MONTHLY REVIEW
of Credit and Business Conditions
Second Federal Reserve District

Federal Reserve Agent — *Federal Reserve Bank, New York* — *March 1, 1935*

Money Market in February

The supply of money in the form of bank deposits has continued to expand during the past month in New York and also in other parts of the country. The net demand deposits of the principal New York City banks in February averaged considerably above the temporary peak of 1929, as the accompanying diagram shows, and were larger than ever before.

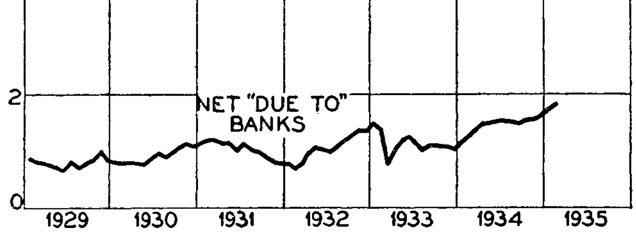
The increase in the average level of net demand deposits in New York from January to February was nearly $200,000,000, and the total increase during the past year has been close to $1,500,000,000, or approximately 28 per cent. In other principal cities throughout the country there was a smaller increase in net demand deposits in February, and the increase during the past year has amounted to about $1,350,000,000, or about 23 per cent. The indications are, however, that a considerable part of the increase in deposits in New York has represented simply an accumulation here of idle funds from other parts of the country. Bank debits in New York City, which give a broad measure of the total dollar amount of business and financial transactions, were smaller in February than a year ago, and the ratio of debits to deposits—the velocity of deposits—was considerably lower than in February 1934.

As the lower line in the diagram shows, a large part of the fluctuation in deposits in New York City banks is accounted for by changes in the balances carried by banks in other parts of the country with their New York City correspondents. The increase in such balances during the past year has accounted for more than $600,000,000, or 40 per cent of the total increase in net demand deposits during the past year. Furthermore, the total movement of funds other than Treasury and Reserve Bank funds between New York City and other parts of the country indicates that, in addition to the growth of out of town bank balances in New York, there has been a substantial movement to New York of other funds which apparently are not being used actively for the time being at least.

The growth of deposits in New York City has not been entirely accounted for, however, by the movement of banking and commercial funds from other parts of the country. After allowing for an estimated inflow of approximately $1,100,000,000 from other districts during the past year—there remains an increase of something like $400,000,000, or about 10 per cent, in other demand deposits of New York City banks. But even this moderate increase has not been paralleled by an increase in the volume of bank debits.

Aside from the interdistrict flow of funds, the increase in deposits in New York over January and also over a year ago, appears to have been due chiefly to the inflow of gold from abroad. The latest gol l movement, which followed the strength of the dollar in the foreign exchange market in the latter half of January, has amounted to approximately $230,000,000, and the total inflow of gold at New York since January 1934 has amounted to around $1,250,000,000. In addition, the total loans and investments of the New York City banks, although slightly smaller in February than in January, have shown an increase of approximately $350,000,000 during the past year. The increase in the volume of credit extended by the New York City banks, however, has been exclusively in the form of increased holdings of Government securities and Government guaranteed securities, and it appears that, in effect, all of the proceeds of these security purchases, together with the proceeds of some of the Government securities sold to private investors in this district, have been transferred away from New York and expended in other parts of the country. It is estimated that net withdrawals of funds from this district by the Government during the past year have aggregated more than $1,000,000,000.

Member bank reserves have been subject to much the same influences as their deposits. The reserves of the principal New York banks showed some further in-



Total Net Demand Deposits of Reporting Member Banks in New York City, and Net Amount Due to Other Banks

crease in the early part of February, which also was due chiefly to the inflow of funds from other districts and to the gold inflow from abroad, and was partly offset by substantial withdrawals by the Treasury of Government deposits in the New York banks that represented payments for earlier subscriptions to new issues of Government securities. Excess reserves rose at times above $900,000,000, and for the month as a whole averaged close to that figure in New York. Reserves were thus almost double the required amount for these banks. For the country as a whole, excess member bank reserves averaged above $2,250,000,000, and in this case also reserves were almost double the required amount.

Money Rates

With excess funds available for employment far in excess of the supply of high grade short term loans and investments, the yields on short term paper remained in February at the extremely low levels previously reached. Short term Government securities that are expected to have valuable exchange privileges during the coming year continued to sell at prices which offered no current yield, and other high grade paper, such as Treasury bills and bankers bills, continued to yield only a small fraction of 1 per cent. The principal changes in money rates, therefore, continued to be in yields on the longer term securities.

Money Rates at New York

	Feb. 28, 1934	Jan. 31, 1935	Feb. 27, 1935
Stock Exchange call loans	1	1	1
Stock Exchange 90 day loans	*¾–1	*¾–1	*¾–1
Prime commercial paper—4 to 6 months	1¼–1½	¾	¾
Bills—90 day unindorsed	½	⅛	⅛
Customers' rates on commercial loans	†2.25r	†1.75	†1.83
Treasury securities:			
Maturing December (yield)	0.62	No yield	No yield
Maturing June 1936 (yield)	....	0.39	0.16
Average yield on Treasury notes (1-5 years)	2.11	0.91	0.67
Average yield on Treasury bonds	3.29	2.67	2.54
Average rate on latest Treasury bill sales			
182 day issue	0.62	0.14	0.11
273 day issue	....	....	0.17
Federal Reserve Bank of New York rediscount rate	1½	1½	1½
Federal Reserve Bank of New York buying rate for 90 day indorsed bills	½	½	½

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

Member Bank Credit

The total loans and investments of all weekly reporting banks remained during February at about the same level as in January. In the New York City banks, the total loans and investments on February 20 were $160,000,000 less than four weeks earlier, due chiefly to reductions of about $90,000,000 in Government security holdings, and $44,000,000 in security loans. There was also a small reduction in holdings of other securities, but commercial loans appear to have passed the seasonal low point and remained somewhat above the level reached at the low point of last July.

