

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

May 1, 1934

Money Market in April

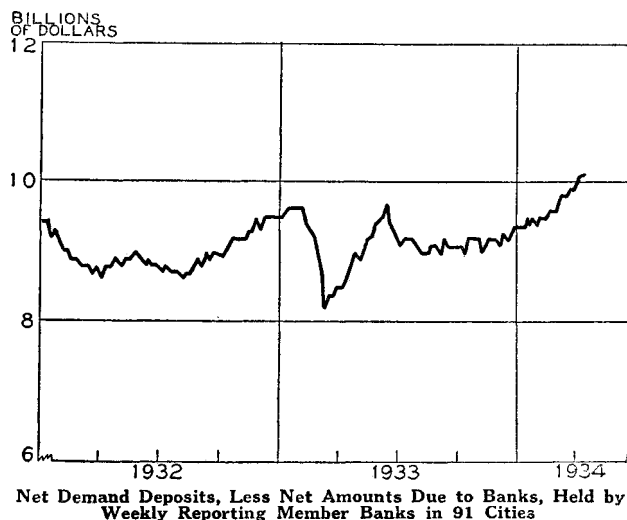
A noteworthy development of the past month has been the further substantial increase in demand deposits of weekly reporting member banks. In the four weeks ended April 18 the increase was nearly \$500,000,000, following an increase of similar amount in the previous month. Since the first week of last October net demand deposits in the weekly reporting banks have increased more than \$1,750,000,000, and since the bank holiday the increase has been close to \$2,800,000,000, the largest expansion in a similar period in recent years.

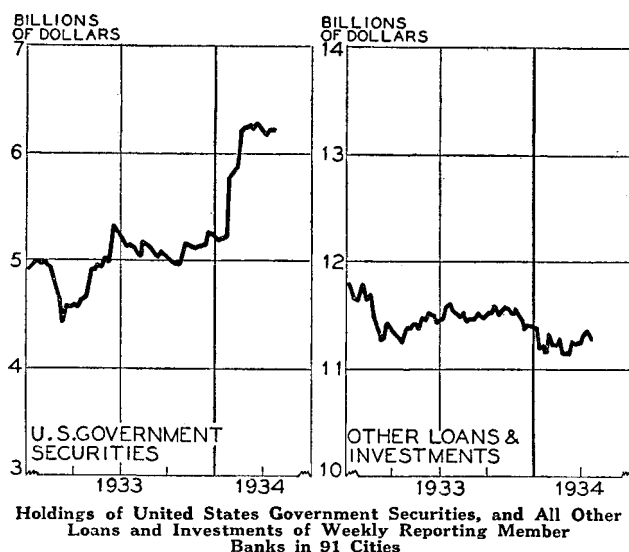
Changes in the net demand deposits of weekly reporting banks since the beginning of 1932, after deduction of the net balances due by these banks to other banks, are shown in the accompanying diagram. Such deposits during recent years have constituted by far the most important element in the money supply of the country; checks drawn against them have been used much more widely than currency in making payments for the various transactions involved in business and personal expenditures in this country. It is in this part of the money supply that the great shrinkage occurred between 1929 and the banking crisis of early 1933, and that the principal expansion may be expected accompanying business recovery.

As the diagram shows, the decline in demand deposits was checked in the middle of 1932, and in the latter part of that year showed a moderate upturn, which, however, was largely concentrated in New York City. This increase was wiped out in the banking crisis of early 1933, but a renewed increase followed immediately after the banking holiday, largely as a result of the return flow of hoarded currency to the banks. The movement was carried forward by a moderate expansion of bank credit up to the middle of 1933, when the passage of the Banking Act of 1933 caused many depositors to withdraw their funds and employ them in Government securities and other high grade paper, which to a considerable extent was purchased directly or indirectly from the banks. Since last autumn, however, the expansion of deposits has proceeded steadily and rapidly. The growth of deposits has not been limited to reporting banks in the larger cities, as was the case in 1932, but has included also a substantial increase in deposits in the smaller localities. The volume of bank deposits still remains far below the levels preceding the depression, but the recent increase represents an important addition to the purchasing power of the country.

The principal cause of the recent increase in deposits has been the employment of excess reserves by the banks in financing the Government recovery program. As the diagram on the following page indicates, expansion of bank credit thus far has been limited almost entirely to the purchase of Government securities. The failure of loans and investments other than Government securities to increase is not an unusual development in the early stages of a business recovery, however. In 1921, for instance, bank investments, especially Government security holdings, increased first, and the volume of loans continued to decline for about a year after the recovery in business began. It was not until business recovery was well under way in the second half of 1922 that a large expansion in bank loans occurred. For some time after the bottom of a depression is past the liquidation of old loans, which is made possible by the recovery in business and in commodity and security prices, tends to offset the extension of new loans. Ordinarily, however, credit expansion increasingly takes the form of direct loans to business enterprises after business recovery gathers momentum.

During the past month, in the absence of any new Government security issues except for refunding purposes, there has been no further increase in the Government security holdings of reporting banks, or in their total loans and investments. The continued increase in demand deposits has been largely a result of the disbursement of funds previously obtained by the Govern-





ment through new security issues and left in dormant deposits in the bank.

The rapid increase in demand deposits in member banks during recent months has caused a corresponding increase in the reserve requirements of the banks, which has absorbed gradually a part of the excess reserves that have been created. Member bank reserve requirements are now estimated at approximately \$2,070,000,000, as compared with about \$1,650,000,000, just after the bank holiday in March of last year. Nevertheless, excess reserves for all member banks increased further during April and were estimated at about \$1,675,000,000 on April 25. In New York, excess reserves, after rising to about \$500,000,000 at the beginning of April, declined substantially during the two subsequent weeks, accompanying a large outflow of funds to other districts, but in the latter half of the month there was a correspondingly large return flow of funds to New York and excess reserves rose to a new high level around \$550,000,000.

