MONTHLY REVIEW
of Credit and Business Conditions
Second Federal Reserve District

Federal Reserve Agent *Federal Reserve Bank, New York* *May 1, 1935*

Money Market in April

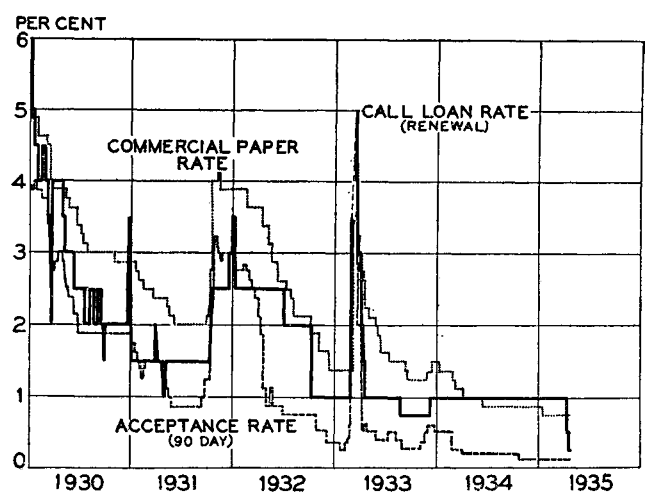
Money market developments during the past month have tended to cause renewed pressure of funds seeking employment. Excess reserves of member banks, which by early April had been reduced to a little over $600,000,000 for the large New York City banks, and about $1,800,000,000 for all member banks, chiefly through income tax collections and payments to the Treasury by National banks to obtain the release of bonds previously deposited with the Government to secure National bank note circulation, subsequently increased rapidly, and near the end of the month were close to $800,000,000 in New York, and for the country as a whole were about $2,275,000,000, which is close to the previous high point of early February. Demand deposits of reporting member banks showed a similar movement, and in the latter part of April reached a new high level.

Accompanying this reaccumulation of excess reserves and of bank deposits and other favorable developments, there was a renewed advance in bond prices. The average yield obtainable on long term Treasury bonds purchased in the market declined to a new low level at 2.43 per cent, and there was a corresponding decline in yields on other high grade securities. Prices of the lower grade corporation securities also showed a moderate recovery following the decline of the previous month. Public offerings of new securities, largely for refunding purposes, continued in substantial volume during April. These security flotations, as in the cases of new issues offered in March, involved a considerable lowering of interest costs to the borrowers.

One factor in the increase in bank reserves and in deposits during April was the renewed inflow of gold from abroad, which for the month amounted to more than $129,000,000. A larger factor, however, was Government disbursements of funds that were accumulated in Treasury balances with the Reserve Banks during March. At the beginning of April these balances reached the unusually high level of nearly $500,000,000, but by the latter part of April had been reduced to below $60,000,000. The disbursement of these funds occurred partly through the redemption, on and after April 15, of Fourth Liberty Loan bonds which had not been exchanged for new Treasury securities, partly through a reduction in the volume of Treasury bills outstanding, and partly through other Government expenditures.

Another factor in the accumulation of idle deposits in April which, however, had little effect on excess reserves, was the removal of the peg under the call money rate, which had been held at 1 per cent continuously since December 1933. The call loan rate declined first to ½ per cent and then to ¼ per cent, and as the accompanying diagram indicates, the rate is now well down within the range of other open market money rates. At ¼ per cent, however, call loans ceased to produce any yield for out of town banks after payment of the commission for placing the loans, and most of the call loans for out of town banks in the New York market were withdrawn during the last two weeks of April and the proceeds added to the idle deposits of out of town banks with their New York City correspondents. The funds withdrawn were then replaced with loans made by the New York City banks for their own account. Largely for this reason, loans to brokers and dealers in New York by the New York City banks increased by more than $200,000,000 in the latter part of April, from $578,000,000 on April 10 to $791,000,000 on April 24, but the aggregate income received by New York City banks from such loans, nevertheless, was materially reduced. Part of this increase in the brokers loans of New York banks took the form of time loans, the rates for which were reduced to ¼-⅜ per cent.

Other money rates in the New York market showed no material change in April, although, as previously indicated, yields obtainable on high grade securities of the longer maturities declined somewhat further, apparently reflecting the pressure of idle funds seeking employment. On April 29, the New York Clearing House banks announced the discontinuance of interest payments on new time deposits for periods of less than six months. Money rates prevailing in the New York market at the



Money Rates in the New York Market

end of April are shown in the following table, together with the comparable figures for a month previous and a year ago.

Money Rates at New York

	Apr. 30, 1934	Mar. 29, 1935	Apr. 30, 1935
Stock Exchange call loans	1	1	¼
Stock exchange 90 day loans	*¾-1	*¾-1	¼
Prime commercial paper—4 to 6 months	1	¾	¾
Bills—90 day unindorsed	⅛-¼	⅛	⅛
Customers' rates on commercial loans	†2.33	†1.83	†1.71
Treasury securities:			
Maturing December (yield)	No yield	No yield	No yield
Maturing June 1936 (yield)	....	0.09	0.04
Average yield on Treasury notes (1-5 years)	1.39	0.61	0.62
Average yield on Treasury bonds	2.99	2.52	2.43
Average rate on latest Treasury bill sales			
182 day issue	0.18	0.11	....
273 day issue	....	0.18	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

Member Bank Credit

Between March 27 and April 24 the total loans and investments of weekly reporting member banks in New York City showed a further increase amounting to $170,000,000, while in the reporting banks in other cities throughout the country there was little change. The combined figures for all reporting banks showed total loans and investments on April 17 at a new high level for several years past.

