MONTHLY REVIEW
of Credit and Business Conditions
Second Federal Reserve District

Federal Reserve Agent | *Federal Reserve Bank, New York* | *March 1, 1936*

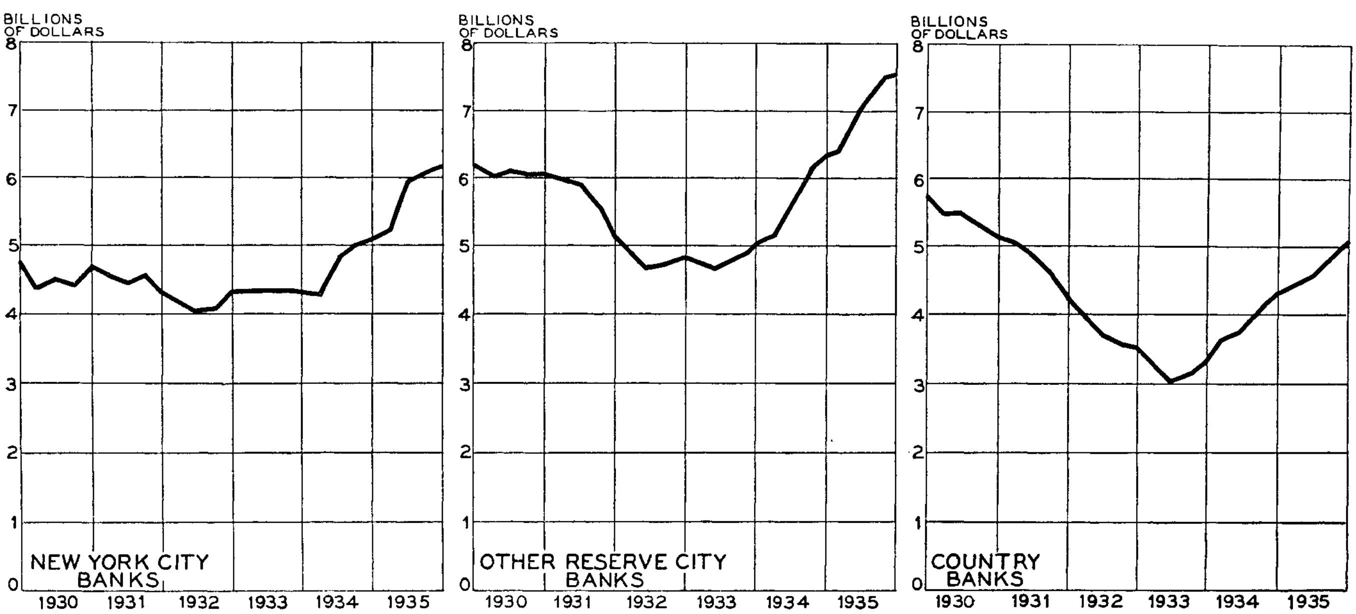
Money Market in February

The money market during the past month has continued to reflect the pressure of the unusually large supply of funds available for employment, especially in the market for longer term investments. Yields on nearly all classes of securities showed reductions during the month, and in the case of Government bonds and the highest grade corporation issues, reached the lowest levels in many years.

Reports from member banks showed a renewed expansion in investments that carried the total volume of loans and investments to the highest levels in several years. The increase in bank investments has continued to be largely in direct obligations of the United States Government, Government guaranteed securities, and State and municipal securities. Holdings by New York City member banks of Government securities, including securities fully guaranteed by the Government, showed an increase of $105,000,000 during the four weeks ended February 19, and holdings of other securities showed an increase of $77,000,000 which apparently reflected largely purchases of State and municipal obligations. Reporting member banks in other principal cities showed comparatively little change in holdings of Government securities, but had a small increase in investments in other securities.

In general the volume of outstanding loans of the weekly reporting member banks continued to decline gradually during the past month. Loans to security brokers and dealers, after a further decline in the latter part of January and early February, turned upward slightly, but the increase was small in comparison with the strong rise in security prices. Loans on securities to other borrowers declined slightly further. There were indications that the further rise in security prices was financed largely by new funds coming into the market, rather than borrowed money. The breadth of the rise in prices, in practically all forms of securities, indicated investment by a variety of types of investors.