MONEY RATES

Open market money rates declined somewhat further in the early part of April and thereafter showed no material change. Yields on short term Government securities reached new low levels, and rates on bankers

Money Rates at New York

	April 29, 1933	Mar. 29, 1934	April 30, 1934
Stock Exchange call loans.....	1	1	1
Stock Exchange 90 day loans.....	*1	*¾-1	*¾-1
Prime commercial paper—4 to 6 months.....	2-2½	1-1½	1
Bills—90 day unindorsed.....	½	¾	¾-¾
Customers' rates on commercial loans.....	†3.88	†2.31	†2.33
Treasury securities.....			
Maturing June (yield).....	No yield	No yield	No yield
Maturing September (yield).....	0.32	No yield	No yield
Maturing December (yield).....	0.52	0.11	No yield
Average rate on latest Treasury bill sales.....			
91 day issue.....	0.51	0.08	0.08
182 day issue.....	....	0.19	0.18
Federal Reserve Bank of New York rediscount rate.....	3	1½	1½
Federal Reserve Bank of New York buying rate for 90 day indorsed bills.....	2	¾	¾

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

acceptances and open market commercial paper also declined slightly further.

There has recently been evidence of some inclination on the part of banks and other institutions to invest funds for somewhat longer periods than was the case a few months ago, and long term money rates, such as yields on long term Government bonds and the highest grade corporation and municipal bonds have declined during the past month to the lowest levels in recent years.

BILL MARKET

At the end of March, the accepting banks and bankers were holding in their portfolios \$576,000,000 of bankers acceptances, or 84 per cent of the \$685,000,000 of bills then outstanding. These bank holdings were composed of \$252,000,000 of their own bills and \$324,000,000 of purchased bills accepted by other banks and bankers. The concentration of the available supply of bills in these banks has come about as a natural result of the large excess of reserves above present requirements which the banks have sought to employ.

In view of the small supply of new bills coming into the discount market, the bill dealers on April 6 discontinued their former practice of quoting rates at which they would do business generally, and began the practice of quoting rates only on application. For the balance of the month, sales of bills by the dealers were made within a range of ⅛-¼ per cent for maturities up to 90 days, ¼-¾ per cent for 4 months, and ¾-½ per cent for 5 and 6 month bills. The change in the method of quoting bills had little effect on the volume of transactions. Of the limited amount of business done by the dealers it was reported that the bulk of the 90 day bills were sold at 3/16 per cent, but there was a tendency for sales at ⅛ per cent to increase toward the close of the month.

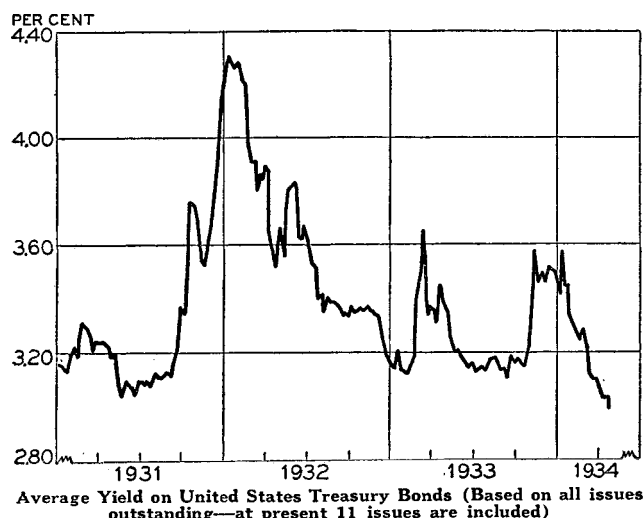
COMMERCIAL PAPER MARKET

Open market commercial paper rates declined further in April, accompanying an active investment demand for prime names on the part of the banks and a rather limited quantity of new paper becoming available. Beginning the month at 1-1¼ per cent, the prevailing rate for 4 to 6 month prime paper became established at 1 per cent by the middle of the month, although some paper of the less widely known borrowers continued to move at 1¼ per cent. Some sales below 1 per cent were also reported in the case of 60 and 90 day paper and even in the case of longer paper where the borrower had exceedingly high credit standing.

The volume of open market commercial paper outstanding increased 13 per cent further during March, the total at the end of the month amounting to \$133,000,000, a rise of 85 per cent over a year ago.

Security Markets

Prices of fixed interest bearing securities continued in April the advance which has been in progress since the latter part of last November. Domestic corporation bond prices, as represented in the currently available averages, rose some 2½ to 3 points further and toward the close of April were at new highs since before the 1931 break



in bond prices. Medium grade bonds had the greatest rise for the month—around 4 points; for higher grade bonds, which already were selling at pre-depression levels, the increases were proportionately smaller, amounting for the highest grade investment issues to about $1\frac{1}{2}$ points. These high grade investment issues are now selling on a yield basis of close to 4 per cent, which is reported by Moody's Investors Service to be the lowest yield since 1902. Lists of identical bonds carried through the past five year period, however, show an average market valuation for ordinary grades of bonds still considerably below the levels of 1928-1930. Foreign dollar bonds quoted in this market likewise registered some advance in April following a decline in March.

United States Government bonds advanced considerably further during the first part of April under the stimulus of the Fourth Liberty Loan conversion operation; through April 14, Liberty Loan bonds showed an average advance of about $\frac{3}{4}$ of a point and Treasury bonds a rise of over 1 point. In the next few days through April 20, however, Treasury bonds reacted about $\frac{3}{4}$ of a point, but subsequently the movement toward higher levels was resumed and Treasury bonds closed the month less than $\frac{1}{4}$ point below the high point of the month. As the accompanying diagram shows, the average yield on outstanding Treasury bonds has declined since the first of the year to about a 3 per cent basis, a new low for recent years. This yield compares with 3.50 per cent at the opening of the year and with 4.30 per cent at the beginning of 1932.

In the stock market, share prices exhibited a gradual advancing tendency during the first three weeks of April. Owing, however, to some recession in the last week of the month prices near the end of April were not materially different from those prevailing near the end of March when the decline from the early February highs terminated. The range of fluctuation on all days was relatively narrow and the volume of trading remained light, averaging around 1,400,000 shares daily. Bank stocks advanced more than other shares for the month as a whole, and touched the highest level since last June.