Weekly reporting member banks in other principal cities showed an increase of $116,000,000 in total loans and investments during the four weeks ended February 20, the principal factor in which was an increase of $71,000,000 in the holdings of direct obligations of the United States Government. Holdings of Government guaranteed securities also increased $30,000,000, and there was a small increase in "all other" loans—presumably largely commercial loans—while loans on securities declined somewhat further. In these banks also the volume of business loans has remained somewhat above the low point of last July.

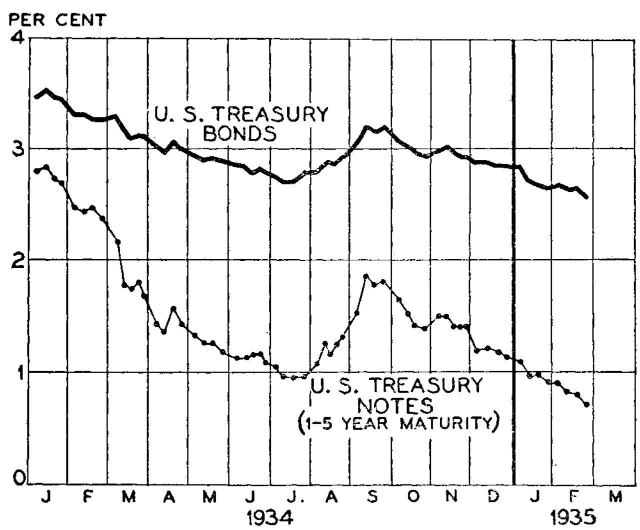
Bills and Commercial Paper

Except for a brief period of increased activity during the second week of February, the bill market showed no signs of a change from the extremely dull conditions which have existed for some months past. Dealers' portfolios remained very small and rates were unchanged. The volume of bankers bills outstanding at the end of January aggregated $516,000,000, a decline of $27,000,000 from December 31, due in large part to reductions in domestic warehouse and export bills. Accepting banks held 94 per cent of the bills then outstanding, leaving only $31,000,000 available for other investors.

A moderate increase occurred in the activity of the commercial paper market during the latter part of February, accompanying somewhat larger drawings of new paper. For the month as a whole, however, dealers' offerings of commercial paper continued to be much too small to satisfy the insistent investment demand for prime paper which has existed for some time past. The prevailing rate for prime commercial paper remained at ¾ per cent, except for consumer finance company paper which generally carried a 1 per cent rate. Reporting commercial paper houses had $171,000,000 of paper outstanding at the end of January, which was 3 per cent more than the December figure and 58 per cent more than a year ago.

Government Securities

Throughout February, prices of United States Government securities, both short and long term, continued to rise and yields declined to new low levels. The average yield on Treasury notes declined from 0.91 per cent at the end of January to 0.65 per cent near the end of February, and the average yield on Treasury bonds receded from 2.67 per cent to 2.50 per cent. As the accompanying diagram indicates, the yield on Treasury notes is now nearly 1½ per cent lower than at this time



Average Yields on United States Treasury Bonds and Notes

last year, and the yield on Treasury bonds is more than ¾ per cent lower.

New financing consummated by the Treasury during February was entirely in the form of Treasury bill issues. In replacement of the first three weekly maturities of $75,000,000 of 182 day bills, equivalent amounts and maturities of new bills were put out at average rates of 0.11-0.12 per cent per annum, which compares with 0.14 per cent on the last January issue. The $75,000,000 of bills that matured February 27 were replaced by an issue of $50,000,000 of 182 day bills and by $50,000,000 of 273 day bills, the latter an innovation in Treasury bill financing. The average rate at which the 9 month bill issue was sold was only slightly higher than the rate on the 6 month bill issue—0.166 per cent as compared with 0.108 per cent. The Treasury also announced during February the completion of plans for the new United States Savings Bonds (baby bonds) to go on sale to the general public on March 1 through 14,000 post offices. These bonds, which are of 10 year maturity, are to be sold on a discount basis, and will yield 2.90 per cent, compounded semi-annually, if held to maturity. The bonds, in denominations from $25 to $1,000, are not transferable but will be redeemed by the Treasury in cash on the owner's request any time after 60 days from date of issue.

Security Markets

Prices of high grade domestic corporation bonds rose somewhat further in February, coincident with the advance in United States Treasury bonds previously mentioned. The advance was almost continuous throughout February, the net result being a rise of over one point which carried these issues to a new high level for many years. The movement of medium and lower grade bonds was much more irregular, and these issues generally remained below the highest prices reached in January. Public utility bonds showed the largest gains during February, while a number of the medium grade railroad issues were weak. Foreign dollar bonds listed in this market advanced slightly further on the whole.

Movements of stock prices continued to be irregular during February. For the period through February 16 prices showed little net change, except for a persistent downward tendency in public utility shares. Immediately following the announcement of the Supreme Court's gold case decisions, the general level of stock prices advanced about 3 per cent in a turnover of 1,900,000 shares on February 18, but this recovery and increase in trading was limited to the one day. In the course of the next two days, all of this advance was lost, and subsequently prices continued to show more declines than advances, the public utility averages again dropping to new lows for a number of years past. For the month as a whole, industrial stocks registered a net loss of about 2 per cent, rail shares receded about 7 per cent, and the utilities dropped 11 per cent. In contrast to the movement of these classes of listed stocks, prices of New York City bank stocks advanced moderately to the highest levels since last August.

