

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

April 1, 1934

#### Money Market in March

A further large increase in member bank reserves occurred during the past month, due chiefly to the continued inflow of gold from other countries and to Government expenditures of funds previously accumulated in the Treasury. The reserve balances of all member banks in the Federal Reserve Banks rose from an average of slightly below \$3,000,000,000 in the last week of February to above \$3,450,000,000 at the middle of March, and thereafter remained in excess of \$3,400,000,000. The reserves which member banks are required by law to maintain against their deposits are estimated to amount in the aggregate to less than \$2,000,000,000. Consequently, member banks have had excess reserves varying from around \$1,000,000,000 in the last week of February to above \$1,400,000,000 during the latter half of March, an excess of 50 to 70 per cent.

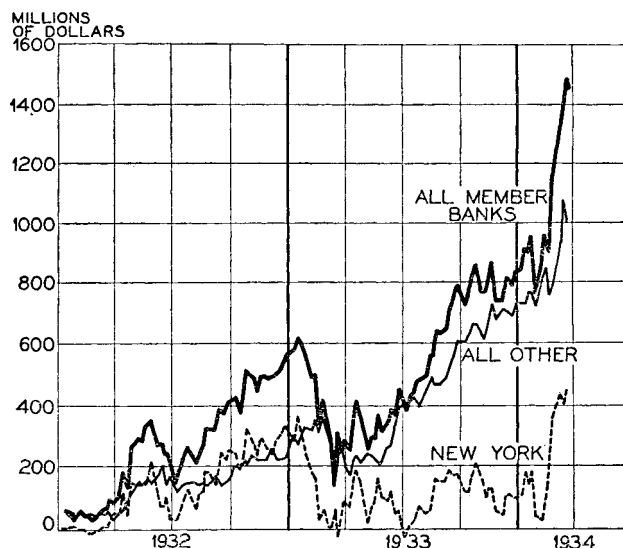
At New York, where the incoming gold was received, excess member bank reserves rose from practically nothing at one time in the third week of February to a new high level of more than \$400,000,000 during most of March, an excess of more than 50 per cent over reserve requirements. In Chicago, excess member bank reserves were around \$200,000,000 in the latter part of March, or more than 100 per cent of their required reserves, and in all other member banks throughout the country excess reserves rose to around \$800,000,000, indicating an average excess of about 75 per cent. These widely distributed excess reserves are unprecedented in volume and constitute a basis for a very large potential expansion of bank credit and of bank deposits.

During March the addition to the monetary gold stock of the United States, which resulted chiefly from gold imports from other countries, amounted to approximately \$250,000,000, bringing the total increase since the beginning of February to about \$660,000,000. This is the equivalent of about \$390,000,000 at the former valuation of gold in this country, and is an amount sufficient to raise the gold stock of the United States, measured by weight rather than by dollar value, to the highest amount ever reached in any year except 1931. The dollar value of the gold stock at the end of March, reflecting the effects of revaluation as well as the recent gold inflow, was more than 60 per cent above the high point of 1931, and was more than double the highest figure ever reached prior to 1922.

After the first week of March the gold inflow dimin-

ished in volume, but still continued in moderate amount to the end of the month, and some further imports are scheduled for the coming weeks. All of the incoming gold has been purchased by the United States Assay Office, and payment has been made in checks drawn on the Treasury's deposit account in the Federal Reserve Bank of New York. When the gold bullion checks are presented for payment by member banks, the proceeds are credited to their reserve accounts. In order to maintain its deposit balance, the Treasury has made deposits in the gold certificate account of the Reserve Bank in Washington in exchange for equivalent credits to the Treasury's account in the New York Reserve Bank. Thus the gold inflow has substantially increased the reserves both of the Federal Reserve Bank and of member banks.

In addition, the Treasury during the past month has used a substantial amount of previously accumulated free gold for the purpose of meeting current Government expenditures. Prior to March the Treasury had accumulated approximately \$300,000,000 of free gold, in addition to the proceeds of the revaluation of other gold previously held by the Treasury and the Reserve Banks. This \$300,000,000 included gold purchased by the Reconstruction Finance Corporation and the Treasury at home and abroad during recent months, and also gold which had been released gradually over several months by the retirement of gold certificates which were sent in to the Treas-



Excess Reserves Held by New York City and Other Member Banks (Figures for banks outside New York partly estimated)

ury for redemption. The use of a considerable amount of this gold made it unnecessary for the Treasury to draw on its balances in depository banks to meet Government expenditures during the early part of March, and like gold imports, had the effect of strengthening further the reserve position of the Federal Reserve Banks, and of increasing further the excess reserves of member banks.

In the latter part of March the collection of first quarter income tax payments on 1933 income caused temporary withdrawals of funds from the commercial banks, but the effect of these tax collections was soon offset by Government expenditures. Near the end of March the Treasury resumed withdrawals of funds from its large balances in depository banks in order to meet Government disbursements.

#### MONEY RATES

Reflecting the further large accumulation of excess reserves in New York and elsewhere, rates for open market loans, and yields on short term investments in the New York money market declined still further in March. Short term Government securities especially were in heavy demand, and yields on securities maturing within 6 months declined almost to the vanishing point. Rates for bankers acceptances showed an accompanying reduction from  $\frac{1}{2}$  per cent to  $\frac{1}{4}$  per cent for 90 day undorsed bills, which compares with a quotation of 2 per cent a year ago. Rates on prime open market commercial paper of 4 to 6 month maturity were also reduced  $\frac{1}{4}$  per cent to 1 and  $1\frac{1}{4}$  per cent at the end of March, which compared with quotations of  $2\frac{3}{4}$  to  $3\frac{1}{4}$  per cent a year ago. In general, short term money rates at the end of March were at the lowest levels on record.