Accompanying the increase in the earning assets of reporting member banks, there has been a renewed expansion during the past month in their demand deposits, which carried such deposits to new high levels. Data for all member banks as of December 31, 1935, recently issued by the Board of Governors of the Federal Reserve System, are shown in the accompanying diagram with



Adjusted Demand Deposits of Various Groups of Member Banks on Condition Report Dates

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preceding data since the beginning of 1930. They indicate the extent of the expansion in the money supply in the form of demand deposits during the past two and a half years. The data shown in the diagram represent the demand deposits of individuals, partnerships, corporations, local governments, etc., and exclude deposits held by member banks for domestic and foreign banks and for the United States Government.

The volume of such deposits in New York City member banks, shown in the first section of the diagram, increased more than 50 per cent between June 30, 1932, and December 31, 1935, and on the latter date was about 40 per cent above the average for the year 1929. In other Reserve cities, where the low point for deposits was reached early in 1933, the expansion between the middle of 1933 and the end of 1935 amounted to more than 60 per cent, and the increase over the average level of 1929 was about 23 per cent. Adjusted demand deposits in all other member banks — "country" banks — also reached their low point in the early part of 1933, and between the middle of that year and the end of 1935 increased about 65 per cent. Although the proportionate expansion from the low point of the depression was greatest in this group of banks, however, the amount at the end of 1935 remained well below the average level of the period from 1928 to 1930, despite an increase in membership in this group. The latest available data for all nonmember banks also showed a considerable expansion of demand deposits since 1933, but indicated a substantially lower level than in the years preceding the depression.

Excess Reserves and Money Rates

The volume of excess reserves in member banks has fluctuated irregularly during the past month and on the whole has shown no material change. Government disbursements of cash previously held in the Treasury or in the Reserve Banks added more than $100,000,000 to member bank reserves, but the gain from this source was offset by a seasonal increase in the amount of currency in circulation, the small gold export movement that occurred in February, and other miscellaneous transactions.

As the accompanying table indicates, short term money rates remained practically unchanged, and the principal change in money rates during the past month has been in yields on the longer term securities.

Money Rates at New York

	Feb. 28, 1935	Jan. 31, 1936	Feb. 28, 1936
Stock Exchange call loans	1	¾	¾
Stock Exchange 90 day loans	*¾–1	*1	*1
Prime commercial paper—4 to 6 months	¾	¾	¾
Bills—90 day unindorsed	⅛	⅛	⅛
Customers' rates on commercial loans (Average rate of leading banks at middle of month)	1.83	1.67	.67
Treasury securities:			
Maturing December (yield)	No yield	No yield	No yield
Maturing February 1938 (yield)	....	0.33	0.14
Average yield on Treasury notes (1-5 years)	0.66	0.72	#0.63
Average yield on Treasury bonds (more than 5 years to earliest call date)	2.56	2.48	2.38
Average rate on latest Treasury bill sales 273-274 day issue	0.17	0.10	0.07
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 raised 0.06 by exclusion of issue maturing February 15, 1937

Bills and Commercial Paper

As the month progressed some increase occurred in the volume of bills bought and sold by the dealers, but in the aggregate the turnover in the bill market remained very small during February. Rates were unchanged. The volume of bills outstanding at the end of January amounted to $384,000,000, a decline of $13,000,000 from a month earlier, following the increase of $10,000,000 reported for December. The decline during January reflected a further decrease in domestic warehouse credits. Of all bills outstanding at the end of January, 92 per cent were in the portfolios of accepting banks and bankers, and the amount held by other investors amounted to only $31,000,000.

The commercial paper market also remained quiet, due to a dearth of new paper. While rates generally quoted for four to six month commercial paper remained at ¾ per cent, small amounts of notes maturing in four months were sold at ½ per cent in the latter part of February. At the end of January commercial paper houses had $177,700,000 of paper outstanding, an increase of 4 per cent compared both with a month ago and with a year ago.