In the reporting New York City banks most of the increase was in security loans, reflecting largely the withdrawal of out of town lenders from the call money market in the latter part of April, and the replacement of their loans with loans made by the New York City banks for their own account. In other reporting cities investments increased, but the total volume of loans of the reporting banks showed some reduction, due to the withdrawal of funds from the call loan market in New York. Holdings of direct obligations of the United States by these banks showed no material change during the past month, but there was an increase of approximately $45,000,000 in holdings of Government guaranteed securities, and of $48,000,000 in holdings of other securities.

Demand deposits, which in the latter part of March had shown a considerable decline due largely to income tax collections, in April showed a renewed increase and reached a new high level both in New York City and in other principal cities covered by the reports.

Government Securities

As in March, prices of United States Government securities fluctuated within narrow limits during April, but on the whole quotations for the long term bonds showed further net advances. The average yield on Treasury bonds began the month at 2.51 per cent, declined to 2.47 per cent within the next few days, and after holding at or slightly above this point declined to a new low of 2.43 per cent during the last week of the month, following the announcement of an exchange offer for First Liberty Loan bonds. The average yield on all outstanding Treasury notes of 1 to 5 year maturity ended the month at 0.62 per cent, compared with 0.61 per cent at the close of March.

With the calling on April 13 of the remaining part of Fourth Liberty Loan bonds for redemption on October 15, 1935, the final step in the retirement of all of the Liberty Loan issues put out during the War was begun. In furtherance of its refunding program, the Treasury offered two issues of new securities on April 22 in exchange for First Liberty Loan bonds which had been called in March for redemption June 15. The new securities offered were additional amounts of 2⅞ per cent Treasury bonds of 1955-60 and 1⅝ per cent Treasury notes of 1940, issues of which originally were offered in March in exchange for called Fourth Liberty bonds and maturing Treasury notes. Interest adjustment as of June 15 was provided. The exchange of First Liberty Loan bonds for the new issues began on a par for par basis, with the right reserved by the Secretary of the Treasury to increase the issue price after April 29. By April 27, $910,000,000 of the First Liberty Loan bonds had been exchanged—$605,000,000 for the notes and $305,000,000 for the bonds—and the Treasury announced that subscription books for exchange into 1⅝ per cent notes would be closed on Thursday night, May 2, while exchanges for the 2⅞ per cent bonds would remain open until further notice.

The Treasury retired about $300,000,000 of interest bearing debt during April, including the redemption of $195,000,000 of Fourth Liberty Loan bonds on and after April 15, and $100,000,000 of Treasury bills through the maturity of four $75,000,000 issues of 6 month bills which were only partially replaced by four $50,000,000 issues of 9 month bills.

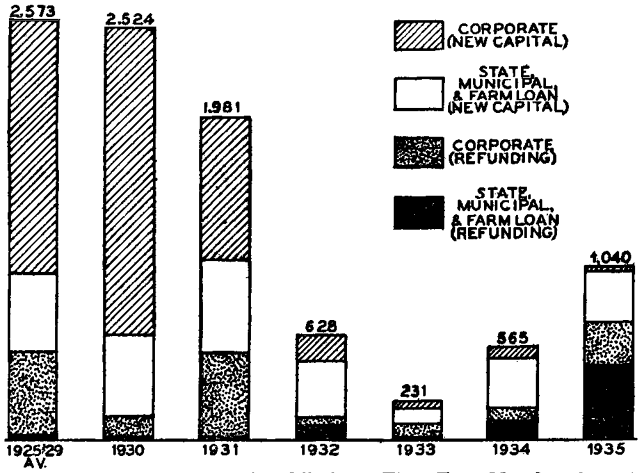
Bills and Commercial Paper

Following the reduction in call money, bill dealers on April 17 reduced their offering rates by 1/16 per cent on acceptances of 4-6 month maturity, but made no change in rates for shorter bills. Rates on all maturities of bills are largely nominal, however, because of the limited volume of business being transacted, and dealers continued to quote rates only on application. Dealers' portfolios remained at low levels throughout April as the accepting banks and bankers continued to hold about nine-tenths of all bills drawn. The volume of acceptances outstanding at the end of March, at $466,000,000, was $27,000,000 lower than in February, the decline being due to a drop in bills arising from domestic warehouse credits. March outstandings were $219,000,000 below a year ago, reflecting sizable reductions in domestic warehouse credits, in bills based on goods stored in or shipped between foreign countries, and in export bills.

The active bank investment demand for commercial paper which has existed for some time past continued unabated during April, but the amount of new paper that entered the market remained relatively small. Prime paper continued to be quoted at ¾ per cent. Commercial paper houses had outstanding $182,000,000 of paper at the end of March, an amount 3 per cent above the February figure and 37 per cent higher than in March 1934.

New Financing

Offerings of new securities, other than United States Government financing, increased further in number and



Volume of Domestic Security Offerings, First Four Months of 1935 Compared with Corresponding Period of Previous Five Years and Average for 1925-1929 (In millions of dollars; April 1935 data preliminary)

volume during April, the total for the month being in the neighborhood of $500,000,000, which compares with about $300,000,000 in March and $100,000,000 in February. The preliminary total for April is the largest for any month since April 1931. As in March, a very large proportion of the issues were for refunding purposes; as a result of the operations, the issuers of the securities effected a substantial saving in interest charges because of the materially lower coupon rates on the new issues than were carried by the bonds that have been or are to be called for redemption prior to maturity.

The month's principal security offerings included $162,000,000 Federal Land Bank 3¼ per cent bonds priced to yield 3.16 per cent, $73,000,000 Southern California Edison Company 3¾ per cent bonds yielding about 3.84 per cent, $50,000,000 New York City 3½ and 4 per cent corporate stock of various maturities and yielding between 1.75 and 3.60 per cent, $33,500,000 Federal Intermediate Credit Bank short term debentures, $24,000,000 State of California 3½ per cent bonds yielding 2.00 to 2.80 per cent, $16,920,000 State of Alabama 3, 3¾, and 4 per cent bonds yielding from 1.00 to 3.70 per cent depending upon maturity, and a $12,000,000 4 per cent issue of the Monongahela Railway Company yielding 3.90 per cent. In addition, there were a number of smaller issues put out during the month, mostly in the State and muncipal field, but including also two industrial and two railroad issues.