Money Rates at New York

	Mar. 31, 1933	Feb. 28, 1934	Mar. 29, 1934
Stock Exchange call loans.....	3	1	1
Stock Exchange 90 day loans.....	2	* $\frac{3}{4}$ -1	* $\frac{3}{4}$ -1
Prime commercial paper—4 to 6 month	$2\frac{3}{4}$ - $3\frac{1}{4}$	$1\frac{1}{2}$ - $1\frac{1}{2}$	$1$ - $1\frac{1}{4}$
Bills—90 day undorsed.....	2	$\frac{1}{2}$	$\frac{3}{4}$
Customers' rates on commercial loans..	† 14.79	† 2.25r	† 2.31
Treasury securities			
Maturing June (yield).....	No yield	0.03	No yield
Maturing September (yield).....	0.83	0.45	No yield
Maturing December (yield).....	0.75	0.62	0.11
Average rate on latest Treasury bill			
sales—91 day issue.....	1.72	0.57	0.08
182 day issue.....	.....	0.62	0.19
Federal Reserve Bank of New York re-			
discount rate.....	$3\frac{1}{2}$	$1\frac{1}{2}$	$1\frac{1}{2}$
Federal Reserve Bank of New York			
buying rate for 90 day indorsed bills	2	$\frac{1}{2}$	$\frac{1}{2}$

\* Nominal † Average rate of leading banks at middle of month r Revised

#### MEMBER BANK CREDIT

The volume of member bank credit on the whole showed comparatively little change during the four weeks ended March 21, as some reduction in the last week of February was followed by a gradual increase during March. In the principal New York City banks, total loans and investments showed a net increase of about \$100,000,000, due to a further increase of nearly \$165,000,000 in the Government security holdings of the reporting banks which carried such holdings to a new high level, despite the fact that there was no net increase during the month in the volume of Government securities outstanding. Other security holdings showed an increase of approxi-

mately \$90,000,000 for the four week period, which probably represented in part funds advanced to the City of New York, and in part investments in Reconstruction Finance Corporation notes of the proceeds of new capital obtained from the Corporation. Security loans showed a net reduction of \$82,000,000, and other loans declined \$70,000,000. The decline in the latter group of loans probably represented in part the repayment of temporary loans made in February against gold which was in process of being imported to the United States from other countries.

For all other weekly reporting member banks throughout the country there was a decline of \$78,000,000 in total loans and investments during the four weeks ended March 21. The Government security holdings of these banks showed a reduction of about \$100,000,000, following a very large increase in the preceding month, but there was a small increase in other investments and practically no change in the volume of loans, either in loans on securities or in other loans.

The net demand deposits of the reporting member banks showed a further increase of \$477,000,000 to a new high level since 1931. Nearly \$370,000,000 of this increase was in New York City and included an increase of about \$195,000,000 in the balances of out-of-town banks with their New York City correspondents. There was also an increase in other deposit accounts, however, which amounted to about \$175,000,000 in New York and \$108,000,000 in the 90 other cities covered by the weekly reports.

#### BILL MARKET

Following a continued strong investment demand for bills during the first week of March and a decline in yields on short term Government securities, bill dealers reduced their rates by  $\frac{1}{4}$  per cent on March 8. The offering rate became  $\frac{1}{4}$  per cent for maturities up to 90 days,  $\frac{3}{8}$  per cent for 4 month bills, and  $\frac{5}{8}$  per cent for 5 and 6 month bills; these rates are as low as have ever been quoted in the American bill market. The reduction in rates had little effect on the supply of new bills coming into the market or on the investment demand, and consequently dealers' portfolios remained small. Throughout the month, accepting and discounting banks were disposed to withhold bills from the market in view of their strong reserve position, and at the same time they were anxious to make additional investments in bills. The turnover of bills in the market represented largely purchases and sales by banks for the purpose of maintaining diversification in their holdings. Federal Reserve bill holdings declined about \$30,000,000 further in March as a result of maturities.

The total volume of bankers bills outstanding at the end of February was \$750,000,000, as compared with \$771,000,000 at the end of January and \$704,000,000 in February 1933. The decline from January to February was the result of a decrease in the volume of export bills, which had shown a sizable increase in January, and a decline in domestic warehouse bills, offset in part by a rise in import bills and bills based on goods stored in or shipped between foreign countries. Despite the February decline in bills outstanding, the volume of bills held by the accepting institutions increased \$14,000,000 further

to \$581,000,000, or 77½ per cent of the amount outstanding.

COMMERCIAL PAPER MARKET

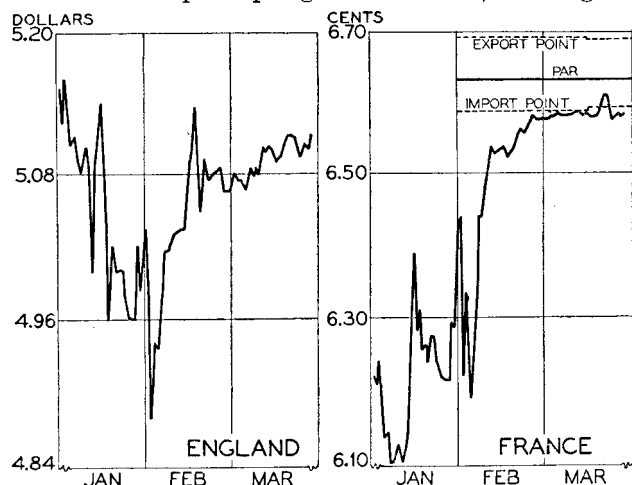
The prevailing rate for open market commercial paper showed a gradually declining tendency during March, coincident with ease in other divisions of the money market. The month began with prime names of 4-6 month maturity offered at 1¼ and 1½ per cent, but shortly afterward sales at the lower rate increased and the 1½ per cent rate was dropped from the prevailing range. Around mid-month, there was a further decline to a range of 1-1¼ per cent which is a new low level for this type of borrowing. Some high grade paper of 90 day maturity was sold in the second half of the month at ⅞ per cent. With bank reserves largely in excess of the required amounts, investment demand for commercial paper on the part of the banks continued very active during March, and dealers generally reported insufficient supplies of new paper to fill orders.

At the close of February, there was \$117,000,000 of commercial paper outstanding, according to reports of dealers. This amount was 8 per cent larger than the volume a month earlier and 39 per cent in excess of the February 1933 amount.

Foreign Exchange

Foreign exchange quotations were steadier during March than in any month since March 1933. Sterling exchange, as the accompanying diagram shows, rose irregularly throughout most of the month, but the range of fluctuation was relatively narrow, the daily closing rates varying during the month between a low of \$5.06⅞ and a high of \$5.127⅞. The French franc, whose recent course also appears in the diagram, remained practically unchanged from the end of February through March 19 when the closing quotation was \$0.0658. A sharp upward movement then carried French exchange to \$0.0660¾ on the 21st, or somewhat above the estimated gold import point to the United States, but an equally sudden reaction brought the rate down to \$0.0657½ on the 24th, and that level was approximately maintained for the rest of the month.