Security Markets

Prices both of bonds and of stocks advanced further in February. The total volume of trading also increased considerably, turnover of stocks on the New York Stock Exchange averaging three million shares daily for the month and trading in bonds on the Exchange averaging around $18,000,000 a day.

In the bond market the advance in domestic corporation issues carried representative price averages from 1 to 2 points higher. While all groups of corporate bonds were quite strong, the largest advances occurred in medium grade railroad bonds which as a class had lagged behind other sections of the market until recent months. United States Government bond prices also showed a moderate advance during February, with the result that the average yield on Treasury bonds receded to approximately the same low level as was reached last summer.

The movements of United States Government, high grade municipal, and high grade corporate bonds during the past seventeen years are shown in terms of inverted yields in the accompanying diagram, which indicates that prices of all these classes of bonds are now at higher levels than at any time in the post-war period. In 1919, when the National debt was at its war peak, long term Government bonds yielded an average of 4.62 per cent, or 0.16 per cent more than municipals and 0.86 per cent less than Aaa corporate issues. Between August 1919 and December 1930 the Federal debt was reduced $10,500,000,000 to the post-war low of $15,800,000,000, and during this period the yield on Government's declined more rapidly than the return on other high grade bonds, so that by December 1930 United States Government bonds were yielding 3.20 per cent, or 0.85 per cent less than municipals which are fully tax exempt, and 1.32 per cent less than Aaa corporate bonds. Since

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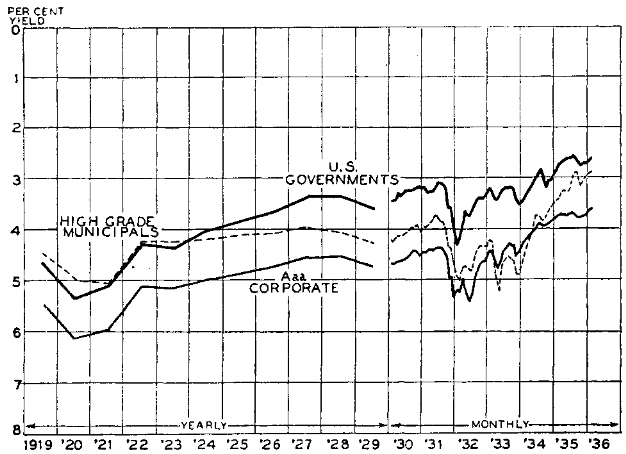

Yields on United States Government Bonds Compared with Yields on Other High Grade Bonds—Scale Inverted to Show Price Movements (Yields on Treasury bonds not due or callable within 8 years computed by Treasury Department; yield on municipal bonds computed by Standard Statistics Company; yield on Aaa corporate issues computed by Moody's Investors Service)

December 1930, although the public debt has risen $13,800,000,000, the average yield on Treasury bonds has declined further to 2.63 per cent, but the decrease has been somewhat less than in yields on other high grade bonds, so that Government's now yield 0.26 per cent less than high grade municipals and 0.99 per cent less than Aaa corporate bonds.

These differences in yields between Government and other bonds, however, remain larger than those which existed in 1919, despite the fact that the total interest bearing debt of the Government is now $3,300,000,000 larger than in 1919. The greater part of the increase in the National debt has been in securities maturing in less than five years, and the supply of long term Government securities outstanding is about $2,700,000,000 smaller than at the war peak. The supply of corporation bonds rated Aaa has undoubtedly diminished during the past five years, but a number of such bonds which are included in the diagram have optional redemption features that have probably tended to restrict the advance in their prices and the decline in their yields.

The general average of stock prices advanced about 3 per cent during the first half of February, following a rise of 7 per cent in January, and reached the highest point since July 1931. Some decline, chiefly in the public utility shares, occurred on February 17 following announcement of the United States Supreme Court decision in the Tennessee Valley Authority case, and in the succeeding two days the public utility stocks declined further, making a total reduction of about 8 per cent for the group as a whole. Meanwhile the industrial and railroad shares resumed their advances, and subsequently the utility shares recovered more than half of their decline. Toward the close of the month an irregular decline occurred, but industrial and railroad stocks in general remained higher than at the opening of the month, and public utility shares were within one per cent of the February opening level.