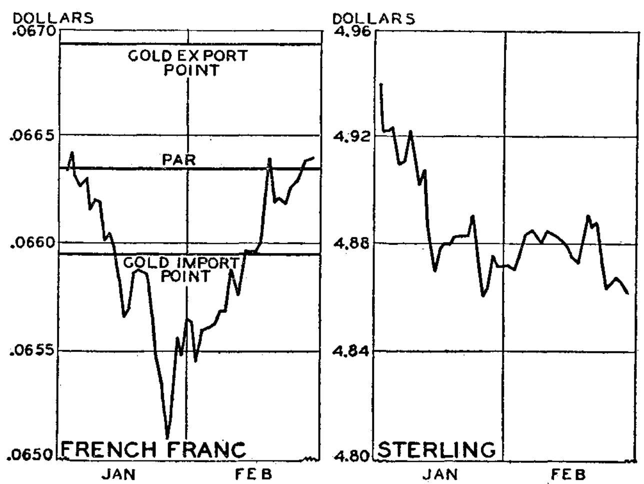
New Financing

New security flotations continued small in volume during February. According to a preliminary estimate obtained from weekly figures, the total for the month does not appear to have exceeded $75,000,000 which is the smallest amount for any month since last September. Included in the February total was an issue of $12,500,000 of Federal Intermediate Credit Bank debentures which replaced in part $18,000,000 of maturing debentures. Aside from a $1,000,000 public utility issue, the rest of the month's issues were State and municipal offerings, of which the largest was $8,500,000 of Boston Metropolitan District bonds, maturing in 1936 to 1960, which were offered at prices to yield from 0.50 to 2.98 per cent depending upon maturity.

Foreign Exchange

Foreign exchange movements were mixed during February. The European gold currencies, recovering further from the low points reached late in January, rose gradually during the first two and a half weeks of February to above their respective gold import points at New York and held to the higher levels throughout the remainder of the month. The pound sterling, however, and those currencies which tend to fluctuate with it, failed to maintain their early recovery and closed the month either lower than at the end of January or without material change. The accompanying diagram indicates these divergent tendencies, which resulted from a weakening of both sterling and dollar exchanges against the gold currencies.

The French franc rose with few interruptions from a low closing rate of $.0654⅝ on February 2 to above the gold import point during the second week of the month and closed at $.0660 on the 16th. On February 18, when the decisions of the United States Supreme Court on the gold clause cases were announced, the franc closed at $.0663¾ but immediately thereafter declined below parity and held in the vicinity of $.0662 until the 26th when the rate reattained par. Belgas, guilders, and Swiss francs followed the general course of the French currency, but did not at any time reach



Course of French Franc and Sterling Exchange Rates at New York
(Latest quotations are for February 27)

parity with the dollar. Reichsmarks moved with these gold currencies in the main. Lire on several occasions declined below the end of January level, but by the end of the month showed some net advance.

Sterling rose from $4.87 on February 2 to $4.88½ on the 6th and again on the 9th, but by the 16th the quotation had receded to $4.87¼. A sharp rise to $4.89⅛ on the 18th was not held and the pound closed the month with a net loss of about 1 cent, following a drop of 7 cents in January. The Scandinavian currencies and the official quotations for the Argentine peso fluctuated in accord with sterling, but the Japanese yen moved more independently than for some time past. The free rate for the Argentine peso rose about two per cent during the month of February, and both the free and official rates for the Brazilian milreis gained during the first half of the month but subsequently declined.

Canadian dollars fluctuated narrowly during the first half of February at a slight discount from the United States dollar but were generally quoted even or at a slight premium after the 18th. In the silver group substantial gains were recorded, Shanghai dollars rising from a low of $.3531 on February 2 to $.3869 on the 26th, a larger rise relatively than occurred in the New York price of silver during the same period.

Closing Cable Rates at New York

Exchange on	Par of Exchange	Feb. 28, 1934	Jan. 31, 1935	Feb. 27, 1935
Belgium	$ .2354	$ .2330	$ .2322	$ .2354
Denmark	.4537	.2267	.2175	.2170
England	8.2397	5.0650	4.8713	4.8613
France	.0663	.06575	.06565	.06639
Germany	.4033	.3960	.4000	.4039
Holland	.6806	.6718	.6734	.6802
Italy	.0891	.0857	.0848	.0853
Norway	.4537	.2550	.2448	.2443
Spain	.3267	.1357	.1360	.1375
Sweden	.4537	.2615	.2512	.2507
Switzerland	.3267	.3225	.3223	.3258
Canada	1.6931	.9938	.9987	1.0000
Argentina	.7187	.3377	.3248	.3241
Brazil	.2026	.0863	.0835	.0848
Uruguay	1.7511	.7900	.8000	.8000
Japan	.8440	.2995	.2839	.2840
India	.6180	.3825	.3635	.3685
Shanghai	.....	.3506	.3556	.3881

Gold Movement

The monetary gold stock of the United States rose approximately $135,000,000 further during February to about $8,525,000,000. Not only did the dollar value of the gold stock reach a new high figure but the quantity of gold as well was larger than ever before.

The movement to the United States of gold purchased abroad previous to the strengthening of gold currencies in the foreign exchange market in the first half of the month resulted in total imports of $118,000,000 of gold during February. Of this amount $60,600,000 was received from England, $47,600,000 from France, $5,100,000 from Canada, $3,800,000 from Holland, $600,000 from India, and $350,000 from China. In addition, $2,400,000 of gold previously earmarked for foreign account at this bank was released, and newly mined domestic gold and scrap gold continued to come into the mints and assay offices in substantial amounts. In addition to the imports listed above, $2,100,000 of gold was imported from Colombia and earmarked on arrival, and was therefore without effect on the gold stock.