Of the other principal gold currencies, the belga and



Daily Quotations for the Pound Sterling and the French Franc at New York (Latest rates are for March 28)

the guilder began to rise toward the end of the second week, but Swiss francs failed to gain until the 20th when all three exchanges showed movements similar to those of the French currency. The reichsmark, after moving irregularly upward during the first three weeks of March, fell suddenly from \$0.3970 to \$0.3954 between the 17th and 19th, but subsequently rose temporarily to \$0.3986 and closed on the 28th at \$0.3963. Lire, though somewhat more irregular, fluctuated in manner similar to the French franc, while the Scandinavian currencies tended to follow sterling.

The yen fluctuated irregularly between \$0.2998 and \$0.3020 without any well defined trend. Canadian exchange made a small net gain for the month.

Closing cable rates at New York

Exchange on	Par of Exchange	Mar. 31, 1933	Feb. 28, 1934	Mar. 29, 1934
Belgium.....	\$ .2354	\$ .1395	\$ .2330	\$ .2333
Denmark.....	.4537	.1531	.2267	.2290
England.....	8.2397	3.4225	5.0650	5.1288
France.....	.0663	.03928	.06575	.06570
Germany.....	.4033	.2385	.3960	.3963
Holland.....	.6806	.4035	.6718	.6727
Italy.....	.0891	.0513	.0857	.0859
Norway.....	.4537	.1755	.2550	.2575
Spain.....	.3267	.0845	.1357	.1363
Sweden.....	.4537	.1815	.2615	.2646
Switzerland.....	.3267	.1931	.3225	.3225
Canada.....	1.6931	.8275	.9938	1.0000
Argentina.....	.7187	.2539	.3377	.3420
Brazil.....	.2026	.0762	.0863	.0865
Uruguay.....	1.7511	.4775	.7900	.7900
Japan.....	.8440	.2138	.2995	.3020
India.....	.6180	.2580	.3825	.3875
Shanghai*.....	.....	.2901	.3506	.3456

\* March 31, 1933 quotation for tael; 1934 quotations for new yuan dollar created April 6, 1933, with silver content 71.5 per cent of tael.

Gold Movement

Gold imports into the United States continued during March, though at a slower rate than in February. Nevertheless, by the end of March, imports of gold at New York by commercial and private banks for sale to the Treasury since the first of February had reached approximately \$610,000,000, of which about \$229,000,000 was purchased by the New York Assay Office in March and \$381,000,000 in February.

The commercial and private bank imports at New York during March were composed of \$150,000,000 from England, \$31,700,000 from France, \$13,700,000 from Holland, \$12,500,000 from India, \$10,700,000 from Canada, \$5,300,000 from Switzerland, and \$4,700,000 from Mexico. The effect of these shipments on the monetary gold stock of the United States was supplemented by releases of \$1,650,000 of gold previously earmarked for foreign banks at the Federal Reserve Bank of New York. During March, there were also imports of \$28,000,000 of gold from France which were without effect on the monetary gold stock since this represented gold previously acquired abroad and included in the gold stock, and there was an import of \$2,500,000 from Colombia which was immediately earmarked.

During February and March, the monetary gold stock of this country has risen about \$660,000,000, reflecting, in addition to the import and release from earmark transactions at New York, some gold imports from the

Orient on the Pacific Coast, return of United States gold coin from domestic holders, and the addition of newly mined and scrap gold.

### Security Markets

Neither bonds nor stocks showed important changes during March in the general level of prices. Trading in bonds was moderately large, but in the stock market the turnover remained small, averaging about 1,300,000 shares daily.

United States Government bonds were the strongest section of the bond market. In the first week of March, Treasury bonds advanced about  $\frac{1}{2}$  point, and after the March 8 announcement that the Treasury's March 15 financing would be limited to an issue offered in exchange for the maturing issue, Government bond prices advanced further. Treasury bonds showed an additional advance of 1 point through March 19, or a total gain of  $1\frac{1}{2}$  points from the end of February, and Liberty Loan issues rose further for an aggregate gain of  $\frac{3}{4}$  of a point. As a result of this advance together with the increases of previous months, average prices of Government bonds by March 19 had recovered virtually all of the ground lost in the sharp decline of last November, and the average yield on long term Treasury bonds was very close to the previous low point reached just before the middle of 1931. After March 19 some irregularity developed, but Government bond prices closed the month only  $\frac{1}{8}$  point below the high point.

Domestic corporation bonds advanced further during the first half of March, and the currently available bond averages rose about 2 points to new high levels since before the September 1931 collapse of bond prices. Subsequently, these bond averages lost about 1 point but in the last week of the month a slightly firmer tendency again was apparent. Although the prices of high grade bonds have risen to levels which compare favorably with those prevailing in the 1928-1930 period, many issues, especially medium grade bonds, still have a considerable distance to advance before the 1928-1930 level is fully restored. Foreign dollar bonds did not do as well as domestic issues in March, for a moderate advance early in the month was followed by substantial declines which reduced average prices somewhat below those of the end of February.

In the stock market, no consistent tendency was evident, but as a result of irregular changes from day to day, the general level of prices at the close of the month was slightly lower than at the end of February. The recent level of about 84 for the Standard Statistics Company daily index of 90 stocks compares with 94 at the conclusion of the January advance in prices and with 80 at the opening of the year.

### New Financing

The total of new securities publicly offered during March showed a slight increase over the amounts in immediately preceding months, but the volume still remained small. The principal offerings of the month were a \$30,000,000 serial bond issue of the Commonwealth of Pennsylvania, which was sold at prices to yield 3.045 to 3.134 per cent, depending upon maturity; a \$25,000,000

issue of short term Federal Intermediate Credit Bank debentures; and a \$15,000,000 issue of American Water Works and Electric Company bonds, the registration of which was reported last month. A number of small State and Municipal offerings made up the balance of March security flotations.