New Financing

During February the amount of new security flotations was smaller than in January, due not only to the short month but also to the absence of many large issues, but the volume continued to compare favorably with that of a year ago. Domestic corporation financing aggregated approximately $145,000,000 in February, including $50,000,000 of industrial company issues and $95,000,000 of public utility securities; a large part of the proceeds of these issues continued to be for the refunding of outstanding securities. The most important of the month's corporate issues was an offering at par of $55,000,000 of New York Edison Company refunding 3¼ per cent 30 year bonds. These bonds were immediately quoted in the market at a premium of about 2 points.

State and municipal issues totaled about $50,000,000 and there was a $10,000,000 refunding issue of Federal Intermediate Credit Bank debentures. In addition to the public offerings, Remington Rand, Inc., offered $20,000,000 of 20 year 4¼ per cent debentures (with stock purchase warrants) in exchange for outstanding 5½ per cent debentures of the company, and for subscription by common stockholders; any of the new debentures not so taken will be offered to the public. This operation, in addition to the refunding of $17,500,000 of securities, will provide about $2,500,000 of working capital.

An event of unusual interest was the registration with the Securities and Exchange Commission, toward the end of the month, of a proposed issue of $40,000,000 first mortgage long term bonds of the Jones & Laughlin Steel Corporation. The proceeds of this issue are to be used to the extent of $31,500,000 in the construction and equipment of new plants and in additions to existing mills; $5,500,000 will be used to discharge bank indebtedness contracted in connection with the redemption of outstanding bonds called before maturity; and the remainder will increase working capital of the corporation.

United States Treasury financing during February resulted in no change in the interest bearing debt of the Government, as four weekly issues of $50,000,000 of 273 day Treasury bills replaced maturities of approximately the same amount. Rates on the new Treasury bills tended downward from 0.095 per cent on the first February issue to 0.074 on the issue dated February 26.

Central Bank Rate Changes

Effective February 4, the Netherlands Bank lowered its discount rate from 3 to 2½ per cent, the sixth consecutive decrease in a series which began when the rate was reduced from 6 to 5 per cent, effective October 17, 1935. On the 7th the Bank of France discount rate was reduced from 4 to 3½ per cent, representing the third successive reduction since the end of 1935 when the rate was 6 per cent. The newly formed Central Bank of the Argentine Republic has established a discount rate for the first time, fixing it at 3½ per cent effective March 1.

Foreign Exchanges

During the early part of February, the European gold bloc exchanges were generally quoted in New York at or above their upper gold points, but after a comparatively small amount of gold had been engaged for shipment to France and Holland, the gold exchanges declined moderately and in general remained somewhat below the gold

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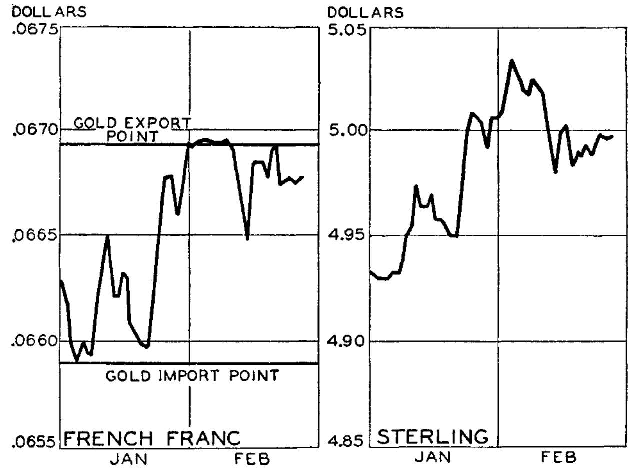

Movements of French Franc and Sterling Exchange Rates at New York (Latest quotations are for February 26)

export level during the remainder of the month, accompanying a subsidence of the inflation rumors which had previously given rise to moderate selling of dollar exchange. The gold exports were at least in part a reflection of irregular tendencies in the movement of short term foreign balances, following the large increase in such balances in previous months, but foreign capital continued to be transferred to this country during most of February for investment in American securities. Although the gold outflow was almost negligible in magnitude and duration when compared with the unprecedented inflow amounting to approximately $2,800,000,000 during the past two years, the outward movement was noteworthy in that it was only the second such movement that has occurred since the devaluation of the dollar in January 1934. The first period of small gold exports was in the late summer and early autumn of 1934, following the passage of the Silver Purchase Act and the nationalization of domestic silver holdings.