A comparison of security flotations, other than United States Government obligations, during the first four months of this year is shown in the accompanying diagram, from which it appears that the total of securities publicly offered has been nearly twice as large as in the first four months of 1934 and has been the largest for the corresponding period of any year since 1931. Aggregate refunding operations have been in largest volume since 1928 when heavy refunding of corporate bonds into stock was undertaken. Corporate refunding, alone, however, did not reach the 1931 volume, whereas other refunding — State, municipal, and farm loan — was larger than at any time in the 11 year period shown. Meanwhile, as the diagram indicates, corporate new capital issues have remained at a low level—only $25,000,000 in the first four months of 1934 as compared with $875,000,000 in the corresponding period of 1931 and an average of $1,560,000,000 in the first four months of 1925-1929. New capital issues by States and municipalities, however, have been in moderately large volume, reflecting in considerable measure borrowings to maintain unemployment relief programs.

Security Markets

Stock prices have shown a generally rising tendency during April, continuing the recovery that started in the latter part of March, and corporate bond prices have also advanced since the end of March. The activity of the stock market increased somewhat in the second half of April.

The recovery in stock prices from the lows of mid-March has now amounted to about 17 per cent, of which nearly three-fourths occurred in April, and as a consequence the general average of share prices near the end of April reached about the same level as prevailed at the beginning of the year. By far the largest recovery has been in public utility shares, which in the first half of March had declined to new low levels for recent years. In all, the advance in the public utility stock average has amounted to 36 per cent. In the case of industrial and railroad stocks, the total rise from recent lows has been around 14 per cent, most of which occurred in April. As compared with quotations at the end of April 1934, current prices of railroad and utility stocks show declines of 32 and 27 per cent, respectively, while prices of industrial shares are within 5 per cent of the level of a year ago.

In all groups of domestic corporation bonds, some advance in prices was reported during April. The largest increases were in the medium grade railroad issues which were especially weak during March, but advances between the end of March and the latter part of April occurred also among the other grades of railroad issues, as well as among the industrial and public utility issues. Highest grade issues toward the end of April were within ¾ of a point or so of their early March highs; AA and A bonds were about 1 point below; and Baa bonds were about 1¼ points below. The railroad issues generally remained further below their recent highs than either the industrial or utility issues. Foreign bonds, following the sharp drop of March, were also somewhat firmer during April.

Foreign Exchanges

As in other recent months, wide fluctuations continued to occur in the foreign exchange market during April. Following the devaluation of the belga by 28 per cent on April 1, the European gold exchanges showed further pronounced weakness during the early part of the month, particularly the Dutch and Swiss currencies, but the pressure subsided considerably in the second half of April. The pound sterling and related currencies showed an advancing tendency during the period of weakness in the gold exchanges, but declined when these currencies recovered. The gold exchanges touched their lows on April 5 and 6, the French and Swiss currencies being quoted about 1 per cent, and the guilder nearly 3 per cent, below mint parity. The pressure against these currencies was most clearly evident in the rates for future contracts, the quotations for forward guilders and Swiss francs at times reaching discounts of 5 or 6 per cent for three month contracts. Although some recovery occurred thereafter, the Swiss franc and guilder remained below their theoretical gold import points at New York until the latter part of April, and the French franc fluctuated around the lower gold point during most of the month. In the last week of April, however, all of these currencies recovered to levels well above the gold import points, and the forward discounts, although remaining large, were smaller than in the early part of the month. The belga remained fairly stable during April around its new parity of $0.1695.

The pound sterling, after advancing from $4.80⅛ at the end of March to $4.85¾ on April 16, receded thereafter but showed some net rise for the month of April. The movements of the sterling area currencies, including the Scandinavian and British Empire exchanges, corresponded rather closely with the fluctuations of the pound. The Canadian dollar was quoted at discounts varying between ¼ an ⅝ of a cent.

Among the South and Central American exchanges, the official rate for the Argentine peso continued to be pegged to sterling, and the nominal quotation in this market moved in accordance with the fluctuations of the pound. The official rate for the Brazilian milreis remained generally steady at about $0.0858, but the free milreis declined to a new low of $0.0563. As the price of silver advanced to a level at which the bullion value of the Mexican silver peso exceeded its previously maintained monetary value, the peg which had held the peso at $0.2778 since November 1933 was temporarily removed, and the rate rose in the latter part of April to above $0.3100. Subsequently, however, measures were taken by the Mexican authorities which resulted in the reestablishment of the previous quotation of $0.2778. The decree issued by the Mexican Government prohibits the exportation or melting down of silver coin, and provides for its withdrawal from circulation to be replaced by paper currency and other metallic coin.

The Shanghai dollar advanced from $0.3763 at the end of March to $0.4125 on April 26. This advance was considerably less than the rise in silver prices and the discount on the Shanghai dollar from its theoretical silver parity continued to widen, reaching 33 per cent on April 26, as against 19 per cent at the end of March.