United States Treasury financing during March was of comparatively limited volume, and no new funds were raised by the operations, as the Treasury has not been in the market for additional funds in March for the first month since last October. A new issue of 3 per cent Treasury notes maturing in 1938 was put out on March 15 in the amount of \$455,000,000 to replace a maturity of \$460,000,000 of certificates of indebtedness which matured on March 15. The amount of the new issue was limited to the amount of maturing certificates tendered for exchange. Likewise, new Treasury bill issues of \$300,000,000 replaced maturities of the same amount. One-half of the bills sold were of 3 month maturities and half were of 6 month maturities. The average rate for the shorter bills declined from 0.57 per cent on the last issue in February to 0.08 per cent on the March 28 issue, and the rate on the 6 month bills declined from 0.62 per cent on the last February issue to 0.19 per cent on the last March issue. In both cases, the rates for the March 28 issues constituted new low levels for these types of securities.

### Commodity Prices

The average level of wholesale commodity prices showed a small rise during the early part of March, but receded slightly later in the month, so that the widely inclusive commodity price index of the Bureau of Labor Statistics showed almost no net change during the four weeks ended March 24. The small advance and the subsequent recession during March in the index chiefly reflected the movements in prices of actively traded raw commodities. Prices of manufactured and industrial products were generally stable during this period.

During the first half of March the price of rubber advanced  $1\frac{1}{4}$  cents to  $11\frac{5}{8}$  cents a pound, the highest level in almost four years, but subsequently lost a part of this rise. Grain prices also rose in the early part of the month and later receded, showing little net change for March as a whole. Cotton and silver remained near their recent highs until about the middle of the month and thereafter showed small recessions. Scrap steel, following an advance of \$3.25 in the previous three months, declined 50 cents to \$14.25 a ton at Pittsburgh during March, when the expansion of operations in the steel industry was checked. Raw sugar declined 35 points to 2.95 cents a pound, as compared with a February high of 3.42 cents, and silk showed a moderate downward tendency during the month.

### Corporation Earnings in 1933

Due largely to increased profits in the automobile industry, aggregate net earnings of industrial corporations do not appear to have shown the usual seasonal decline during the last quarter of 1933, and as a consequence the trend of corporate profits was upward

throughout the year. For 1933 as a whole, earnings reports of 743 industrial and mercantile companies which have been published to date indicate net profits of \$673,000,000, as compared with virtually no profit for these same companies in 1932 and with profits of \$753,000,000 in 1931. Aggregate profits, however, remained small in comparison with 1929 or even 1930, as is indicated in the accompanying diagram which also shows the yearly changes that have occurred in the earnings of a number of the more important groups of companies relative to their position in 1929.

Of the 35 groups of companies shown in the table, 12 had profits in 1933 following deficits in 1932, 8 showed increased profits, and 10 showed smaller deficits, while only 5 groups earned smaller profits in 1933 than in 1932, and in these cases the reductions were not marked, except for the tobacco companies whose profits had been maintained remarkably well until last year. Analysis of the 743 individual companies shows that 64 per cent reported at least some net profit in 1933, as against only 44 per cent in 1932. One-half of all the companies either had profits in 1933 following deficits in 1932, or reduced the amount of their deficits, and 28 per cent of all companies increased their profits from 1932 to 1933. Of the remaining 22 per cent of the companies, 16 per cent had reductions in the 1932 level of profits, some developing deficits, and 6 per cent reported larger deficits than in 1932.

Net operating income of the Class I railroads, also shown in the diagram, increased about 45 per cent from 1932 to 1933. Consequently, in 1933 the railroads as a group approximately covered their interest payments and other fixed charges out of earnings, whereas in 1932 they earned only 80 per cent of their fixed charges.

Net operating income of telephone companies and net earnings of other public utility companies underwent further moderate reductions in 1933, but nevertheless these companies did not show as large a shrinkage in earnings from the 1929 level as did industrial corporations and railroads.

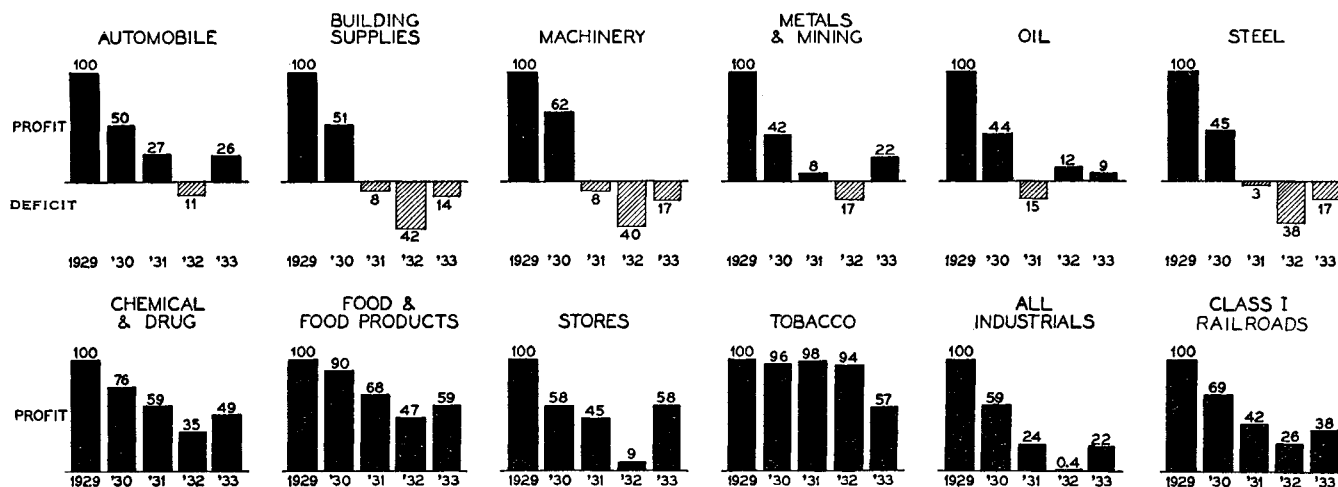
(Net profits in millions of dollars)