New Financing

The volume of new security flotations in April was somewhat above the March total. New security issues, including those for refunding purposes, are now running somewhat larger than during most of the past year, but nevertheless the amount of new capital provided for productive purposes through the security market still remains at a very low level. The principal flotations during April were an issue of \$50,000,000 State of New York bonds which were sold at a net interest cost to the State of 2.89 per cent, a new low rate, and \$45,000,000 of short term Federal Intermediate Credit Bank debentures, a part of which represented a refunding operation.

Also included in the month's total were \$12,900,000 of Philadelphia, Baltimore, and Washington Railroad bonds which were placed privately, and \$2,700,000 of Southern Railway Equipment Trust certificates, of which \$2,000,000 was publicly offered and \$700,000 placed privately. This marked the first time since January 1933 that any railroad securities have been offered for general public subscription, the New York Central financing announced in February being arranged by offering the bonds to stockholders of that company.

The United States Treasury for the second consecutive month was not in the market for any new funds in April. Early in the month, the Treasury offered an issue of $3\frac{1}{4}$ per cent Treasury bonds of 1944-1946 for which payment could be made only in Fourth Liberty Loan bonds which had been called for redemption on April 16 or in Treasury notes due May 2. In response to this offering, \$815,000,000 of the approximately \$1,000,000,000 of called Fourth's then outstanding were exchanged for the new Treasury bonds and \$234,000,000 of the \$244,000,000 of May 2 Treasury notes were exchanged. This left approximately \$200,000,000 of called Fourth Liberty Loan bonds to be redeemed in cash, only part of which had been presented for payment by the end of the month, although interest on these bonds ceased on April 15.

On April 14, the Treasury issued a call for two more series of Fourth Liberty Loan bonds for redemption on October 15, 1934; the bonds called bear serial numbers the final digit of which is 8, or 2 (such serial numbers in the case of the permanent coupon bonds being prefixed by the letters H, or B, respectively). This call will retire approximately \$1,200,000,000 more of the bonds. Previous to the first call issued last October \$6,300,000,000 of the Fourth Liberty Loan was outstanding; the optional exchange offering of last October reduced the amount to \$5,400,000,000, and the exchanges and small cash redemptions effected during April cut the amount to about \$4,300,000,000. By next October the amount of the Fourth Liberty Loan outstanding will have been reduced to \$3,100,000,000, or one-half of the amount outstanding a year previous.

Treasury bill financing during April included maturities of \$450,000,000 of 91 day bills which were replaced by sales of \$250,000,000 of new 91 day bills and \$200,000,000 of 182 day bills. Rates for these issues remained at the extremely low levels established at the end of March—0.07 to 0.08 per cent for the 3 month maturities and 0.18 to 0.19 per cent for the 6 month bills.

Gold Movement

The movement of gold into the United States which began in February continued during April though at a much reduced rate. Purchases of imported gold by the New York Assay Office during April totaled \$45,600,000, of which \$23,600,000 came from England, \$8,900,000 from Canada, \$7,200,000 from Holland, \$4,200,000 from India, and \$1,700,000 from France. The monetary gold stock of the United States was also increased by imports of \$2,800,000 from China on the Pacific Coast and releases of \$1,400,000 of gold which had been previously earmarked for foreign account at this bank, as well as by substantial recoveries of scrap gold and by receipts of newly mined gold. Altogether the April increase in the gold stock appears to have been between \$60,000,000 and \$70,000,000. There also was imported from Colombia \$2,500,000 of gold which was immediately earmarked on arrival and therefore was without effect on the gold stock. There were no exports during April.

From the beginning of February to the end of April the monetary gold stock of the United States has increased about \$730,000,000, of which \$655,000,000 has been due to imports of gold at New York which has been sold to the Assay Office. Other factors in the rise in the gold stock have been moderate releases of gold from foreign bank earmark accounts at the Federal Reserve Bank, some imports of gold from the Orient on the Pacific Coast, and deposits of newly mined and scrap gold at the mints and assay offices. In the four week period ended April 13 "secondary receipts" of gold by the mints and assay offices, which represent sales of scrap metal and old jewelry, averaged over \$4,000,000 a week, but in the week ended April 20 declined to \$1,400,000. Weekly receipts of newly mined domestic gold have been averaging about \$2,000,000 in recent weeks.

Foreign Exchange

The rise of foreign currencies following devaluation of the dollar, which had proceeded rapidly in February and at a much slower pace in March, continued somewhat further in April. The French franc, which had fluctuated around \$0.0658 in March, moved up to about \$0.0660 early in April and held in that vicinity until the end of the third week when the quotation crossed the new parity of \$0.0663 for the first time and continued to rise until a high point of \$0.0669¾ was touched during the course of trading on the 21st, a rate somewhat above the estimated gold export point at New York. Before any shipments could be arranged, however, a reaction occurred, and quotations on succeeding days were several points below the gold export point. The course of belgas, guilders, and Swiss francs closely paralleled that of the French currency. The pound sterling reached a new high closing quotation since February 1 of \$5.18⅞ on April 3, but thereafter the rate moved irregularly going as low as \$5.13⅝ on the 18th, and was around \$5.15 toward the close of the month. The reichsmark also reached its highest closing quotation on April 3 at \$0.3991; the rate then receded to \$0.3941 on the 18th, and subsequently fluctuated widely. Lire moved in a manner similar to the reichsmark and the Scandinavian exchanges followed sterling, as usual.

Other currencies which fluctuated with British exchange were Japanese yen and Argentine pesos. The Brazilian milreis, though officially pegged to sterling, moved independently in this market as in March and February. The Canadian dollar rose slightly further in April.