Closing Cable Rates at New York

Exchange on	Apr. 30, 1934	Mar. 30, 1935	Apr. 29, 1935
Belgium	$ .2352	$ .1890	$ .1700
Denmark	.2296	.2141	.2162
England	5.1350	4.8013	4.8413
France	.06635	.06588	.06625
Germany	.3970	.4010	.4042
Holland	.6812	.6744	.6784
Italy	.0855	.0828	.0828
Norway	.2581	.2410	.2433
Spain	.1375	.1366	.1371
Sweden	.2648	.2472	.2497
Switzerland	.3260	.3231	.3250
Canada	1.0031	.9938	.9956
Argentina	.3423	.3201	.3228
Brazil	.0870	.0859	.0861
Uruguay	.8000	.8000	.8000
Japan	.3045	.2819	.2858
India	.3880	.3630	.3662
Shanghai	.3275	.3763	.4169

Gold Movement

As a result of a new movement to the United States which began early in the month, gold imports during April amounted to over $129,000,000. Of this total, $84,700,000 was received from Holland, $31,000,000 from France, $10,500,000 from Canada, $2,600,000 from India, $400,000 from China, and $350,000 from England.

In addition to the large gain from imports, the monetary gold stock of the United States was increased by substantial amounts of newly mined gold and scrap gold received at the mints and assay offices. As these receipts of gold were only slightly offset by an increase of $2,300,000 in gold held under earmark for foreign account at this bank, the monetary gold stock of the country rose $140,000,000 further to a new high of approximately $8,710,000,000.

Central Bank Rate Changes

The Netherlands Bank raised its discount rate from 2½ to 3½ per cent on April 5 and to 4½ per cent, effective April 10. These rate advances followed a heavy outflow of gold from Holland during the past month.

Foreign Trade

During March both merchandise exports and imports showed increases over the previous month which were somewhat larger than the usual seasonal gains. Imports, valued at $177,000,000, were 12 per cent above a year ago, while exports at $185,000,000 were slightly less than in March 1934.

The foreign trade of the United States has shown a generally rising tendency in the past few months, after allowance for seasonal factors. Imports, however, have increased more than exports, advancing to a new high since 1931 while the seasonally adjusted export total has remained somewhat below the level reached in 1934. Consequently the excess of exports over imports has narrowed materially during the last few months.

Available statistics for March on exports of various types of commodities show that shipments of agricultural products—notably grains, raw cotton, and unmanufactured tobacco—and also exports of refined mineral oils, copper, iron and steel semimanufactures all were in smaller value than a year ago. Gains occurred chiefly in exports of industrial machinery, automobiles and accessories, crude petroleum, and wood and paper products. Among the imports, the value of tin and crude rubber receipts continued larger than a year ago. Imports of certain food products, grains, fruits and nuts, and crude and refined petroleum also were larger than in 1934. Meanwhile, receipts of copper, sugar, coffee, and raw silk were substantially reduced in value compared with a year ago.

Balance of Payments of the United States

The initial effects of the devaluation of the dollar together with other unusual factors are reflected in the preliminary estimates of the balance of payments for 1934 recently issued by the Department of Commerce. A heavy inflow of capital from abroad, which was largely concentrated in the first half of 1934, was accompanied by a considerable increase in the net payments due to this country on account of current transactions in merchandise, services, and interest, and the accounts were balanced by means of an inward movement of gold of unprecedented proportions.

The surplus of receipts on current account for 1934 is placed at $295,000,000, representing an increase of $85,000,000 over the previous year and a gain of $164,-000,000 over 1932. As is shown in the table below, this increase in 1934 was due to a substantial rise in the excess of merchandise exports over imports, which was brought about chiefly by an expansion in foreign buying of American industrial products. The volume of agricultural exports from the United States was smaller than in 1933, owing largely to the combined effects of the drought and the crop curtailment program. The increase in the export surplus occurred chiefly in trade with non-European areas, while the European demand for American products in the aggregate showed comparatively little increase. This was due partly to the absence of material economic recovery in several countries, and to the efforts of a number of European countries to correct adverse balance of payments positions by adopting bilateral clearing agreements and by the imposition of increasingly severe import quotas and exchange restrictions.

The effect of the increase in this country's export surplus was partially offset by a decrease in income from foreign investments and a rise in imports of silver. Purchases by foreigners of foreign securities previously outstanding in this market and a further reduction in interest receipts on German dollar obligations were chiefly responsible for the reduced income derived from American capital invested abroad. There was an estimated gain of nearly 20 per cent in the earnings of American companies operating abroad, due to improved economic conditions and the relaxation of exchange restrictions in Latin America and elsewhere. Silver imports, which in 1933 had exceeded exports for the first time in a number of years, showed a further rise in 1934, owing partly to private speculative buying of silver prior to the nationalization of domestic silver stocks, and partly to Government purchases under the Silver Purchase Act of 1934.

The inflow of both long term and short term capital during 1934 is believed to have been considerably larger than that indicated by the reported figures, and it is considered probable that the major part of the $549,-000,000 shown under the heading of "Errors and omissions" actually represents an unrecorded inflow of capital. A number of factors contributed to the inward movement of capital in 1934. Immediately following devaluation, there was a rapid return movement of short term funds which had been withdrawn in the previous year. Foreigners continued to purchase foreign dollar securities in considerable volume, and several countries took advantage of the low external value of the dollar and low interest rates in leading money centers abroad to refund their outstanding dollar obligations. American banks continued to liquidate their German standstill credits at a rapid rate; a reduction occurred in the amount of commercial funds blocked in Latin America; and there is believed to have been a moderate amount of foreign buying of our domestic securities.

The broad differences between this country's present international economic position and the position prior to the beginning of the depression may be observed by comparing the estimated balance of payments for 1934 with the corresponding data for 1928, which are also shown in the table. The most striking contrast between these two years is in the movement of capital, where the heavy outflow of capital to foreign countries in 1928 was replaced by a large inflow from abroad in 1934. Although net receipts on merchandise and other current account transactions have decreased considerably in comparison with pre-depression years, a substantial surplus remains, indicating that the trade of this country in merchandise and services has not become adjusted to the change in the direction of capital movement which has taken place during the depression.

Net figures in millions of dollars
(+ represents cash claims against foreigners; — represents cash claims against U.S.)