Corporation group	No. of Cos.	1930	1931	1932	1933
Office equipment.....	11	29.0	12.2	0.2	8.2
Household equipment.....	18	26.9	21.6	-2.1	21.9
Stores.....	35	83.7	65.4	12.8	83.7
Automobiles.....	12	163.6	87.2	-34.1	85.5
Meat packing.....	9	23.4	-8.1	-9.0	20.6
Shipping.....	8	4.5	2.1	-0.7	1.5
Mining and smelting (excl. coal, coke, and copper).....	23	45.6	25.2	11.8	43.2
Leather and shoes.....	12	11.2	11.1	4.8	15.8
Miscellaneous textiles.....	22	-3.0	-2.7	-17.8	22.4
Paper.....	16	3.8	3.0	-3.2	3.2
Silk.....	14	-2.0	-2.3	-2.5	2.3
Rubber.....	8	-20.6	-18.7	-16.9	7.4
Clothing.....	9	2.4	-2.1	-8.3	1.8
Copper.....	12	12.5	-7.3	-18.9	3.4
Automobile parts and accessories (excl. tires).....	47	26.1	5.5	-18.0	3.2
Motion picture.....	6	24.8	-2.1	-23.6	2.3
Chemicals and drugs.....	31	172.3	134.5	80.5	111.4
Miscellaneous food products.....	44	170.1	142.1	99.0	109.3
Confectionery.....	10	25.9	22.8	14.3	15.0
Beverages.....	5	21.6	21.0	15.6	15.4
Bakery products.....	11	49.4	40.7	30.3	29.1
Oil.....	42	137.9	-46.4	38.5	29.2
Tobacco.....	21	121.3	123.5	118.6	71.8
Printing and publishing.....	11	30.5	18.0	5.9	3.0
Aviation.....	8	1.2	1.3	-3.0	-0.1
Heating and plumbing.....	11	12.2	0.4	-9.7	-1.9
Building supplies.....	37	35.7	-5.5	-28.8	-9.7
Steel.....	30	174.3	-11.9	-147.4	-63.1
Machinery.....	40	39.9	-5.4	-25.6	-11.0
Electrical equipment.....	26	99.4	49.4	-14.6	-7.4
Agricultural implements.....	6	26.2	-6.0	-17.5	-9.8
Railroad equipment.....	19	50.4	-4.3	-17.3	-11.1
Coal and coke.....	17	16.4	1.3	-16.9	-11.6
Realty.....	7	7.7	3.0	-3.2	-2.4
Miscellaneous.....	105	168.4	84.2	24.3	90.5
<b>Total 35 groups.....</b>	<b>743</b>	<b>1,792.7</b>	<b>752.7</b>	<b>17.5</b>	<b>673.0</b>
Telephone (net operating income).....	103	270.7	273.1	191.6	183.7
Other public utilities (net earnings).....	67	400.9	372.9	301.2	279.3
<b>Total public utilities.....</b>	<b>170</b>	<b>671.6</b>	<b>646.0</b>	<b>492.8</b>	<b>463.0</b>
Class I Railroads (net operating income).....	150	868.9	525.6	326.3	474.3

— Deficit

### Balance of Payments of the United States

A preliminary estimate of this country's balance of payments for 1933 has recently been issued by the Department of Commerce. According to this estimate, the United States surplus of receipts on current account increased moderately in 1933, being placed at \$193,000,000 as against \$131,000,000 in 1932 and



Annual Net Profits or Deficits of Industrial and Mercantile Concerns, and Net Operating Income of Class I Railroads in 1933, Compared with Previous Four Years (1929=100 per cent)

\$160,000,000 in 1931. This increase is attributable to a pronounced falling off in expenditures of American tourists abroad, in remittances of immigrants to foreign countries, and in payments to foreigners for other services. These reductions in payments made abroad, which were probably due at least in part to the depreciation of dollar exchange, were not fully counterbalanced by continued declines in this country's favorable balance of merchandise trade, in war debt receipts, and in income from private investments abroad.

As in the previous two years the movement of long term capital was inward during 1933. Virtually no new foreign issues were underwritten in this market, while sinking fund and redemption payments on outstanding foreign issues, although diminished from the previous year's level because of defaults, caused some reduction in the long term debt of foreign countries to the United States. In addition, there was a substantial repatriation of German, British, and other foreign dollar securities during 1933, stimulated no doubt by the discount on dollar exchange following this country's departure from the gold standard in April.

A heavy outward movement of short term funds, estimated at \$509,000,000, occurred in 1933 partly during the development of the banking crisis early in the year, and partly during the period following the suspension of gold payments by the United States in April, when the dollar depreciated in value in terms of foreign currencies. The magnitude of this movement is not fully reflected in the estimate given above, because this figure represents the net outflow after deducting a substantial inward movement of funds which resulted from the large repayments of German credits effected in 1933.

During February and March the outward movement of short term funds was reflected in gold withdrawals, but following the suspension of gold payments the dollar funds which became available to foreigners were utilized by them in repatriating foreign dollar securities, repaying credits, and meeting the surplus of payments due to the United States on current transactions.

The following table shows the net amounts due the United States by foreign countries or due foreign countries by the United States on account of various types of transactions.

Net figures in millions of dollars

(+ represents cash claims against foreigners; — represents cash claims against U.S.)

	1932	1933
<b>I. Current Account</b>		
Merchandise .....	+247	+152
Tourist expenditures .....	-375	-220
Immigrant remittances and charitable contributions .....	-163	-107
Income from foreign investments .....	+393	+367
War debt receipts .....	+ 99	+ 20
Other current items .....	- 70	- 19
<b>Total .....</b>	<b>+131</b>	<b>+193</b>
<b>II. Capital Account</b>		
Short term capital movement .....	-451	-509
Long term capital movement .....	+217	+137
<b>Total .....</b>	<b>-234</b>	<b>-372</b>
<b>III. Gold shipments and earmarkings .....</b>	<b>- 11</b>	<b>+232</b>
<b>IV. Errors and omissions .....</b>	<b>+114</b>	<b>- 53</b>

## Production

In March the average level of basic industrial operations was higher than in the previous month, but a slackening of the upward tendency was reported in some of the principal manufacturing lines in the latter part of the month. Although the output of the steel, automobile, and cotton textile industries for March as a whole appears to have increased considerably from February, even after seasonal adjustment, weekly estimates of activity in these industries indicated an interruption of the upward movement in the second half of the month. Thus, for example, the operating ratio in the steel industry rose from a February average of 43 per cent of capacity to about 50 per cent early in March, but remained at or slightly below this level during the remainder of the month. The output of coal and electric power in the first half of March did not show the usual seasonal recessions, probably owing in part to the unusually cold weather in that period.