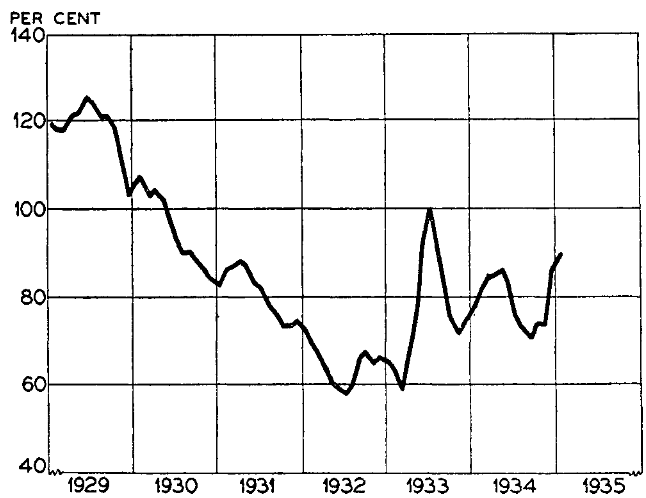
Central Bank Rate Changes

Effective February 23 the discount rate of the Austrian National Bank was reduced from 4½ to 4 per cent, which is the lowest rate at that bank since the summer of 1914.

Production

Somewhat diverse movements were recorded in the output of basic industries during February. Steel ingot production increased further during the first week of the month, but subsequently declined and it appears that output for February as a whole expanded by less than the usual seasonal amount. The recession during the latter part of the month was reported to have reflected in part the slowing up of production of ingots pending the fabrication of finished steel and also reflected some drawing down of inventories recently accumulated by automobile manufacturers. Activity in the cotton textile industry also appears to have shown a slight decline during February. On the other hand, automobile output was substantially greater than in January, and bituminous coal production increased at a time when there is usually a decline.

From December to January an expansion in basic industrial activity was reflected in a further rise of 4 points in the Federal Reserve Board's seasonally adjusted index of industrial production to 90 per cent of the 1923-25 average. As the accompanying diagram indicates, this index reached the highest level since August 1933, and with the exception of a few months in that year, the highest level since September 1930. The rate of operations in the steel industry rose sharply to an average for January of 48 per cent of capacity compared with 35 per cent during December. In the automobile industry average daily output was 50 per cent greater than in December and 82 per cent greater



Federal Reserve Board Index of Industrial Production, Adjusted for Seasonal Variation (1923-25 average=100 per cent)

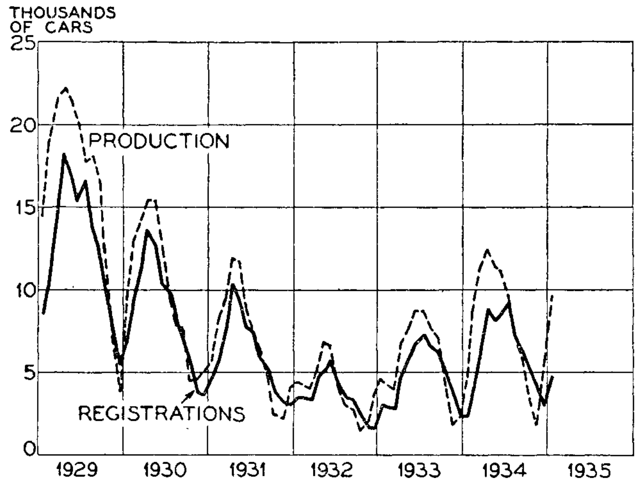
than in January of last year. There were increases also in the output of textiles and shoes, bituminous and anthracite coal, and lumber. Meat packing operations, however, were sharply curtailed, and there were smaller declines after seasonal adjustment in the production of lead, zinc, wheat flour, tobacco, cement, newsprint paper, and machine tools.

One of the outstanding factors in the recent rise in industrial activity has been the early expansion of production in the automobile industry, which is indicated in the accompanying diagram. Although ordinarily there tends to be some gain in production from November to December, output in both months is usually small. During the current season operations began an exceptionally rapid rise in December, and whereas November production had been at about the same level as in the corresponding month of the three previous years, output in December was the largest recorded for that month since 1928. The further advance in operations during January carried production in that month to the highest level for any January since 1930. The diagram also shows new passenger car registrations, which measure retail sales of new automobiles. The divergence between the curve of production and the curve of registrations represents largely the stocking up of dealers with new models, and the subsequent distribution of cars to consumers. Registrations did not reach as low a position in December 1934 as in December of the preceding two years, and in January the increase was more abrupt than usual, apparently reflecting a larger demand for cars as well as the influence of the earlier availability of new models.