	1928	1933	1934
I. Current Account			
Merchandise	+1,037	+ 225	+ 478
Silver	+ 19	— 41	— 86
Tourist expenditures	— 552	— 221	— 228
Immigrant remittances and charitable contributions	— 276	— 132	— 124
Income from foreign investments	+ 534	+ 389	+ 265
War debt receipts	+ 207	+ 20	+ 1
Other current items	— 244	— 30	— 11
Balance on current account	+ 725	+ 210	+ 295
II. Capital Account			
Short term capital movement	— 228	— 475	+ 152
Long term capital movement	— 675	+ 49	+ 221
Balance on capital account	— 903	— 426	+ 373
III. Gold shipments and earmarkings	+ 272	+ 173	—1,217
IV. Errors and omissions	— 94	+ 43	+ 549

Indexes of Business Activity

Available data on the distribution of goods indicate no consistent change from March to April. Owing at least in part to inclement weather, sales of department stores in the Metropolitan area of New York in the first two weeks of the month showed considerably less than the gain that is expected in the weeks preceding Easter, but in the week before Easter, retail trade was reported to have improved somewhat. Railroad movement of bulk freight during the first three weeks in April contracted by more than the average seasonal amount owing to a sharp drop in coal shipments, but loadings of merchandise and miscellaneous freight showed virtually no change other than seasonal. Preliminary estimates on sales of new passenger automobiles indicate a further seasonal gain over the high level of preceding months.

In March the most pronounced movement among this bank's indexes of the distribution of goods and general business activity was shown in retail trade. After allowing for the usual seasonal movement and the late occurrence of Easter, urban department store sales increased considerably, recovering the losses of the two preceding months, and variety chain stores, mail order houses, and general merchandise stores in rural areas also reported sharp increases in sales. Registrations of new passenger automobiles increased following sharp gains in the two preceding months, and were again much larger than a year ago. Total registrations for the first quarter were the highest since 1930.

Mixed changes were shown in March in other important indicators of general business activity. After adjusting for the usual seasonal changes, increases occurred in the indexes of advertising and the volume of check transactions, but the index of life insurance sales was substantially lower, and railroad freight car loadings remained at approximately the February level.

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

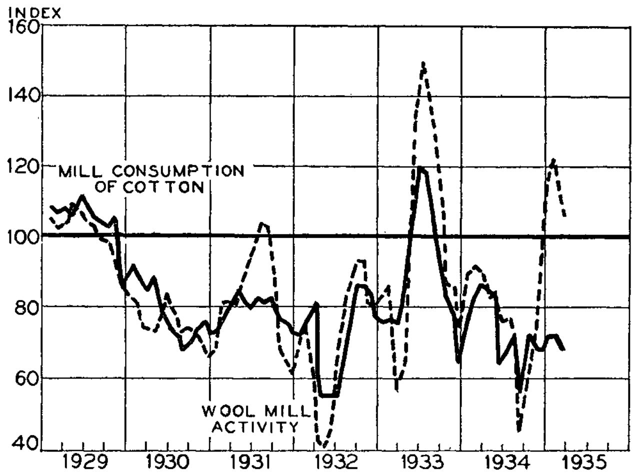
	1934	1935		
	Mar.	Jan.	Feb.	Mar.
Primary Distribution				
Car loadings, merchandise and misc.	60	61	62	61
Car loadings, other	69	61	65	65
Exports	54	46	47	49*p*
Imports	66	70*r*	67	75*p*
Wholesale trade	96	94	90	89
Distribution to Consumer				
Department store sales, U. S.	74	70	71	77
Department store sales, 2nd Dist.	77	68	67	72
Chain grocery sales	71	63	61	60
Other chain store sales	87	80	82	85
Mail order house sales	79	71	75	96*p*
Advertising	59	59	58	63
New passenger car registrations *r*	45*r*	56*r*	66*r*	
Gasoline consumption	70	73	66*p*	
General Business Activity				
Bank debits, outside New York City	60	59	61	65*p*
Bank debits, New York City	47	42	43	47*p*
Velocity of demand deposits, outside New York City	72	65	66	69
Velocity of demand deposits, New York City	54	45	44	46
New life insurance sales	60	82	63	56
Factory employment, United States	82	82	83	84*p*
Business failures	41	35	40	37
Building contracts	30	24	20	21*p*
New corporations formed, N. Y. State	56	60	58	55
General price level*	136	141	142	141*p*
Composite index of wages*	181	182	183	184*p*
Cost of living*	136	140	142	142*p*

p Preliminary *r* Revised * 1913 average=100

Production

Available statistical data on basic industrial activity for April indicate a continuation of the decline that began in February. Activity in the steel industry was at a somewhat lower level than in March, though there was a slight tendency for operations to increase during the month, and bituminous coal output was considerably lower than in March, despite a moderate recovery after the first sharp curtailment. There was some further decline in cotton mill activity, and automobile operations, while reaching the highest level since 1929, apparently increased somewhat less than in most recent years from March to April.

A slight recession in industrial production in March was reflected in a decline in the Federal Reserve Board's seasonally adjusted index of industrial production to 88 per cent of the 1923-25 average from 89 in February, and 90 (revised) in January. The rate of steel operations was reduced 5 per cent from February to March, contrary to the usual seasonal tendency. Curtailment also took place in the textile industry in March, as the accompanying diagram indicates. The decline in cotton mill operations was from a moderately low level in the preceding months, while the drop in wool mill activity followed five consecutive monthly gains. Average daily production of automobile trucks also declined slightly in March, contrary to the usual tendency, but total output



Activity of Cotton and Wool Mills (Indexes adjusted for seasonal variation; trend of past years=100 per cent)

in the first quarter of the year was the largest on record. On the other hand, passenger car production increased somewhat more than usually between February and March, and the first quarter's total was the largest in six years. Bituminous coal production also rose in March, contrary to the customary tendency in that month, in anticipation of labor difficulties. Average daily output was the largest for any month since December 1930. Machine tool orders in March were above the level of a year ago.