Accompanying the strength of the European gold exchanges, the pound-dollar rate reached a peak of $5.03⅝ during the course of trading on February 3, and remained steadily above $5.00 until February 11. Thereafter, the rate receded slightly, ranging between $4.98 and $5.00. Following reports on February 26 of political assassinations in Japan, the rate for the yen was reduced slightly to $0.2889, from $0.2916 on the previous day.

Closing Cable Rates at New York

Exchange on	Feb. 28, 1935	Jan. 31, 1936	Feb. 27, 1936
Belgium	$ .2358	$ .1708	$ .1705
Denmark	.2161	.2236	.2229
England	4.8375	5.0063	4.9913
France	.06653	.06694	.06683
Germany	.4050	.4074	.4066
Holland	.6824	.6873	.6871
Italy	.0853	.0805	.0803
Norway	.2437	.2516	.2509
Spain	.1378	.1387	.1385
Sweden	.2500	.2582	.2573
Switzerland	.3265	.3297	.3306
Canada	.9981	1.0019	1.0013
Argentina	.3225	.3337	.3328
Brazil	.0845	.0859	.0859
Uruguay	.8000	.8000	.8000
Japan	.2838	.2922	.2900
India	.3666	.3783	.3775
Shanghai	.3881	.3000	.3013

Gold Movement

After a heavy and almost uninterrupted inflow of gold from abroad for more than a year, a small outflow of gold occurred early in February when dollar exchange declined to the point where gold shipments became profitable. Between February 3 and 8, $17,200,000 of gold was exported to France and $3,400,000 to Holland. On February 10 the dollar recovered to above the gold export point, and no further gold exports from the United States occurred during the remainder of the month. In addition to the exports of the first week of the month, there was a net increase of $9,900,000 during February in the amount of gold held under earmark for foreign account at the Federal Reserve Bank of New York.

Imports of gold for the month amounted to about $2,200,000, of which $900,000 came from Australia, $700,000 from China, $300,000 from Chile, $200,000 from Russia, and $100,000 from Nicaragua. There were also the usual receipts of newly mined domestic and scrap gold at the mints and assay offices.

The net result of the exports and earmarking of gold and of the imports and domestic receipts was a decline of about $15,000,000 in the monetary gold stock of the country during February, the first monthly decline since devaluation of the dollar at the end of January 1934.

Production

Data thus far available indicate that there was a further moderate decline during February in the general level of industrial production, after adjustments for recurring seasonal influences. Operations at automobile plants were curtailed somewhat further, apparently due chiefly to adverse weather conditions and reported congestion in the used car market. Steel mills were estimated to have operated at an average rate slightly above that of the preceding month, but a rise in activity is usual between January and February and in most years the gain has been substantial. The demand for steel from the automobile industry was reduced, but purchases by other consumers, particularly the railroads, gave support to steel operations. The rate of consumption of cotton by manufacturers of cotton goods, which ordinarily reaches its high point at about this time of the year, appears to have been approximately unchanged from the level of the preceding month. This rate of operations was reported to have been maintained partly by deliveries against orders previously on hand, for the flow of new business remained restricted. Bituminous coal production, on the other hand, increased further during the first half of February, contrary to the tendency of many other years, and electric power production, which usually declines in February, was practically unchanged.