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

	1934			1935
	Jan.	Nov.	Dec.	Jan.
Metals				
Pig iron r	43r	32r	37r	52r
Steel r	46r	41r	56r	66r
Lead	56	46	51	43
Zinc r	60r	67r	66r	64r
Automobiles				
Passenger cars	35	23	50	68p
Motor trucks	94	64	130	129p
Fuels				
Bituminous coal	67	67	69	73p
Anthracite coal	103	71	82	100p
Petroleum, crude	69	65	66	69p
Petroleum products	65	66	66	
Electric power	64	62	65p	65p
Textiles and Leather Products				
Cotton consumption	77	78	78	82
Wool mill activity	90	73	99	120p
Silk consumption	60	55	62	67
Rayon deliveries	100	74	100	
Shoes	98	91	105	113p
Foods and Tobacco Products				
Meat packing	103	113	113	85
Wheat flour	92	85	88	86
Refined sugar deliveries	77	73	91	
Tobacco products	88	82	89	84
Miscellaneous				
Cement	42	43	37	34
Tires	64	76	91	
Lumber	38	30	32	37
Newsprint paper	73	69	76	71p
Machine tools	48	46	59	57

p Preliminary *r* Revised



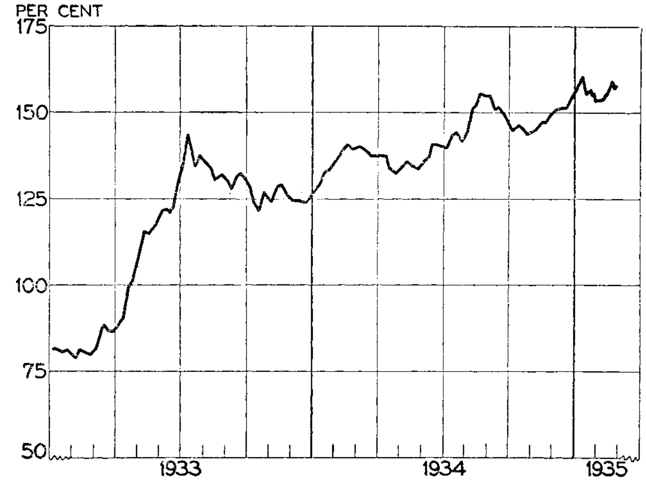
Average Daily Production of Passenger Automobiles and Registrations of New Cars

Commodity Prices

As a result of a further slight advance during the first half of February, the Bureau of Labor Statistics weekly price index of 784 commodities at wholesale rose to 79.4 per cent of the 1926 average, the highest level since the end of 1930. The increase during recent months has been due largely to a substantial advance in the prices of agricultural commodities, as the following table indicates. The farm products group, which reached a much lower level in March 1933 than most other groups, now stands about 95 per cent above the 1933 low, and the foods group, which has shown the next largest advance, has risen 56 per cent from its low point in 1933. Commodities other than farm products and foods have remained relatively steady for a number of months, and the rise from the lowest point in 1933 has averaged about 18 per cent. Consequently, the farm products and food groups of the Bureau of Labor Statistics index now show less net decline from the 1926 level than do other commodities in the aggregate.

	Per cent change from 1926 average		
	1933 Low	Oct. 13, 1934	Feb. 16, 1935
Farm products	—59.4	—29.0	—21.8
Foods	—46.6	—25.2	—16.9
Other commodities	—33.8	—21.9	—22.3
Hides and leather goods	—32.4	—15.6	—13.3
Textile products	—49.4	—29.9	—30.3
Fuel and lighting materials	—35.6	—24.6	—26.0
Metals and metal products	—22.6	—14.4	—14.9
Building materials	—29.9	—14.8	—15.4
Chemicals and drugs	—28.7	—22.9	—19.6
Housefurnishing goods	—27.3	—17.2	—17.9
Miscellaneous	—40.4	—30.3	—29.8

Reflecting largely the advance in wholesale food prices, the cost of living in the United States has shown a gradual increase during the past two years. The cost of living index for the country as a whole, prepared by the National Industrial Conference Board, has risen about 14 per cent between April 1933 and January 1935, due in considerable measure to an increase of 31 per cent in retail food prices, which are the largest single element in the cost of living.



Movement of Prices of Actively Traded Basic Commodities (Moody's Investors Service index; December 31, 1931=100 per cent)

Following a decline in the last three weeks of January, prices of actively traded commodities tended upward during February, as the accompanying diagram indicates. Livestock prices continued strong, the greatest advance being in hog quotations, whereas in the previous month the largest increase had been in cattle prices. The average price of hogs at Chicago rose $1.51 to $9.17 a hundredweight, the highest price since November 1930; the average price of steers reached $11.71 a hundredweight, the highest since December 1930, and subsequently receded only slightly. The price of raw sugar also advanced considerably during February, while cotton, silk, wheat, and corn showed little net change. Advances in cotton and several of the grains just prior to and immediately after announcement of the Supreme Court's gold case decisions were not retained in subsequent trading. Among other actively traded commodities, scrap steel at Pittsburgh declined 50 cents further to $12.75 a ton, and tin declined over 3 cents to 47½ cents a pound, the lowest price since October 1933. Some advance occurred in the price of silver, while other metal prices showed little net change.

Indexes of Business Activity

For the first half of February, available data on the primary distribution of goods indicate that somewhat more than the average seasonal expansion occurred in the movement of merchandise and miscellaneous freight over the railroads and that bulk freight car loadings increased slightly in contrast to a usual downward tendency at this time of year. Retail trade, as reflected by department store sales in the Metropolitan area of New York, appears to have shown less than the average expansion from the January level, but retail sales of automobiles are reported to have shown at least the usual February increase.

In January some decline in general business activity and trade appears to have occurred, after allowance for the usual seasonal variations. Sales of department stores in the cities, general merchandise sales in rural areas, and sales of chain stores other than grocery systems declined by larger amounts than in other recent years, while sales of grocery chains and the volume of advertising were unchanged after seasonal adjustment. The volume of check transactions also was reduced more than seasonally, but the movement of merchandise and miscellaneous freight over the railroads increased somewhat, and sizable increases occurred in sales of new passenger automobiles and the amount of new life insurance placed.