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

	1934	1935		
	Mar.	Jan.	Feb.	Mar.
Metals				
Pig iron	47	52	56	51
Steel	56	66	64	59
Lead	49	42*r*	42	46
Zinc	58	64	63	62
Automobiles				
Passenger cars *r*	55*r*	65*r*	70*r*	72*r*
Motor trucks *r*	86*r*	126*r*	109*r*	100*r*
Fuels				
Bituminous coal	91	74	83	95*p*
Anthracite coal	112	98	85	58*p*
Petroleum, crude	70	70	70	70*p*
Petroleum products	65	65	66*p*	
Electric power	73*r*	72*r*	73*r*	73*r*
Textiles and Leather Products				
Cotton consumption	86	82	82	78
Wool mill activity	90	116	122	105*p*
Rayon deliveries	85	118	91	
Shoes	105	110	102	100*p*
Foods and Tobacco Products				
Meat packing	91	85	77	78
Wheat flour	89	86	88	85
Refined sugar deliveries	82	80	95*p*	
Tobacco products	78	84	82	82
Miscellaneous				
Cement	51	34	39	41
Tires	74	74	69	
Lumber	41	37	36	
Newsprint paper	74	71	72	68*p*
Machine tools	37	57	46	48

p Preliminary *r* Revised

Employment and Payrolls

For the fourth consecutive month the indexes of employment and payrolls in representative New York State factories advanced in March, after allowance for the usual seasonal changes. The increases for the period from the middle of February to the middle of March, although of somewhat greater than the usual seasonal proportions, were not as pronounced as in the preceding month. As a result of the increases during the past four months, the indexes of New York State factory employment and payrolls, adjusted for seasonal fluctuations, have advanced to the highest levels since September 1931. Factory employment in New York State is now approximately 35 per cent above the low point of the depression reached in March 1933, and payrolls show a rise of nearly 60 per cent.

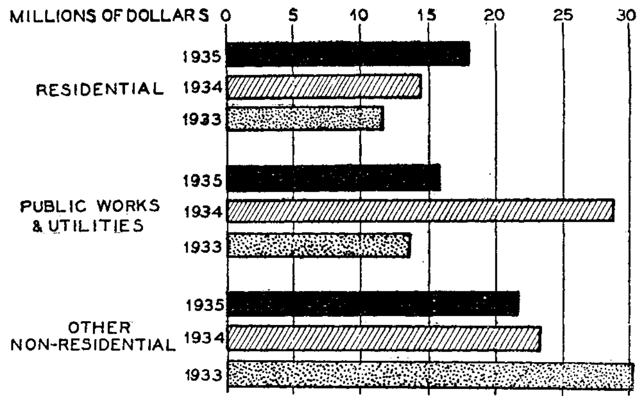
For the country as a whole, factory employment and payrolls continued to gain from the middle of February to the middle of March, although in this case also the increase was somewhat slower than in the preceding period. Small gains in employment occurred in all the major industrial groups with the exception of food products, the improvement again being somewhat more pronounced in the durable goods than in the nondurable goods industries. Among the nonmanufacturing industries, increased employment of a seasonal nature in retail trade and in private building construction was offset in part by decreased employment in anthracite mining and in wholesale trade.

The number of workers employed on projects financed by Federal emergency outlays decreased by about 87,000 from the middle of February to the middle of March. This reduction was due largely to a temporary decrease in enrollment at the Civilian Conservation Camps.

Building

The total of building and engineering contracts reported by the F. W. Dodge Corporation for the territories corresponding closely to the Second Federal Reserve District during the first three months of this year was about 17 per cent smaller than the aggregate for the corresponding period of last year and was approximately the same as in the first quarter of 1933. As the accompanying diagram indicates, however, residential construction was above the volume of a year ago, which in turn was larger than the amount in 1933. The increase between the first quarter of 1934 and 1935 reflected increases in various types of residential work, including housing developments, individual dwellings, and apartment house construction, as well as some improvement work financed by the Home Owners' Loan Corporation. Public works and utility projects were in considerably smaller volume than a year ago when the Public Works Administration program was near its height, but contracts for this type of construction also remained slightly above 1933. Other non-residential contracts were slightly smaller than in 1934, due to a decline in hospital and other public building in the up-State New York territory, and compared with 1933 a decline of nearly 30 per cent is indicated.

For the 37 States covered by the full F. W. Dodge Corporation report, total contracts showed an increase between February and March that was about in accord with seasonal expectations. The rise in residential contracts was considerably more than seasonal, however, and



Value of Building and Engineering Contracts in Metropolitan New York and Vicinity and up-State New York, First Three Months of 1935 compared with Corresponding Period of Previous Two Years (Based on F. W. Dodge Corporation data)

contracts of this type were about 15 per cent larger than a year ago and the largest since March 1932. Public works and utility projects increased less than seasonally in March, while other non-residential construction rose about in accord with the average seasonal movements. Both of these types of contracts were in smaller volume than a year ago, and because of their relative importance, total contracts of all kinds consequently were considerably smaller than last year. For the first quarter of 1935, residential contracts were 24 per cent larger than a year ago, but total contracts were 35 per cent smaller, chiefly because of smaller public works contracts which a year ago were in large volume under the stimulus of the Public Works Administration program.

During the first half of April, residential contracts showed a further increase of greater than seasonal proportions and were nearly double the volume of the corresponding period a year ago. Changes in other types of contracts, however, did not compare favorably with seasonal expectations.