Closing Cable Rates at New York

Exchange on	Par of Exchange	April 29, 1933	Mar. 31, 1934	April 28, 1934
Belgium.....	\$.2354	\$.1600	\$.2335	\$.2357
Denmark.....	.4537	.1715	.2289	.2300
England.....	8.2397	3.8538	5.1500	5.1500
France.....	.0663	.04503	.06590	.06648
Germany.....	.4033	.2650	.3975	.3972
Holland.....	.6806	.4575	.6746	.6818
Italy.....	.0891	.0595	.0860	.0856
Norway.....	.4537	.1890	.2585	.2587
Spain.....	.3267	.0975	.1364	.1377
Sweden.....	.4537	.2005	.2655	.2656
Switzerland.....	.3267	.2205	.3230	.3265
Canada.....	1.6931	.8775	1.0006	1.0041
Argentina.....	.7187	.2895	.3434	.3433
Brazil.....	.2026	.0800	.0850	.0871
Uruguay.....	1.7511	.5300	.7900	.8000
Japan.....	.8440	.2400	.3030	.3048
India.....	.6180	.2912	.3875	.3885
Shanghai.....	.....	.2425	.3450	.3325

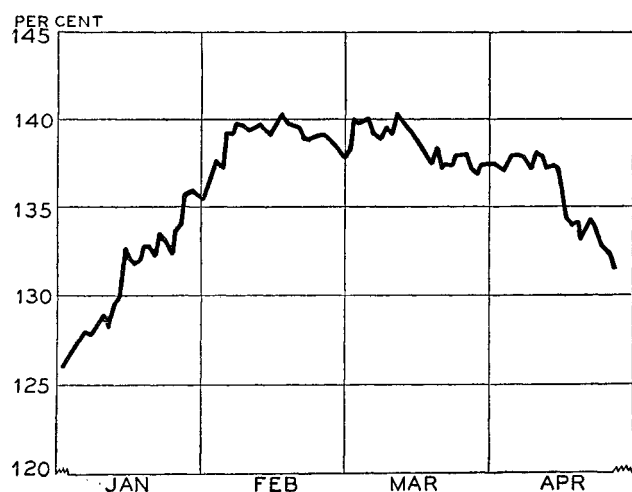
Central Bank Rate Changes

Effective April 26 the National Bank of Belgium lowered its discount rate from 3½ to 3 per cent. The higher rate had been in force since January 14, 1932.

Commodity Prices

Price increases were announced early in April for a number of important industrial products, including bituminous coal, steel, and automobiles. The new prices filed with the code authority for the steel industry did not become immediately effective and therefore were not promptly reflected in the available steel price averages, but by the end of the month the composite price for finished steel computed by the Iron Age had advanced 10 per cent to a level only 3 per cent lower than in 1929. Advances in selling prices were made early in April by all but one of the principal automobile producers, and in the bituminous coal industry also the upward revision of wage scales was followed by price advances.

On the commodity exchanges the principal development during April was a sharp fall in the prices of wheat and cotton in the second half of the month. July wheat futures dropped from about 85 cents a bushel at the middle of April to a low of 76 cents, but recovered moderately toward the close of the month, and July cotton declined about 1 cent to 11 cents a pound. The decline in wheat prices offset all of the advance made since last December, but cotton remained well above the levels prevailing last autumn. Silver also fell sharply in the second half of April, and quotations for sugar and hogs showed a continuation of the previous month's downward tendency. Price weakness in this period was limited, however, to a small group of commodities, and a number of actively traded primary products remained stable or reached new high levels for the current upward movement. The price of rubber advanced about 2½ cents to over 13½ cents a pound, copper rose ½ cent to 8½ cents a pound, a composite price for steers in-



Movements of Prices of Actively Traded Basic Commodities (Moody's Investors Service daily index of 15 staple commodities; December 31, 1931=100 per cent)

creased from \$6.33 to \$7.25 a hundredweight, and lead and hides showed moderate gains.

Reflecting price declines in the small group of important commodities mentioned above, the available basic commodity price indexes declined sharply in the latter half of April to the lowest point since the middle of January. This is indicated in the accompanying diagram, which shows a daily index of the prices of fifteen basic commodities computed by Moody's Investors Service. The widely inclusive wholesale price index of the Bureau of Labor Statistics, however, showed practically no change during the four weeks ended April 21, receding only 0.1 of a point to 73.3 per cent of the 1926 average. This was due to the fact that the general level of wholesale commodity prices during April was affected by two divergent influences—increases in the prices of certain industrial products on the one hand, and the pronounced drop in quotations for a few leading farm products on the other.

Foreign Trade

This country's foreign merchandise trade showed somewhat more than the usual seasonal increase during March. Total exports, amounting to \$190,000,000, were 76 per cent larger than a year ago, and imports, valued at \$158,000,000, showed an increase of 67 per cent over the relatively low level of March 1933. This rise in the value of the foreign trade of the United States was participated in, to varying degrees, by all of the leading types of commodities. It reflects in part the changed value of the dollar.

For both exports and imports, the largest percentage gains in value over a year ago were among the metals and their manufactures, in most of which sharp price increases have occurred. Exports of this group of commodities, principally iron and steel products and refined copper, were 166 per cent above the level of March 1933. Imports in this category, chiefly copper and tin, were 176 per cent larger in value than a year ago. Exports of machinery and vehicles, of which about half the value represents automobiles and parts, more than doubled the figure of last year. Imports of inedible animal prod-

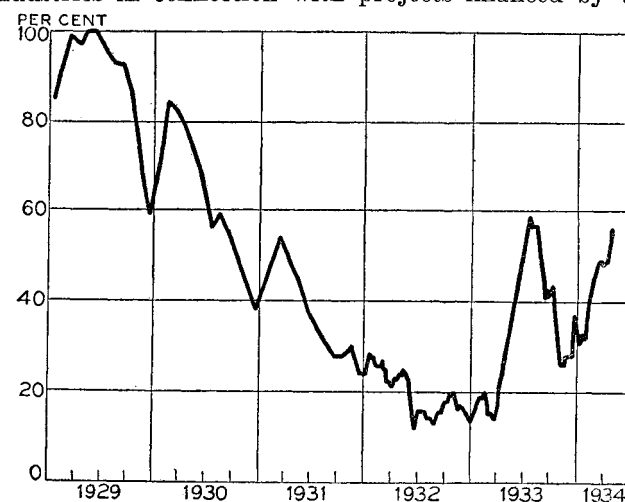
ucts, largely hides and skins and furs, also were twice the March 1933 value. The smallest relative increases, about one-third, occurred in exports of chemicals and related products and in imports of animals and meat products, for which there has been comparatively little price change since a year ago.