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

	1934			1935
	Jan.	Nov.	Dec.	Jan.
Primary Distribution				
Car loadings, merchandise and misc.	61	56	58	61
Car loadings, other	60	54	62	61
Exports	48	47	50*p*	
Imports	60	64	60*p*	
Wholesale trade	93	88	99	94
Distribution to Consumer				
Department store sales, U. S.	70	70	75	70*p*
Department store sales, 2nd Dist.	70	71	73	68
Chain grocery sales	72	63	63	63
Other chain store sales	85	79	84	80
Mail order house sales	71	75	74	71*p*
Advertising	56	60	60	59
New passenger car registrations	27	55	44*p*	54*p*
Gasoline consumption	82	77	68	
General Business Activity				
Bank debits, outside New York City	57	57	63	59*p*
Bank debits, New York City	43	38	45	42*p*
Velocity of demand deposits, outside New York City	72	64	71	65
Velocity of demand deposits, New York City	53	40	47	45
New life insurance sales	63	60	59	82
Factory employment, United States	76	78	80	82*p*
Business failures	42	43	39	35
Building contracts	46	26	22	24*p*
New corporations formed, N.Y. State	65	60	52	60
Real estate transfers	50	49	53	
General price level*	133	140	140	141
Composite index of wages*	179	181	181	182
Cost of living*	135	139	138	140

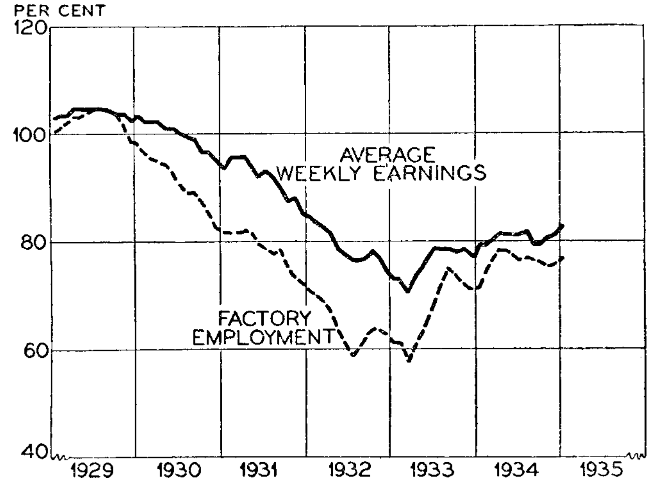
p Preliminary * 1913 average=100

Employment and Payrolls

From the middle of December to the middle of January employment in representative factories in New York State decreased somewhat less than seasonally, while payrolls registered a slight unseasonal rise. The report of the State Department of Labor indicated that employment in the metals and machinery and textile industries, which had increased in December, rose further in January, while in the food groups employment declined owing partly to seasonal factors and partly to strikes. There were small decreases in many other groups.

The increase in the past two months has raised the index of New York State factory employment, adjusted for seasonal variation, to within 2 per cent of the high point reached last April, and 32 per cent above the March 1933 level, as the accompanying diagram indicates. Average weekly earnings of factory workers, also shown in the diagram, were in general maintained during the summer and fall of 1934 while employment was falling off, and in January rose somewhat to a level 18 per cent higher than in March 1933, and the highest since February 1932.

January increases in factory working forces and wage payments were shown also by the United States Labor Department report for the country as a whole, contrary to the usual seasonal movement. Employ-



Indexes of New York State Factory Employment and Average Earnings, Adjusted for Seasonal Variation (1925-27 average=100 per cent)

ment rose 0.6 per cent and the increase in payrolls amounted to 1.4 per cent. Continuing the December rise, employment in the durable goods group of industries expanded 2.6 per cent further, reflecting particularly the expansion of operations in the automobile industry. In the nondurable classification employment declined 0.9 per cent, as decreases in the food and tobacco groups exceeded gains in the textile and wearing apparel industries. Among non-manufacturing industries, there were sizable seasonal declines in employment in retail trade establishments and in out of door occupations.

Approximately 20,000 additional workers were engaged in publicly financed employment during January. The Federal Emergency Relief Administration employed 70,000 workers and the Civilian Conservation Corps added 50,000 more men, but 100,000 men were released from work on construction projects and the building and maintenance of roads as a result of inclement weather.

Building

Residential building contracts were increased substantially in January to a level 53 per cent above December and 48 per cent above January 1934, principally as a result of larger contracts for apartment house construction and for housing developments. Data for the first half of February, however, indicate that the January expansion in residential building has not been sustained; the daily average amount of contracts for this period declined 27 per cent below January contrary to the usual seasonal upturn, and were also somewhat less than in the corresponding period of a year ago.

In the non-residential classifications, contracts for public works and utilities were reduced about 11 per cent from December to January, and the daily average for February was down about 16 per cent further. As compared with a year ago, large declines are now being shown in this type of construction, because at this time last year contracts under the Public Works Administration program were close to their highest levels. Non-residential building other than public works and utilities showed a moderate increase from December to January, but receded slightly in February according to preliminary indications.

In the aggregate, contracts for all types of building and engineering work covered by the F. W. Dodge Corporation report were 8 per cent higher in January than in December, but only a little over half as large as in January 1934, due to the decline in public works contracts. The report for the first half of February indicated a drop of 15 per cent from January in the daily average rate of contract awards of all types.

Foreign Trade

Although data showing the aggregate value of this country's merchandise exports and imports have not as yet become available for January 1935, quantity figures for a few important commodities indicate on the whole an unfavorable comparison with January 1934. Shipments of raw cotton and grains declined seasonally from December and continued to show large reductions from a year ago. Exports of cotton cloth also were somewhat smaller than in January 1934. Receipts of raw silk were slightly larger than a year ago, while imports of crude rubber and coffee were substantially smaller in volume than in January 1934.