Commodity Prices

Prices of agricultural commodities advanced during most of April, continuing the recovery that began in the latter part of March. Due chiefly to reports of further crop damage, cash wheat at Minneapolis rose 9¾ cents to $1.21¼ a bushel, the highest since last August, and the spot quotation for corn rose 9⅛ cents to 91⅝ cents a bushel; quotations for both commodities, however, moved slightly lower in the closing days of April. The spot price of cotton advanced 90 points to 12.20 cents a pound, which is about 1½ cents above the low reached at the middle of March, but ¼ cent below the level of the first part of March. Raw sugar advanced 20 points to 3.35 cents a pound, the highest price in over a year. Net gains for the month of April occurred also in the prices of silk, rubber, steers, and hides.

Silver prices rose further during the first few days of April, and following the increase in the Government price for newly mined domestic silver to 71.11 cents a fine ounce on April 10, the spot quotation for silver in New York advanced sharply, reaching 71⅝ cents a fine ounce on April 24. On that day the Government price was advanced further to 77.57 cents a fine ounce, and on the following two days a rapid rise in spot silver in

New York caused the market price to reach 81 cents on April 26, the highest price since 1920. This price compares with 61¼ cents at the end of March and with 43 cents on December 21, 1933, when a Government price for newly mined domestic silver was first announced. In the closing days of April, however, the spot quotation receded 5¼ cents, closing the month at 75¾ cents.

Among the other actively traded metals, the price of zinc increased further to 4.10 cents a pound, the highest since last September, lead advanced to 3.77½ cents a pound, the highest since August, and the price of tin rose about 3 cents further to 50⅜ cents a pound. Scrap steel at Pittsburgh, on the other hand, receded 25 cents further to $11.50 a ton.

The recent advance in the general level of wholesale commodity prices has been the result of rather sizable gains in agricultural commodities. The farm products index of the Bureau of Labor Statistics has risen to 81.8 per cent of the 1926 average, an advance of about 17 per cent from the early November level, and the index now stands at the highest level since October 1930. Concurrently the wholesale food index has risen to the highest point since November 1930, standing at 85.3 per cent of the 1926 average. Prices of nonagricultural commodities in the aggregate, however, have tended to recede slightly, and the composite index, at 77.3 per cent, is now somewhat further below the 1926 level than the farm products and food indexes.

Department Store Trade

During the first half of April, total sales of the reporting department stores in the Metropolitan area of New York were 1 per cent ahead of the corresponding period a year ago, but, due at least in part to the inclement weather, this increase was smaller than was expected in view of the postponement of much of the Easter buying until April this year.

For the month of March, total sales of the reporting department stores in this district were approximately 13½ per cent below a year ago, the largest decline reported since March 1933. The reduction resulted partly from the fact that there was one less shopping day this year than last, however, and partly from the delayed Easter buying this year, and after allowance for these factors, March business compared favorably with other recent months. Department stores in practically all localities registered substantial decreases in sales from a year ago, the most marked declines occurring in the New York, Syracuse, Northern New York State, Southern New York State, Westchester and Stamford, and Hudson River Valley District department stores, and in the apparel stores. In the Buffalo, Rochester, Northern New Jersey, and Bridgeport department stores the reductions in sales were more moderate, and in the Capital District, sales on an average daily basis were slightly higher than a year ago.

Stocks of merchandise on hand, at retail valuation, remained below a year ago for the eighth consecutive month. The rate of collections during March of accounts outstanding at the end of the previous month was practically unchanged from a year ago in the department stores, but was lower than 1934 in the apparel stores.

Locality	Percentage change March 1935 compared with March 1934		Per cent of accounts outstanding February 28 collected in March	
	Net sales	Stock on hand end of month	1934	1935
New York	−15.2	− 2.1	48.3	46.8
Buffalo	− 9.6	− 9.5	44.6	49.0
Rochester	− 8.6	− 3.5	47.8	46.4
Syracuse	−13.6	− 3.5	34.1	37.4
Northern New Jersey	− 7.7	− 3.4	42.4	42.7
Bridgeport	−10.3	+10.2	34.3	36.2
Elsewhere	−12.9	−11.2	29.0	31.4
Northern New York State	−22.1	......	....	....
Southern New York State	−16.2	......	....	....
Hudson River Valley District	−18.1	......	....	....
Capital District	− 2.6	......	....	....
Westchester and Stamford	−18.4	......	....	....
All department stores	−13.6	− 2.9	44.8	44.7
Apparel stores	−15.2	+ 5.6	42.7	41.7

Wholesale Trade

March sales of the reporting wholesale firms in this district were 6½ per cent below a year ago, the least favorable year to year comparison since last July. Sales of the reporting jewelry firms showed the largest decline from a year ago since June 1933, and sales of the grocery, men's clothing, drug, hardware, and stationery concerns showed the least favorable comparisons in 6 to 9 months. Smaller declines than in the previous month, however, were shown in the dollar volume of sales of cotton goods, shoes, and in yardage sales of silk goods. The paper and diamond concerns continued to record moderate gains in sales over last year.

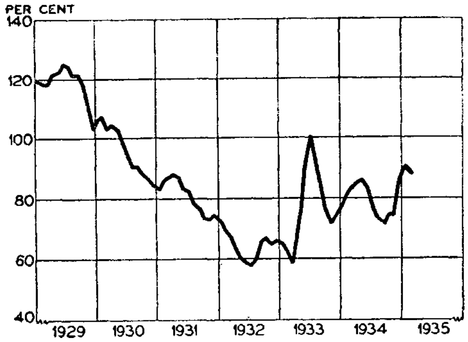
Stocks of merchandise held by the grocery, drug, and diamond firms again were higher than last year, although the increases were smaller than in other recent months. Stocks of the reporting jewelry concerns were unchanged from a year ago, while the silk and hardware firms reported a smaller amount of merchandise on hand this year than last. Collections this year in a majority of reporting lines were lower than last year, which represents a change from the situation that has prevailed for some months, perhaps due to the lateness of Easter retail trade.