Available figures on the quantities of commodities involved in the foreign trade of this country show that March exports of raw cotton were 13 per cent larger than in 1933, and that receipts of raw silk and crude rubber increased 45 and 60 per cent, respectively.

The latest available statistics on the international trade of the leading countries, in terms of their own currencies, do not reveal anything like the gain shown by the United States for the first quarter of this year as compared with 1933. Converted into gold values, however, as is done by the League of Nations in adjusting the world trade figures currently, total foreign trade of the United States in the first quarter of 1934 was still somewhat less than a year ago, while that of the United Kingdom for the same period showed a substantial increase. The trade of other countries showed very slight changes on this basis. The indications are that total international trade in the first quarter of this year, expressed in gold values, remained at a level approximately one-third of the 1929 value, with that of the United States somewhat less than one-quarter of its 1929 value.

Production

The upward movement of manufacturing activity which began in the closing months of 1933 appears to have continued during April. As the accompanying diagram shows, steel production rose further to 56 per cent of theoretical capacity in the latter part of the month, as compared with a March average of 48 per cent. This increase, which was somewhat in excess of the customary seasonal proportions, raised steel mill operations to a level only slightly below the high point reached for a time during the summer of last year and about equal to that reached in the spring of 1931. Increased takings of steel by the railroad and building industries in connection with projects financed by the



Ratio of Steel Production to Theoretical Capacity (Monthly through 1931; weekly in subsequent period)

Public Works Administration, together with a further expansion in demand from the automobile, machinery, and smaller steel consuming industries were responsible for the rise in steel operations during April. The announcement of steel price increases early in the month was followed by the placing with mills of an exceptionally large volume of orders before the new prices became effective. These orders, placed by consumers in anticipation of their future requirements, will tend to accelerate shipments until the end of June, but are expected to cause some accumulation of steel in the hands of consuming industries.

Among the other industrial lines for which tentative data are available, an April increase of somewhat larger than seasonal proportions was indicated in the output of the automobile industry, and the activity of cotton textile mills was reported to have risen moderately, while coal production was reduced considerably. This bank's seasonally adjusted weekly index of electric power production, the short period movements of which are related chiefly to changes in industrial consumption of electricity, showed a continued upward tendency in April.

Reflecting a further rise in basic industrial activity during March, the index of industrial production computed by the Federal Reserve Board advanced 3 points to 84 per cent of the 1923-25 average. Increases occurred in the output of the iron and steel, coal, and cotton and silk textile industries, and automobile production showed the full seasonal expansion. These gains were only partly offset by declines reported in the activity of the wool textile, meat packing, tobacco, and shoe industries.

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

	1933	1934		
	Mar.	Jan.	Feb.	Mar.
Metals				
Pig iron.....	15	41	41	46
Steel ingots.....	18	45	53	56
Lead.....	39	56	54	49
Zinc.....	39	58	59	59
Tin deliveries.....	48	42	44	
Automobiles				
Passenger cars.....	19	36	50	50p
Motor trucks.....	26	94	83	83p
Fuels				
Bituminous coal.....	56	67	77	91p
Anthracite coal.....	77	103	110	112p
Coke.....	36	55	60	
Petroleum, crude.....	75	69	68	70p
Petroleum products.....	66	65	65	
Electric power.....	61	64	66p	66p
Textiles and Leather Products				
Cotton consumption.....	76	77	82	86
Wool mill activity.....	57	90	92	89p
Silk consumption.....	61	60	60	64
Shoes.....	84	96p	100p	92p
Rayon deliveries.....	79	100	91p	
Foods and Tobacco Products				
Livestock slaughtered.....	63	103	95	91
Wheat flour.....	100	92	91	89
Sugar deliveries.....	86	77	96	84p
Tobacco products.....	68	88	85	78
Miscellaneous				
Cement.....	37	42	55	51
Tires.....	29	78		
Lumber.....	25	38	33	43
Printing activity.....	53	63	64	
Newsprint paper.....	66	73	72	74
Machine tools.....	6	51	43	

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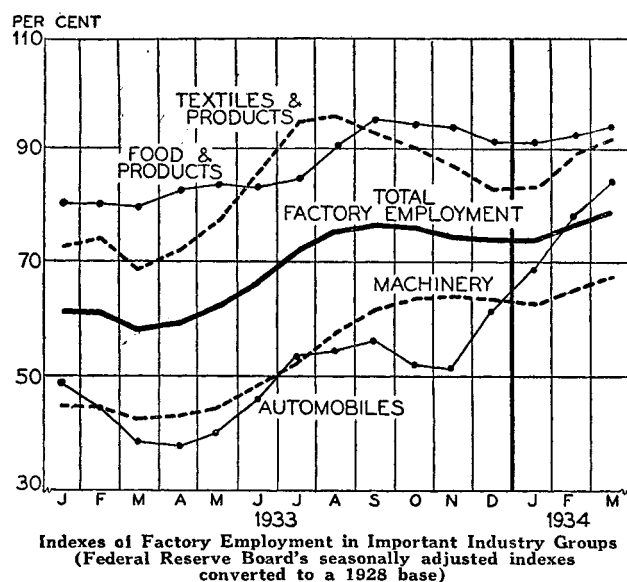
Employment and Payrolls

Employment showed a further increase from February to March, and according to the estimate of the American Federation of Labor, the number of workers without jobs was reduced 562,000 to 10,905,000 as compared with an unemployment peak of 13,689,000 a year earlier. These figures, however, do not take account of the employment directly provided by extraordinary Federal expenditures for public works projects and relief jobs. In the Civil Works Administration, the number on the payrolls was about 2,400,000 in the middle of March, and 1,900,000 at the end of that month, and in addition a large number of workers were employed on projects under the Public Works Administration and other Government agencies.