In February, the seasonally adjusted index of industrial production computed by the Federal Reserve Board rose 3 points to 81 per cent of the 1923-1925 average, following increases of equal magnitude in the previous two months. The index for February was about midway between the July 1933 high point and the low point reached in the summer of 1932.

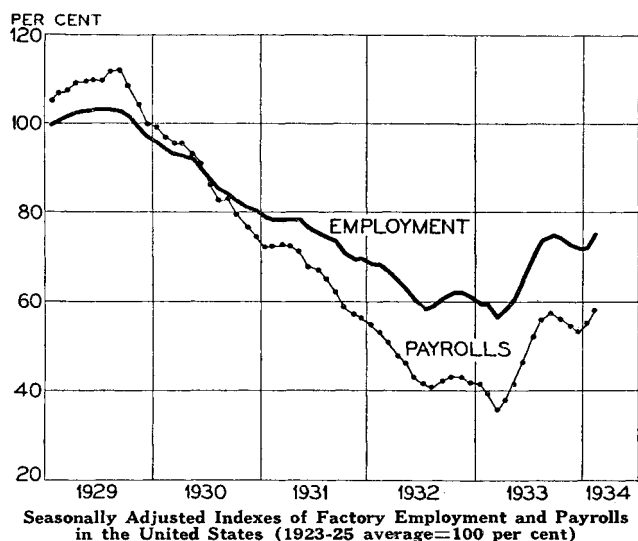
(Adjusted for seasonal variations and usual year to year growth)

	1933		1934	
	Feb.	Dec.	Jan.	Feb.
<b>Metals</b>				
Pig iron .....	18	41	41	41
Steel ingots .....	26	52	45	53
Lead .....	35	59	56	54
Zinc .....	39	58	58	59
Tin deliveries .....	45	45	42	
<b>Automobiles</b>				
Passenger cars .....	25	21	36	50 <sub>p</sub>
Motor trucks .....	29	74	94	83 <sub>p</sub>
<b>Fuels</b>				
Bituminous coal .....	66	65	67	77 <sub>p</sub>
Anthracite coal .....	77	75	103	113 <sub>p</sub>
Coke .....	39	56	55	60
Petroleum, crude .....	69	68	69	68 <sub>p</sub>
Petroleum products .....	64	62	65	
Electric power .....	64	65	64 <sub>p</sub>	65 <sub>p</sub>
<b>Textiles and Leather Products</b>				
Cotton consumption .....	77	65	77 <sub>r</sub>	82 <sub>p</sub>
Wool mill activity .....	86	75	90	89 <sub>p</sub>
Silk consumption .....	55	42	60	60
Shoes .....	92	91	102 <sub>p</sub>	
Rayon deliveries .....	74	103	99	
<b>Foods and Tobacco Products</b>				
Livestock slaughtered .....	88	95	103	95
Wheat flour .....	88	82	92	91
Sugar deliveries .....	80	87	77	88 <sub>p</sub>
Tobacco products .....	77	80	88	85
<b>Miscellaneous</b>				
Cement .....	37	30	42	55
Tires .....	39	75		
Lumber .....	23	34	38	33
Printing activity .....	60	66	63	
Newsprint paper .....	66	76	73 <sub>r</sub>	72

<sub>p</sub> Preliminary    <sub>r</sub> Revised

## Employment and Payrolls

During the period from the middle of January to the middle of February about 375,000 workers were returned to employment in manufacturing industries in the United States, and the weekly earnings of factory workers increased \$13,500,000, according to Department of



Labor estimates. These gains greatly exceeded the usual January to February increases, and as a result the seasonally adjusted indexes of factory employment and payrolls recovered sharply to about the same level as last September. This level, as the accompanying diagram indicates, is the highest that has been reached since the summer of 1931. The January to February rise in factory employment and payrolls was associated with the expansion of manufacturing activity in that period, and increases in general were most pronounced in industries such as automobiles and textiles which had the greatest advances in output. Further substantial gains in factory working forces and wage payments during March were tentatively indicated by trade union reports to the American Federation of Labor.

Employment in out of door activities was adversely affected during February by the unusually severe weather in many sections of the country. The number of workers engaged on private building projects is estimated to have shown a decline of about 50,000, and the demand for farm labor remained small. In addition, the staffs of retail establishments were slightly reduced in accordance with the seasonal tendency.

The decline in private employment in all non-manufacturing activities offset only a small part of the increase in factory employment, and private employment as a whole showed an increase of about 350,000 in February, according to an estimate of the American Federation of Labor. The number of workers provided with relief jobs by the Civil Works Administration was substantially reduced, however, from a peak of over 4,000,000 at the middle of January to 2,900,000 in the last week of February.

### Indexes of Business Activity

At least the usual seasonal expansion in the general level of trade and business activity during the first half of March is indicated by the limited data now available. Railway loadings of merchandise and miscellaneous freight showed about the customary seasonal increase, while retail trade reports indicated some improvement. Department store sales in the New York Metropolitan area increased from the previous month's level by con-

siderably more than could be expected from seasonal influences, including the early date of Easter.

During February, no consistent tendency was discernible in this bank's indexes of distribution and business activity.

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

	1933		1934	
	Feb.	Dec.	Jan.	Feb.
<i>Primary Distribution</i>				
Car loadings, merchandise and misc. ....	51	59	61	60
Car loadings, other .....	55	58	60	68
Exports .....	41	60	52	55 <sup>p</sup>
Imports .....	48	62	55	53 <sup>p</sup>
Waterways traffic .....	45	60	70	
Wholesale trade .....	81	99	93	96
<i>Distribution to Consumer</i>				
Department store sales, U. S. ....	67	70	70	68 <sup>p</sup>
Department store sales, 2nd Dist. ....	75	72	70	69
Chain grocery sales .....	61	52	50	49
Other chain store sales .....	73	73	80	76
Mail order house sales .....	68	61	70	72
Advertising .....	51	56	54	
Gasoline consumption .....	68	69	83	
Passenger automobile registrations. ....	31	36	27 <sup>p</sup>	44 <sup>p</sup>
<i>General Business Activity</i>				
Bank debits, outside New York City. ....	59	58	57	60 <sup>p</sup>
Bank debits, New York City .....	59	42	43	49
Velocity of demand deposits, outside New York City .....	72	72	72	72
Velocity of demand deposits, New York City .....	51	50	53	59
Shares sold on N. Y. Stock Exchange .....	53	86	133	150
Life insurance paid for .....	75	67	73	68
Employment in the United States .....	61	73	73	76
Business failures .....	100	47	42	43
Building contracts .....	17	54	47	28
New corporations formed in N. Y. State .....	81	63	65	56
Real estate transfers .....	58	54	50	
General price level* .....	124	132	134 <sup>p</sup>	135 <sup>p</sup>
Composite index of wages* .....	172	177	180 <sup>p</sup>	180 <sup>p</sup>
Cost of living* .....	128	135	136	138

<sup>p</sup> Preliminary \* 1913 average=100

### Building

During the first three weeks of March, there was a large rise in building and engineering contract awards, following the sharp recession in February. Contracts for public works and utility projects, for other non-residential construction, and for residential work as well, all increased much more than seasonally. As a result, contracts for this part of March were nearly 50 per cent larger than for the whole of February, and the average daily amount was above the January level.