Data on the foreign merchandise trade of the United States with various countries during 1934 show widely divergent changes in dollar value compared with 1933, as the following table indicates. The change between 1933 and 1934 ranged from an increase of 81 per cent in exports to Cuba to a decrease of 22 per cent in exports to Germany. The largest increase in imports also was in shipments from Cuba, 35 per cent, and the greatest reduction in imports was in shipments from Argentina, but imports from Germany showed nearly as large a reduction. It appears that the gold bloc countries, including Belgium, Switzerland, Netherlands, and France, and those whose currencies nominally are tied to gold, Italy and Germany, showed either comparatively small increases or reductions in their imports from the United States.

Country	Percentage change calendar year 1934 compared with 1933	
	Exports from the United States to	Imports to the United States from
Cuba	+81	+35
Japan	+47	— 7
Canada	+44	+25
Brazil	+36	+11
China	+32	+16
Denmark	+25	+ 6
United Kingdom	+23	+ 4
Argentina	+16	—13
Belgium	+15	+13
Switzerland	+12	+ 5
Italy	+ 6	— 7
Netherlands	+ 4	— 8
France	— 5	+23
Germany	—22	—12

Department Store Trade

During the first half of February, total sales of the reporting department stores in the Metropolitan area of New York were less than 1 per cent higher than in the corresponding period a year ago, and showed slightly less than the usual seasonal expansion over the January level.

For the month of January total sales of the reporting department stores in this district were at approximately the same level as last year, following three months in which moderate increases were recorded. Sales of the Buffalo, Rochester, Syracuse, Bridgeport, and Capital District department stores showed increases over January 1934, but only in the case of the Rochester stores was the increase larger than that reported for December. In the New York City, Northern New Jersey, and Southern New York State department stores, the dollar volume of sales this year was slightly below that of a year ago, following increases in the immediately preceding months. Substantial declines, indicating the least favorable year to year comparisons in a number of months, were registered in the sales of the Northern New York State, Westchester and Stamford, and Hudson River Valley District stores. Sales of the reporting apparel stores in this district were 3 per cent ahead of last year, a smaller increase, however, than was reported for December.

Stocks of merchandise on hand, at retail valuation, were slightly lower than a year ago in the department stores, but remained larger in the apparel stores. Collections of accounts outstanding continued higher than a year ago in the department stores but were at about the same rate in the apparel stores.

Locality	Percentage change January 1935 compared with January 1934		Per cent of accounts outstanding December 31 collected in January	
	Net Sales	Stock on hand end of month	1934	1935
New York	— 0.5	— 1.4	52.6	53.4
Buffalo	+ 7.5	— 5.7	44.6	49.9
Rochester	+ 8.4	— 4.1	46.4	47.0
Syracuse	+ 2.8	— 7.2	31.3	36.4
Northern New Jersey	— 2.0	— 5.3	42.1	43.4
Bridgeport	+ 4.6	+ 7.1	36.5	38.1
Elsewhere	— 3.0	—10.6	31.0	32.3
Northern New York State	— 9.0	......	....	....
Southern New York State	— 0.1	......	....	....
Hudson River Valley District	—10.7	......	....	....
Capital District	+ 6.4	......	....	....
Westchester and Stamford	—12.2	......	....	....
All department stores	— 0.1	— 2.6	46.9	48.4
Apparel stores	+ 2.9	+ 7.6	48.3	48.4

Wholesale Trade

January sales of the reporting wholesale firms in this district averaged 5 per cent higher than last year, the smallest advance since September. Several individual lines, including hardware, shoes, paper, diamonds, and jewelry, showed substantial increases in sales over a year ago, and grocery firms reported a moderate increase, but sales of men's clothing and cotton goods were below a year ago, and sales of stationery and drugs were about the same as last year, following substantial increases in all these lines in the previous month. Sales of silk goods, reported on a yardage basis by the National Federation of Textiles, also showed some decline in January, following a sizable year to year increase in the previous month.

Merchandise stocks of the grocery, silk goods, drug, and diamond concerns at the end of January were considerably above last year, while jewelry stocks were practically unchanged from a year ago. The rate of collections of accounts outstanding at the end of the previous month continued to average higher than a year previous.

Commodity	Percentage change January 1935 compared with January 1934		Per cent of accounts outstanding December 31 collected in January	
	Net Sales	Stock on hand end of month	1934	1935
Groceries	+ 6.4	+13.2	95.6	91.1
Men's clothing	— 6.2	......	41.2	44.5
Cotton goods	—15.7	......	38.0	41.3
Silk goods	— 3.8*	+15.7*	57.9	66.5
Shoes	+16.0	......	....	....
Drugs	— 0.1	+29.6	19.1	26.3
Hardware	+22.1	......	37.9	44.1
Stationery	— 0.8	......	51.4	56.1
Paper	+11.6	......	47.8	47.1
Diamonds	+28.6	+17.1	} 45.1	} 44.9
Jewelry	+20.3	— 0.4		
Weighted average	+ 5.2	......	58.3	60.0

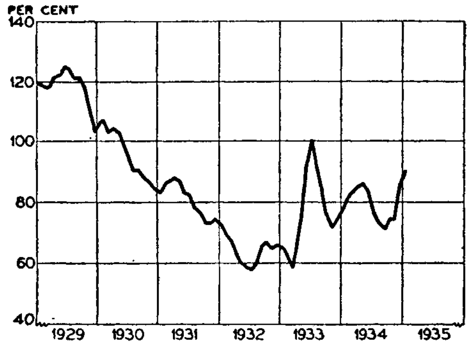
*Quantity figures reported by the National Federation of Textiles, Incorporated, not included in weighted average for total wholesale trade.