Factory working forces increased 4 per cent from the middle of February to the middle of March. This rise, which exceeded any previously recorded February to March advance during the fifteen years for which data are available, was equivalent to an increase of about 255,000 in the actual number of factory workers employed. Payrolls in manufacturing industries rose even more than employment principally as a result of the decreasing prevalence of part time employment. Increases in working forces and wage payments were quite general among the principal manufacturing industries.

Increases in employment and payrolls from February to March were reported also in building construction, trade, coal mining, railroads, and agriculture. With the exception of the gain in the coal mining industry, seasonal influences contributed to these gains.

The extent of the increase in employment during the past year in four major manufacturing lines and in manufacturing as a whole is shown in the accompanying diagram. In recent months the rise in employment has been especially marked in the automobile industry; since November the seasonally adjusted index has advanced from 52 per cent to 84 per cent of the 1928 average level. Rather considerable gains have been recorded also in machinery factories and textile mills, and employment in the food industry has shown a



moderate increase. Working forces in three of the four industries for which indexes are shown in the diagram are now near the 1928 level, the exception being the machinery industry. In general it appears that employment in industries producing consumption goods is not far below pre-depression levels, and that the comparatively low rate of operations in the capital goods industries is responsible for the major part of present unemployment.

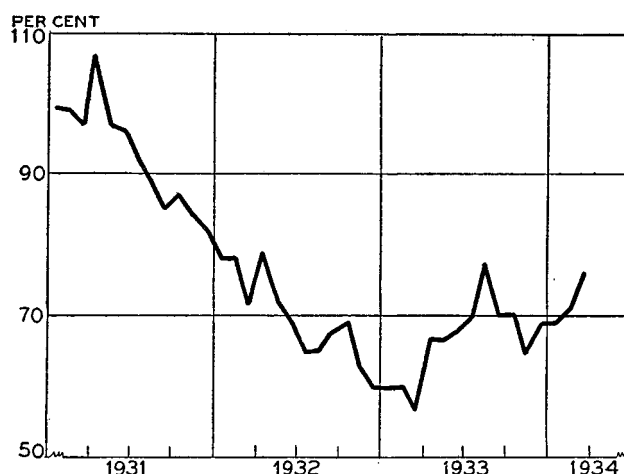
Toward the end of March and in the early part of April further general increases in wage rates were announced in the bituminous coal, steel, and automobile industries, and in addition advances were made by a number of manufacturing concerns in other lines. Following the widespread wage increases in August and September of last year, which accompanied the adoption of industrial codes, average hourly earnings showed only a slight upward tendency in subsequent months. Data on hourly earnings in April are likely to reflect more fully recent changes in wage rates.

Indexes of Business Activity

No material change in the course of general business activity and trade during April is indicated by the limited data now available. The railroad movement of miscellaneous and less than carload freight, which is one of the best measures of general business activity, showed a seasonal increase of at least the usual proportions during the first half of April, but retail trade in the New York Metropolitan area showed some slackening after the active trade of March.

Among this bank's indexes of distribution and general business activity the most important change during March was shown in the department store trade indexes. Sales increased sharply in this district and rather considerably throughout the country, even after allowance for seasonal factors, including the influence of Easter buying. As is shown in the accompanying diagram, the dollar value of department store sales in the United States, after elimination of seasonal influences, was at a higher level in March than at any time since the first half of 1932 with the exception of a single month last summer. In view of the uneven rise in retail selling prices, it is not definitely ascertainable how much of the increase in dollar volume of sales in recent months has reflected increased prices, and how much has represented an increased quantity of goods sold, but in March there was good reason to believe that the actual amount of goods distributed was well above a year previous. The broad movement of department store sales during the past year has corresponded fairly closely with the movements of the other principal indicators of general business activity.

Among the other indexes of distribution and general business activity, merchandise imports, retail automobile sales, and sales of chain stores other than grocery chains showed increases in March. No marked change occurred during March in the indexes relating to railroad freight traffic, volume of check payments, wholesale trade, exports, life insurance sales, and sales of groceries by chain stores, while the index of mail order house sales declined rather sharply.



Dollar Value of Department Store Sales in the United States
(Federal Reserve Board's seasonally adjusted index;
1923-25 average=100 per cent)

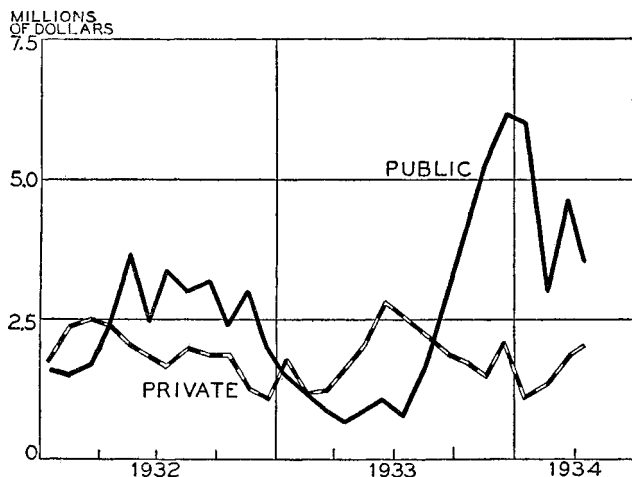
(Adjusted for seasonal variations, for usual year to year growth,
and where necessary for price changes)