The rise in industrial production that began last August was interrupted in January when the seasonally adjusted index of the Board of Governors of the Federal Reserve System declined to 99 per cent of the 1923-1925 average from 104 in December. There was a reduction of 14 per cent in the daily average rate of automobile assemblies, steel operations decreased by 8½ per cent, and cotton consumption, while higher than in the corresponding month

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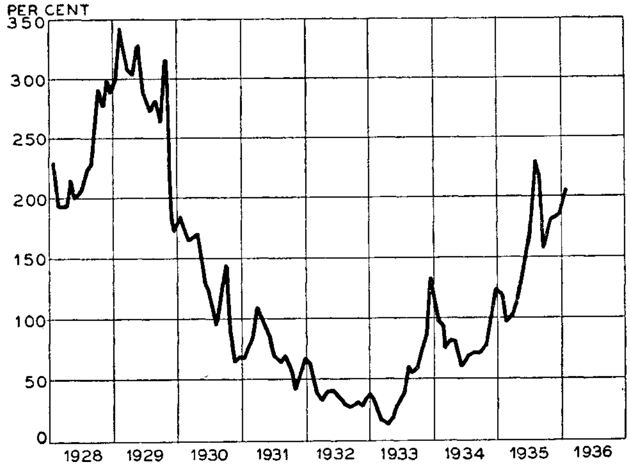
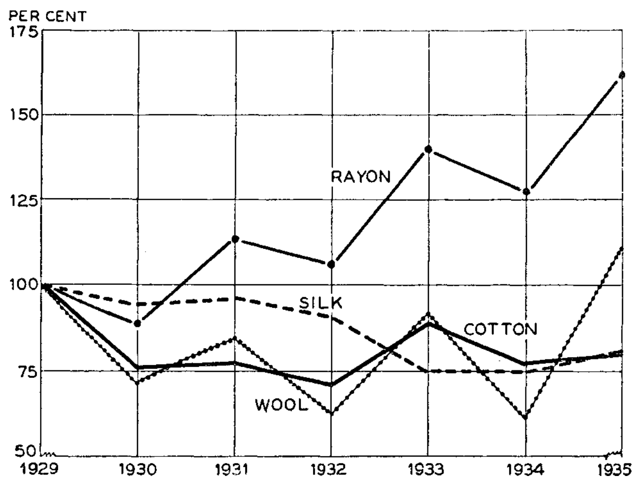


Index of Dollar Volume of Machine Tool Orders, Adjusted for Seasonal Variation (1922-24 average = 100 per cent)

of any year since 1929, did not increase over December as much as usual. The gain in shoe production also was somewhat less than that experienced in many other years, and lead production decreased by 10 per cent. On the other hand, activity at meat packing plants was little changed and there were increases in production of coal, zinc, and wheat flour, and in the volume of machine tool business. The accompanying diagram, showing the volume of machine tool orders, adjusted for usual seasonal movements, gives an indication of the extent of the recovery in this industry in the past three years. The volume of business done since June 1935 compares favorably with that of any other similar period since the last half of 1929.

Operations of the principal textile manufacturing industries during recent years are reviewed in the accompanying diagram, activity being measured in each case by the physical quantity of raw material consumed relative to the amount in 1929. Activity in the rayon industry reached new high points in 1931, 1933, and 1935, and in the last year output was 61 per cent above 1929. Wool mill operations, which have been subject to especially wide swings, and which in 1934 declined 38 per cent below the 1929 rate, the lowest point touched by any of the textile indexes, rose in 1935 to 10 per cent above the 1929 level,



Indexes of Activity in the Textile Industries (1929 = 100 per cent)

reaching the highest point since 1923. Cotton manufacturing as well as wool mill activity was at a low level during 1930-32, and increased substantially in 1933, but in 1935 cotton mill activity, although higher than in 1934, showed no such increase as wool mill operations, and remained below the 1933 level. Activity at silk mills was maintained relatively well during 1930-32, but fell sharply in 1933 and has since recovered only moderately. A tendency for textile output to rise in one year and to fall in the next is observable in all of these series, though most conspicuously in wool and rayon.