Chain Store Trade

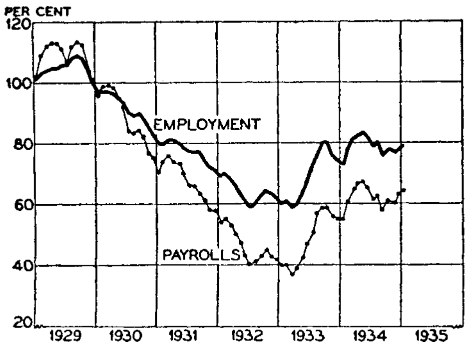
During January, total sales of the reporting chain store systems showed a decrease of 1 per cent compared with January 1934, the first decline from a year previous since October 1933. Sales of the ten cent store systems showed the largest decline since March 1933, and the reductions reported by the shoe and candy chain stores were the largest in a number of months. Variety store sales remained larger than a year ago, but the increase was the smallest in six months. On the other hand, sales of drug chains showed the largest increase since last March and grocery chain sales registered a small advance which represented the most favorable comparison with a year previous since May.

The decrease in sales per store of all reporting chains was somewhat less than the decline recorded in total sales, as the aggregate number of units operated continued slightly below a year ago. The reduction in the total number of chain stores in operation continued to be attributable to decreases in the grocery and shoe chains.

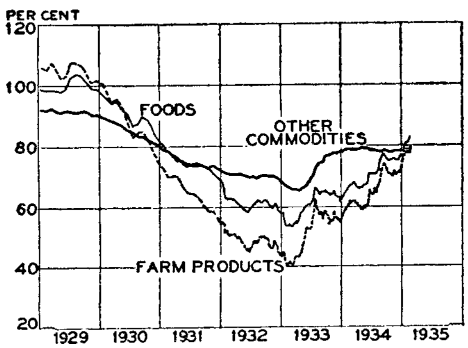
Type of store	Percentage change January 1935 compared with January 1934		
	Number of stores	Total sales	Sales per store
Grocery	— 2.7	+ 1.8	+ 4.7
Ten cent	+ 1.0	— 5.5	— 6.4
Drug	+ 5.9	+ 6.6	+ 0.8
Shoe	— 4.7	—10.2	— 5.8
Variety	+ 0.8	+ 4.7	+ 3.8
Candy	+ 2.8	—14.6	—17.0
Total	— 0.7	— 1.1	— 0.4



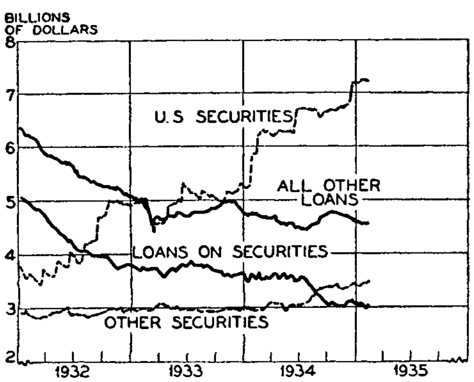
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



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



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



Wednesday Figures for Reporting Member Banks (Latest figures are for February 13)

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL output, which had shown a rapid growth in December, increased further in January. Activity in the building industry continued at a low level. Wholesale commodity prices advanced considerably during January and the first half of February, reflecting chiefly marked increases in the prices of livestock and livestock products.

Production and Employment

Volume of industrial production, as measured by the Board's seasonally adjusted index, increased from 86 per cent of the 1923-25 average in December to 90 per cent in January. Activity in the steel and automobile industries continued to increase rapidly during January and the early part of February; in the middle of the month, however, steel production declined. Output of lumber increased in January but was still at a low level. At cotton and woolen textile mills activity showed a considerable growth while in the meat packing industry output declined. Output of crude petroleum increased further in January and the first half of February.

Factory employment and payrolls increased somewhat between the middle of December and the middle of January, although a decline is usual at this season. At automobile factories the volume of employment increased further by a large amount and there were substantial increases at steel mills, foundries, and woolen mills. Employment in the meat packing industry continued to decline and in January was at about the same level as a year ago. Among the non-manufacturing industries, the number employed at retail trade establishments and on construction projects showed declines of a seasonal nature.

Value of construction contracts awarded in January, as reported by the F. W. Dodge Corporation, was slightly larger than in December but considerably smaller than a year ago, when the volume of public projects was exceptionally large. The value of contracts awarded for residential building in the three months from November to January was about the same as in the corresponding periods of the two preceding years.

Distribution

Freight car loadings showed a seasonal growth in January. At department stores the volume of business declined somewhat more than is usual after the Christmas holidays.

Commodity Prices

The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, advanced from 77.9 per cent of the 1926 average in the week ended January 5 to 79.4 per cent in the week ended February 16. During January prices of cattle and beef showed substantial increases and in February the price of hogs advanced considerably. Prices of cotton, grains, and silk showed a decline in January and the first few days of February, followed by an advance in the middle of the month.

Bank Credit

During the five weeks ended February 20 member bank balances with the Reserve Banks increased by $260,000,000 and their excess reserves rose to about $2,300,000,000. The principal factors in the increase were an inflow of gold from abroad and disbursements by the Treasury of funds previously held as cash or on deposit with the Federal Reserve Banks.

Net demand deposits of weekly reporting member banks in leading cities increased by more than $200,000,000 in the four weeks ended February 13. Total loans and investments of these banks showed no significant changes during the period. Slight declines occurred in loans on securities and in holdings of direct obligations of the United States Government, while other loans and other securities increased somewhat.

Yields on United States Government securities declined slightly further and other open market money rates continued at a low level.