Commodity	Percentage change March 1935 compared with March 1934		Per cent of accounts outstanding February 28 collected in March	
	Net sales	Stock end of month	1934	1935
Groceries	− 3.8	+ 7.0	100.3	92.7
Men's clothing	−13.9	......	52.2	49.7
Cotton goods	− 7.4	......	36.7	38.1
Silk goods	−14.4*	− 8.9*	62.0	57.4
Shoes	− 8.7	......	....	....
Drugs	− 4.9	+ 7.4	28.3	24.1
Hardware	+ 0.4	− 2.7	41.0	36.3
Stationery	− 3.9	......	52.7	55.4
Paper	+ 2.4	......	49.4	51.9
Diamonds	+ 8.1	+ 5.9	27.4 (Diamonds and Jewelry)	26.6 (Diamonds and Jewelry)
Jewelry	−14.7	0		
Weighted average	− 6.4	......	62.6	58.7

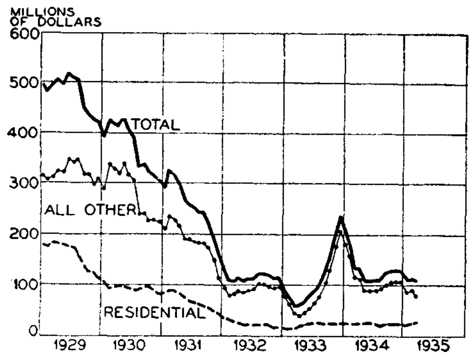
* Quantity figures reported by the National Federation of Textiles, Incorporated, not included in weighted average for total wholesale trade.

FEDERAL RESERVE BANK OF NEW YORK

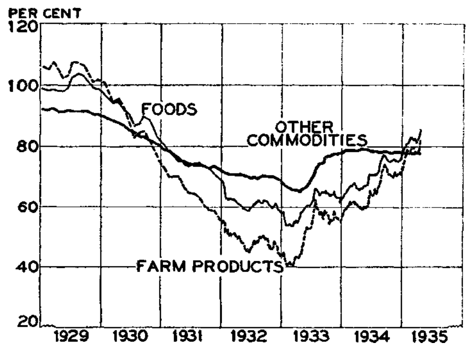
MONTHLY REVIEW, MAY 1, 1935



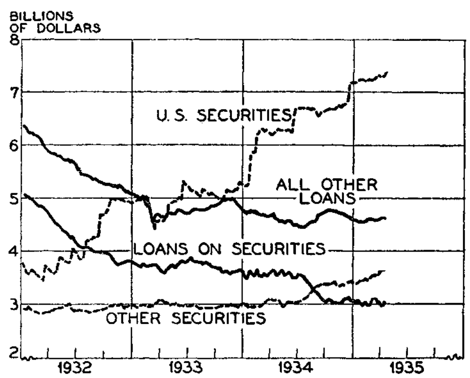
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



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



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



Wednesday Figures for Reporting Member Banks (Latest figures are for April 17)

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

Volume of industrial production, which usually increases somewhat at this season, showed little change in March. Building activity in the residential field increased in March and the first half of April, reflecting in part seasonal factors. Wholesale prices of farm products and foods, after declining in March, showed a considerable increase in the first three weeks of April.

Production and Employment

The Federal Reserve Board's adjusted index of industrial production, which makes allowance for changes in the number of working days and for usual seasonal variations, was 88 per cent of the 1923-1925 average in March as compared with 89 per cent in February and 90 in January. Steel production, after declining in the latter part of February, showed little change during March and the first three weeks of April. Output of automobiles increased further and was larger than in the corresponding period of any other year since 1929. In the cotton textile industry daily average output declined in March and, according to trade reports, showed a further considerable decrease in the early part of April. Activity at woolen mills also decreased somewhat in March while shoe production showed little change. Activity in the meat packing industry in March, as in other recent months, was at a lower level than a year ago. Output of bituminous coal declined sharply in the early part of April, following an increase earlier in the year.

Factory employment and payrolls increased between the middle of February and the middle of March by somewhat more than the usual seasonal amount. The most marked increases were in industries producing machinery, furniture, and clothing, while employment in industries producing textile fabrics and foods showed a decline.

Value of construction contracts awarded for residential building increased in March and the first half of April, according to reports by the F. W. Dodge Corporation, while contracts for public projects continued at a lower level than a year ago.

Distribution

Distribution of commodities by rail showed little change in March; in the early part of April, however, shipments declined, reflecting a sharp reduction in loadings of coal. Department store sales increased from February to March by more than the estimated seasonal amount.

Commodity Prices

The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, advanced from 78.8 per cent of the 1926 average in the week ended March 23 to 80.3 per cent in the week ended April 20, reflecting chiefly advances in the prices of farm products and foods. The increase in the general index followed a decline from a level of 79.6 per cent in the early part of March.

Bank Credit

During the four weeks ended April 17 member bank balances with the Federal Reserve Banks increased by $140,000,000 and excess reserves rose to $2,100,000,000. This increase reflected gold imports of $120,000,000 and disbursement of $105,000,000 by the Treasury from the balance with the Reserve Banks, offset in part by an increase of $60,000,000 in the demand for currency.

Total loans and investments of weekly reporting member banks in leading cities increased by $150,000,000 in the four weeks ended April 17. Loans on securities declined somewhat during this period, while other loans and holdings of investments increased. Net demand deposits of these banks increased by $380,000,000.

The rate for call money on the New York Stock Exchange was reduced in April to ¼ per cent from the 1 per cent level that had been in effect for more than a year. Quotations for 90 day time money were also lowered to ¼ per cent, and there was a reduction in rates on acceptances of the longer maturities.