	1933 Mar.	1934		
		Jan.	Feb.	Mar.
<i>Primary Distribution</i>				
Car loadings, merchandise and misc.	48	61	60	60
Car loadings, other.	47	60	68	69
Exports.	39	52	55p	55p
Imports.	51	55	53p	58p
Waterways traffic.	40	70	39	
Wholesale trade.	81	93	96	96p
<i>Distribution to Consumer</i>				
Department store sales, U. S.	64	70	70	73p
Department store sales, 2nd Dist.	75	70	69	77
Chain grocery sales.	59	50	49	49
Other chain store sales.	66r	80	76	80
Mail order house sales.	53	70	72	61
Advertising.	45	54	55p	
Gasoline consumption.	71	83	67	
Passenger automobile registrations.	23	27p	41p	48p
<i>General Business Activity</i>				
Bank debits, outside New York City.	**	57	59	60p
Bank debits, New York City.	**	43	49	47p
Velocity of demand deposits, outside New York City.	**	72	72	72
Velocity of demand deposits, New York City.	**	53	59	54
Shares sold on N. Y. Stock Exchange.	59	133	150	62
Life insurance paid for.	62	73	68	67
Employment in the United States.	58	73	76	79
Business failures.	76	42	43	41
Building contracts.	12	46	28	30
New corporations formed in N. Y. State.	64	65	56	56
Real estate transfers.	42	50	46	
General price level*.	123	133	136p	136p
Composite index of wages*.	168	179	180p	180p
Cost of living*.	127	136	138	139

p Preliminary r Revised * 1913 average=100 ** Data not available

Building

During March, the value of building contracts awarded showed a considerable increase over the February level, in keeping with the seasonal tendency. Contracts for all the major classes of building and engineering work increased, although contracts for publicly financed building did not regain the high rate which prevailed in December and January. The following diagram indicates, however, that the total for publicly financed construction during recent months has been substantially larger than a year ago and privately financed construction has been slightly larger. During the first quarter of the year, contracts for publicly financed building aggregated



Average Daily Value of Building and Engineering Contracts Publicly and Privately Financed (F. W. Dodge Corporation data for 37 States; April data are for first three weeks of the month)

\$348,000,000, as compared with only \$91,000,000 in the first quarter of 1933 and with \$382,000,000 in the last three months of 1933; privately financed construction aggregated \$112,000,000, as compared with \$105,000,000 a year ago and \$132,000,000 in the final quarter of 1933. The increases in contract volume over a year ago were shared by all districts which are included in the F. W. Dodge Corporation report for 37 States.

Daily average building contract data for the first three weeks of April have also been plotted in the diagram. These indicate a further slight increase in privately financed building, but some decline from March in the rate of contract awards for publicly financed construction. Judging from the amount of contracts for public construction reported to date and the allotments under the Public Works Administration, there still remains a considerable volume of contracts to be let during the coming months.

Department Store Trade

During the first half of April, total sales of the leading department stores in the Metropolitan area of New York were 4 per cent lower than in the corresponding period a year ago, and, excluding sales of wines and liquors from this year's figures, the decrease amounted to 6½ per cent. This reduction in sales, following the unusually large increase in March, was due at least in part to the earlier date of Easter this year than last, which resulted in much seasonal buying being done in March this year whereas it was done more largely in April last year.

Total March sales of the reporting department stores in this district were 32 per cent higher than last year, which is the largest increase recorded by this bank since 1920. The large increase was attributable in part to the early Easter trade this year, but even after allowance for this and other seasonal factors, March retail trade appears to have reached the highest level since last August in this district as well as in the country as a whole. Dollar sales of department stores in this district in March were about 1 per cent above March 1932, but remained substantially lower than in 1931 and preceding years.

There was no locality that did not show a very substantial gain in sales over March 1933; Buffalo, Rochester, and Northern New York State stores reported increases of 50 per cent or over, and the sales in the remaining districts were at least 25 per cent higher than last year. Sales of the leading apparel stores in this district were 59 per cent higher than a year ago.

Locality	Percentage change March 1934 compared with March 1933		Per cent of accounts outstanding February 28 collected in March	
	Net sales	Stock on hand end of month	1933	1934
New York.....	+30.8	+28.9	39.1	47.8
Buffalo.....	+50.1	+15.6	36.4	43.0
Rochester.....	+52.4	+16.3	37.7	47.8
Syracuse.....	+43.1	+4.1	24.1	34.7
Northern New Jersey.....	+25.2	+22.6	35.4	41.6
Bridgeport.....	+43.4	+9.3	27.4	35.4
Elsewhere.....	+38.7	+0.3	25.1	28.7
Northern New York State.....	+59.4	.....	.....	.....
Southern New York State.....	+48.7	.....	.....	.....
Hudson River Valley District.....	+34.5	.....	.....	.....
Capital District.....	+33.9	.....	.....	.....
All department stores.....	+31.9	+24.2	36.1	44.0
Apparel stores.....	+59.3	+37.8	35.0	42.6