The February total of building and engineering contracts for 37 States amounted to about one-half of the January volume, but remained more than 80 per cent larger than a year previous. The decline from January was attributed entirely to curtailment of the rate of contract awards by public agencies, chiefly the Public Works Administration and the Civil Works Administration; publicly financed building contracts dropped from \$157,000,000 in January to \$65,000,000 in February, while privately financed building rose slightly from \$29,000,000 to \$31,000,000. Due to the drop in publicly financed projects, this bank's index of building contracts declined to 28 per cent of the computed trend of past years, as compared with the recent high point of 54 in December, but the increase reported for the first part of March will go a long way in raising the index toward the level which prevailed in December.

## Foreign Trade

The value of this country's foreign merchandise trade in February showed less than the usual seasonal decline from the preceding month. Total exports were valued at \$163,000,000 and general imports at \$133,000,000, the largest February totals since 1931, but nevertheless only about one-third the corresponding values in 1929. Both exports and imports showed increases in dollar value of about 60 per cent over the low figures of a year ago. The gain in exports was the largest in recent months, but the gain in imports was not quite as large as the unusual increases reported in July and August of last year.

Exports during February of crude foodstuffs, chiefly grains, were about one-third larger in volume than the small exports of a year ago, and more than twice as large in value. Exports of semi-manufactures, largely refined copper and iron and steel products, showed an increase of 85 per cent in value over February 1933, and exports of crude materials, among which raw cotton is the leading item, increased 70 per cent in value. The recent rise in foreign demand for American cotton was especially notable in the cases of Japan and the United Kingdom; February shipments to these countries showed increases in quantity of 51 and 14 per cent, respectively, over a year ago.

Among the imports (currently analyzed on the basis of consumption and not strictly comparable with a year ago), crude materials have had a larger increase in value than any other major group—somewhat over 75 per cent. Receipts of crude rubber and raw silk, leading items in this class of imports, increased 64 and 28 per cent, respectively, in volume.

## Department Store Trade

During the first half of March, total sales of department stores in the Metropolitan area of New York were 36 per cent larger than in the corresponding period last year, and even excluding liquor sales the increase amounted to 33 per cent. This substantial advance is accounted for in part by the banking holiday in March 1933, but nevertheless indicates a more than seasonal increase in retail trade during the past month. Compared with the corresponding period of 1932 sales this year, exclusive of liquor sales, were about 2 per cent smaller, and compared with the same period in 1931 this year's sales were 23 per cent less.

Total February sales of the reporting department stores in this district were about 6½ per cent higher than a year ago, a slightly less favorable comparison on an average daily basis than in the previous month. Excluding liquor sales, the increase over a year ago amounted to approximately 4 per cent. Sizable advances in sales were reported by the Buffalo and Northern New York State department stores; the increase in sales of the Buffalo stores was the largest since August 1933, and for the Northern New York State department stores the increase was the largest since October 1928, due partly to an unusually large decline in sales in that section in February 1933. The increases in sales of the Rochester and Southern New York State department stores, on an average daily basis, were of about the same proportions

as in the previous month, and total sales of the New York City, Syracuse, and Bridgeport department stores were well above those of a year ago, although on an average daily basis, the increases were not as large as in the preceding month. For the remaining localities comparisons with a year ago were less favorable than in January. Sales of the leading apparel stores in this district showed a sizable increase for the third consecutive month.

Locality	Percentage change from a year ago		Per cent of accounts outstanding January 31 collected in February	
	Net sales	Stock on hand end of month	1933	1934
New York.....	+ 7.0	+26.6	40.2	42.9
Buffalo.....	+17.2	+ 7.8	37.4	36.4
Rochester.....	+ 9.0	+10.1	41.1	43.3
Syracuse.....	+ 6.4	+ 3.4	24.1	28.7
Newark.....	+ 1.8	+23.0	37.6	37.4
Bridgeport.....	+ 9.4	+ 7.0	28.1	31.2
Elsewhere.....	+ 5.4	+ 0.4	26.3	24.8
Northern New York State.....	+13.8	.....	.....	.....
Southern New York State.....	+13.2	.....	.....	.....
Hudson River Valley District.....	- 2.9	.....	.....	.....
Capital District.....	+ 6.4	.....	.....	.....
All department stores.....	+ 6.6	+22.0	37.7	39.4
Apparel stores.....	+12.2	+38.7	37.4	39.6

## Wholesale Trade

During February, total dollar sales of the reporting wholesale firms in this district averaged 45 per cent above the low level of a year ago, the largest increase since last August. Sales of the jewelry concerns showed the greatest percentage increase ever reported to this bank, owing in part to the exceptionally low level of sales in February 1933. Sales of wholesale grocery firms were 50 per cent higher than last year, and even excluding liquor sales, the increase amounted to 30 per cent, the largest advance since last summer. In a number of other lines also, including shoes, paper, cotton goods, men's clothing, and diamonds, the increases over a year ago were the most substantial since last summer. The comparisons for sales of drugs and silk goods were slightly more favorable this month than last, but the increases shown by the stationery and hardware firms were not as large as those reported last month.