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

	1935			1936
	Jan.	Nov.	Dec.	Jan.
Metals				
Pig iron	52	69	75	71
Steel ingots	67	81	87	70
Lead	42	54	58	53
Zinc	64	71	73	75
Automobiles				
Passenger cars r	67r	77r	76r	66p
Motor trucks r	98r	104r	108r	110p
Fuels				
Bituminous coal	74	74	76	78p
Anthracite coal	98	55	83	93p
Petroleum, crude	70	71	72	74p
Petroleum products	65	70	70	
Electric power	72	76	76p	75p
Textiles and Leather Products				
Cotton consumption	83	86	91	89
Wool mill activity	114	129	126	128p
Silk mill activity	69	63	67	61
Rayon deliveries*	123	99	107	111p
Shoes	107	110	128p	120p
Foods and Tobacco Products				
Meat packing	83	81	83	83
Wheat flour	86	87	86	89
Refined sugar deliveries	80	67	100	69p
Tobacco products	84	85	88	87
Miscellaneous				
Cement	37	49	54	41
Tires	74	93	93	
Newsprint paper	71	74	72p	71p
Machine tools	57	83	84	92

p Preliminary   *r* Revised   * For quarter ended

Employment and Payrolls

Employment in representative New York State factories declined slightly less than usually from the middle of December to the middle of January, while payrolls showed about the usual decrease for this period of the year. The report of the Department of Labor indicated that the seasonal decline in employment was fairly general, eight of the eleven principal industrial groups reporting fewer workers in January than in December. The largest reductions in working forces occurred in the building materials, food, and textile and clothing industries.

For the entire country, likewise, there were declines in factory employment and payrolls from mid-December to mid-January. After adjustment for the usual seasonal variations the decrease in employment amounted to less than 1 per cent while the decline in payrolls amounted to approximately 2 per cent. The number of workers at automobile plants remained practically unchanged, but employment in all of the other major factory classifications with the exception of leather products showed declines, many of which were of a

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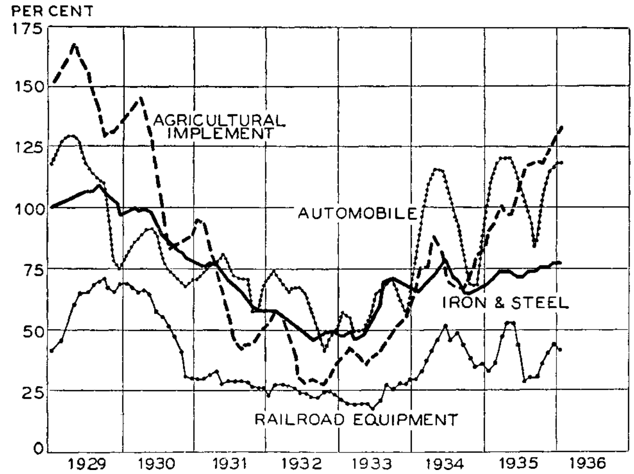

Indexes of Employment in Selected Durable Goods Industries (1923-25 average = 100 per cent)

seasonal nature. In comparison with January 1935, employment showed an increase of about 5 per cent, with the gain concentrated in the durable goods group of industries.

The trend of employment since 1929 in four of the heavy industries — those manufacturing automobiles, agricultural implements, iron and steel, and railroad equipment—is indicated in the accompanying diagram. Employment in the agricultural implement industry, after having declined the most from 1929 to 1932, has shown the greatest increase since that time, about five times as many workers being engaged in January 1936 as in October 1932. Employment at automobile factories in January was nearly three times as large as at the 1932 low point and compared favorably with the 1929 level, while in the railroad equipment and iron and steel industries employment has shown more moderate increases.

Among the manufacturing industries, employment was greatly curtailed during January in retail trade, owing to the dismissal of extra holiday workers, and in building construction, because of the unusually severe winter weather. Increased demand for fuel, on the other hand, accounted for the employment of more workers in both anthracite and bituminous coal mining.

During the month ended January 15, there was an increase of more than 500,000 in the number of people employed under the program financed by the Emergency Relief Act of 1935, bringing the total engaged to 3,000,000 workers. Employment on Public Works Administration construction projects was somewhat curtailed due to bad weather conditions and to the approaching completion of the road building program financed from old appropriations.

Indexes of Business Activity

Owing largely to continued heavy demand for coal, a substantial gain occurred in bulk freight shipments over the railroads during the first half of February, but the movement of miscellaneous and less than car-lot freight receded further in contrast to the customary February rise. Department store sales in the Metropolitan area of New York also showed less than the usual seasonal advance, probably due to the bad weather prevalent in this period.