Wholesale Trade

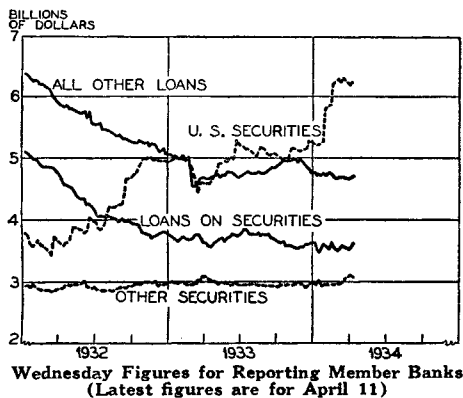
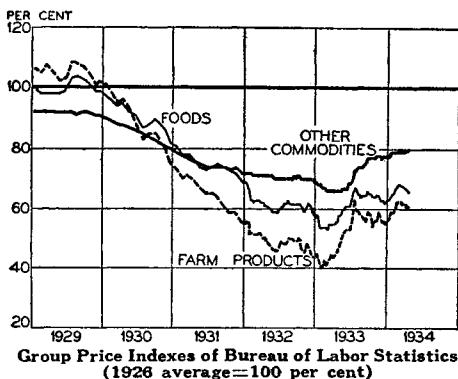
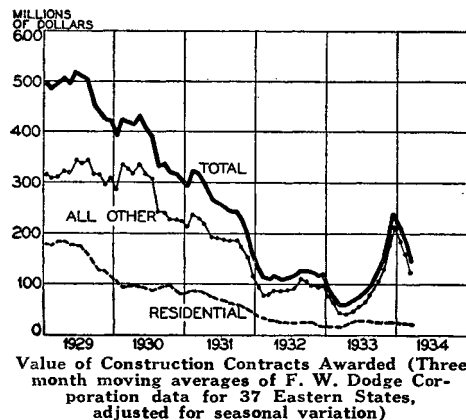
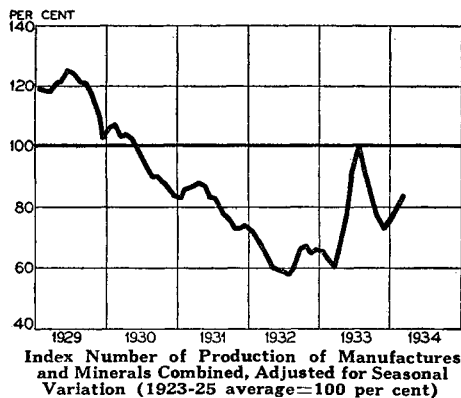
Total March sales of the reporting wholesale firms averaged about 50 per cent higher than a year ago, the largest increase reported since last summer. Sales of the paper, stationery, and jewelry firms showed advances from a year previous unequaled in the records of this bank for recent years. Moreover, the sizable increases in sales of the cotton goods, men's clothing, and diamond concerns were the most substantial since last summer, and the advance in drug sales was the largest since November. In the case of the hardware and shoe firms, the increases were about the same as in February. Grocery firms showed an increase of 32 per cent in total sales and of 17 per cent exclusive of liquor sales, which is a less favorable year to year comparison than was reported in the two preceding months. Sales of silk goods, reported on a yardage basis by the National Federation of Textiles, Incorporated, declined slightly more from a year ago than in the previous month.

Commodity	Percentage change March 1934 compared with March 1933		Per cent of accounts outstanding February 28 collected in March	
	Net sales	Stock end of month	1933	1934
Groceries.....	+32.1	+66.7	85.6	100.8
Men's clothing.....	+56.3	.....	36.3	52.3
Cotton goods.....	+51.2	.....	27.7	36.7
Silk goods.....	+5.7*	+17.8*	62.9	62.0
Shoes.....	+53.0	.....	33.9	44.8
Drugs.....	+51.3	+4.4	19.2	28.3
Hardware.....	+20.0	+29.2	36.4	41.0
Stationery.....	+34.9	.....	57.0	53.5
Paper.....	+40.8	.....	41.9	49.4
Diamonds.....	+106.7	+2.4	13.9	27.4
Jewelry.....	+213.5	+26.9	.....	.....
Weighted average.....	+49.7	.....	50.2	61.1

* 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, MAY 1, 1934



Business Conditions in the United States

(Summarized by the Federal Reserve Board)

VOLUME of industrial production increased further in March and there was considerable growth in factory employment and payrolls. The general level of commodity prices showed little change between the middle of March and the middle of April but in the third week of April there was a sharp decline in grain prices.

PRODUCTION AND EMPLOYMENT

Output of manufactures and minerals, as measured by the Federal Reserve Board's seasonally adjusted index of industrial production, advanced from 81 per cent of the 1923-1925 average in February to 84 per cent in March. This advance reflected chiefly increases of more than the usual seasonal amount in the output of steel, automobiles, and lumber and an increase contrary to seasonal tendency in the output of coal. Production of textiles showed little change in volume on a daily average basis. In the early part of April, activity at steel mills and automobile factories increased further, according to trade reports, while coal production declined by a more than seasonal amount.

Volume of employment at factories increased further between the middle of February and the middle of March by about 4 per cent, an amount larger than is usual at this season. Employment on the railroads and at mines also showed an increase. The number on the payrolls of the Civil Works Administration was reduced from about 3,700,000 in the middle of February to about 2,400,000 in the middle of March and 1,900,000 at the end of the month.

The value of construction contracts awarded in March, as reported by the F. W. Dodge Corporation, showed a considerable increase from the low level of February, followed, in the first half of April, by a decline. For the first quarter as a whole, the value of contracts was somewhat smaller than in the last quarter of 1933; publicly financed projects continued to make up about three-fourths of the total.

DISTRIBUTION

Volume of freight car loadings showed a further increase in March, reflecting chiefly seasonal increases in shipments of merchandise and miscellaneous freight and a continued large volume of coal shipments, which usually decline in March. In the early part of April, total car loadings showed a decline, reflecting a sharp reduction in coal shipments. Dollar volume of trade at department stores increased in March by considerably more than the estimated seasonal amount, after allowance for the early date of Easter this year.

PRICES

The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, was 73.3 per cent of the 1926 average in the week ended April 14 as compared with 73.8 per cent in the week ended March 10. During this period prices of steel, copper, and automobiles advanced, while prices of farm products decreased somewhat. In the third week of April, wheat prices declined sharply and there were also declines in the prices of other grains, cotton, and silver.

BANK CREDIT

During the four weeks ended April 18 member bank reserve balances increased by \$220,000,000, raising the volume of reserves in excess of legal requirements to \$1,600,000,000. This increase reflected a growth of \$105,000,000 in the monetary gold stock and further disbursements by the Treasury of funds from its cash holdings and its deposits with the Reserve Banks.

At reporting member banks in leading cities an increase of \$400,000,000 in net demand and time deposits for the four week period ended April 11 reflected chiefly the deposit by the public of funds disbursed by the Treasury, as well as a growth in bankers' balances. Government deposits were reduced by about \$200,000,000. Holdings by these banks of securities, other than United States Government obligations, increased by \$64,000,000, and their loans both on securities and all other also increased slightly, with the consequence that total loans and investments showed a growth of \$100,000,000 for the period.

Money rates in the open market declined further in April. Rates on prime 4-6 month commercial paper were reduced from a range of 1-1½ per cent to 1 per cent, and rates on 90 day acceptances were reduced from ¼ per cent to a range of ⅛-¼ per cent. Yields on Government securities also declined.