Commodity	Percentage change February 1934 compared with February 1933		Per cent of accounts outstanding January 31 collected in February	
	Net sales	Stock end of month	1933	1934
Groceries.....	+50.3	+66.7	73.7	87.4
Men's clothing.....	+42.5	.....	29.4	43.7
Cotton goods.....	+48.3	.....	30.7	34.0
Silk goods.....	- 3.7*	-29.0*	56.0	53.9
Shoes.....	+56.0	.....	29.4	29.2
Drugs.....	+ 4.1	+ 2.8	22.4	22.4
Hardware.....	+20.5	+33.9	36.2	32.4
Stationery.....	+15.2	.....	51.8	49.4
Paper.....	+28.3	.....	40.2	46.0
Diamonds.....	+51.9	-13.9	19.4	34.6
Jewelry.....	+182.3	-26.7		
Weighted average.....	+45.0	.....	44.8	52.2

\* Quantity figures reported by the National Federation of Textiles, Incorporated, successor to the Silk Association of America Incorporated; not included in weighted average for total wholesale trade.



# FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, APRIL 1, 1934

## Business Conditions in the United States

(Summarized by the Federal Reserve Board)

**V**OLUME of industrial activity increased in February for the third consecutive month and there was a considerable growth in factory employment and payrolls. Wholesale commodity prices, after advancing for two months, showed little change between the middle of February and the middle of March.

### PRODUCTION AND EMPLOYMENT

Output of manufactures and minerals, as measured by the Board's seasonally adjusted index of industrial production, increased from 78 per cent of the 1923-1925 average in January to 81 per cent in February. The advance reflected chiefly increases of considerably more than the usual seasonal amount in the output of steel and automobiles, while activity at meat-packing establishments declined. Activity at textile mills, which in January had increased from the low level prevailing at the end of the year, showed a further moderate increase in February, partly of seasonal character. In the first week of March steel production showed a further increase and in the following two weeks remained unchanged.

Factory employment and payrolls increased substantially between the middle of January and the middle of February to a level higher, on a seasonally adjusted basis, than at any other time since the summer of 1931. Working forces on railroads also showed an increase, while at mines there was little change in the volume of employment. The number on the payrolls of the Civil Works Administration declined from about 4,000,000 in January to about 2,900,000 in the week ended March 1. At automobile factories there was a large increase in the number of employed to approximately the level prevailing four years ago. Substantial increases were reported also for the textile, clothing, shoe, and tobacco industries.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a decline in February, followed by an increase in the first half of March. The total volume indicated for the first quarter is somewhat smaller than in the last quarter of 1933 but considerably larger than in the first quarters of 1932 and 1933.

### DISTRIBUTION

Freight traffic increased seasonally during February and the early part of March. Dollar volume of department store sales on a daily average basis showed little change in February.

### DOLLAR EXCHANGE

The foreign exchange value of the dollar in relation to gold currencies declined in the second week of February to within 2 per cent of its new parity and in the latter part of February and the first three weeks of March showed a further slight decline.

### COMMODITY PRICES

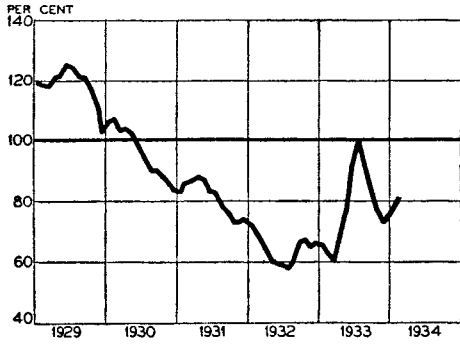
Wholesale prices of commodities showed little change from the middle of February to the middle of March, after a considerable increase earlier in the year. The index of the Bureau of Labor Statistics for the week ended March 17 was at 73.7 per cent of the 1926 average, compared with 73.8 per cent the week before and 72.4 per cent at the end of January.

### BANK CREDIT

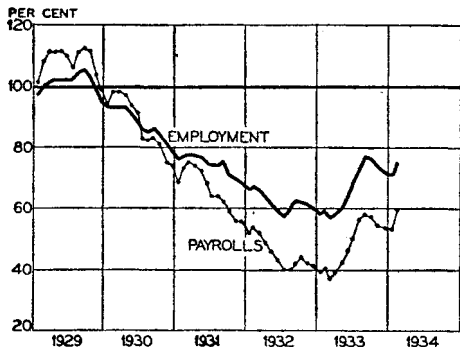
Between the middle of February and the third week of March imports of gold from abroad resulted in a growth of about \$550,000,000 in the country's monetary gold stock. Funds arising from these imports of gold and from expenditure by the Treasury of about \$140,000,000 of its cash and deposits with the Federal Reserve Banks were for the most part added to the reserves of member banks, which consequently increased by \$600,000,000 during the four week period. At the close of the period member bank reserves were nearly \$1,500,000,000 in excess of legal requirements.

Total deposits of reporting member banks increased by about \$1,000,000,000 between the middle of February and the middle of March, reflecting the imports of gold, purchases by the banks of United States Government and other securities, and a growth of bankers' balances.

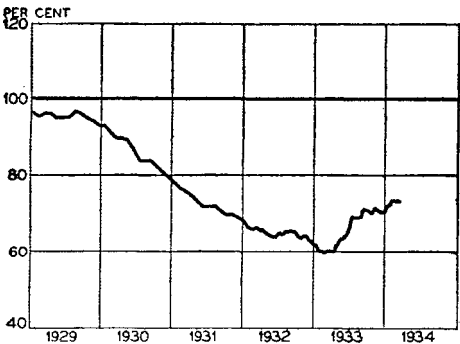
During March money rates in the open market declined further. Rates on 90 day bankers acceptances were reduced from  $\frac{1}{2}$  per cent to  $\frac{1}{4}$  per cent, and rates on prime commercial paper were reduced by  $\frac{1}{4}$  per cent to a range of 1- $\frac{1}{4}$  per cent. Yields on United States Government securities also declined considerably. On March 16, the Federal Reserve Bank of Minneapolis reduced its discount rate from 3 $\frac{1}{2}$  to 3 per cent.



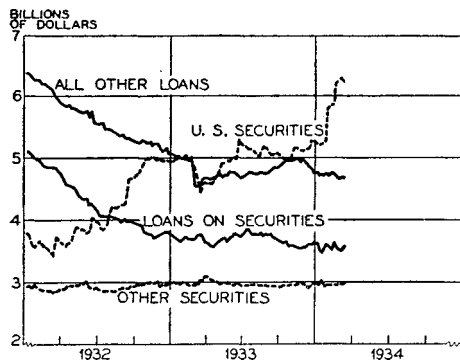
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



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



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



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