasonal variation)



Group Price Indexes of Bureau of Labor Statistics (1926 average=100 per cent)



Wednesday Figures for Reporting Member Banks (Latest figures are for February 14)