During January, a reaction occurred in the distribution of goods and general business activity following the upward tendency of preceding months. More than seasonal recessions were shown in such indicators of retail trade as urban department store sales, sales of mail order houses, and variety chain store sales. Registration of new passenger cars also receded even after allowance for the early introduction of new models. Chain grocery trade, however, increased from December to January, contrary to the usual movement in previous years. Among the more general business indicators, merchandise and miscellaneous freight car loadings, the volume of check transactions and advertising, and exports and imports all showed decreases after adjustment for customary seasonal movements. Gains, however, occurred in the adjusted indexes of bulk freight car loadings and life insurance sales.

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

	1935			1936
	Jan.	Nov.	Dec.	Jan.
Primary Distribution				
Car loadings, merchandise and misc. *r*	62*r*	65*r*	67*r*	64*r*
Car loadings, other *r*	61*r*	60*r*	66*r*	69*r*
Exports	46	63	58	51*p*
Imports	70	71	79	74*p*
Distribution to Consumer				
Department store sales, U. S.	70	75	79	73
Department store sales, 2nd Dist.	68	72	75*r*	73
Chain grocery sales	63	59	57*r*	63
Other chain store sales	80	86	85	81
Mail order house sales	71	80	79	72
Advertising	59	64	69	63
New passenger car registrations *r*	68*r*	68*r*	81r	65*p*
Gasoline consumption	82	88	86	
General Business Activity				
Bank debits, outside New York City	59	70	75	66*p*
Bank debits, New York City	42	44	44	44
Velocity of demand deposits, outside New York City	65	72	71	69*p*
Velocity of demand deposits, New York City	45	43	43	42*p*
New life insurance sales	82	58	55	57
Factory employment, United States	82	86	87	86*p*
Business failures	35	42	37	32
Building contracts *r*	29*r*	51*r*	71*r*	57*p*
New corporations formed in N. Y. State	60	56	58	58
General price level*	141	149	149	150*p*
Composite index of wages*	182	189	189	189*p*
Cost of living*	139	141	140	139

p Preliminary *r* Revised * 1913 average=100

Building

Although the total of building and engineering contracts awarded in January in the 37 States covered by the F. W. Dodge Corporation report was approximately 23 per cent below the comparatively high level reached in December, the volume of contracts was more than double that reported for January 1935. Gains over a year ago occurred in each of the major building classifications, nonresidential contracts other than for public works and utility projects being nearly three times as large as in the preceding January. The decline during January 1936 in residential contracts was of somewhat less than the usual seasonal proportions, while decreases in awards for public

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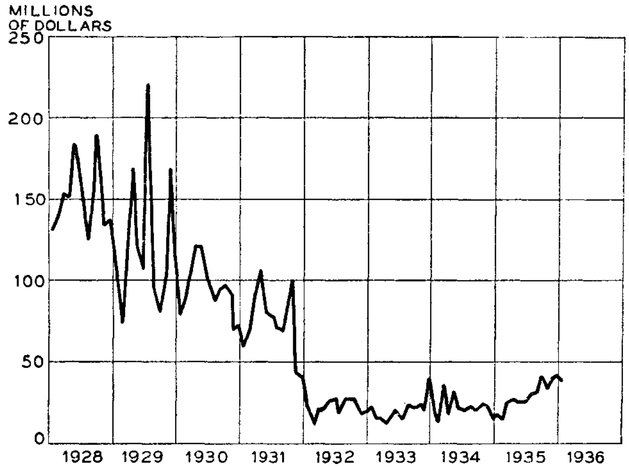

Value of Building and Engineering Contracts Awarded in Metropolitan New York and Vicinity and Up-State New York Area (F. W. Dodge Corporation data)

works and utility projects and for other nonresidential work were considerably more than usual for this time of the year.

Total awards of construction contracts in the Metropolitan New York and up-State New York areas declined less from December to January than did the total for the 37 States. In fact there were increases of 16 per cent in residential contracts and 4 per cent in awards for public works and utility projects in this district, which, however, were more than offset by a decrease of approximately 38 per cent in contracts for other types of nonresidential construction in January, so that total construction contracts showed a decline of about 12 per cent. The gradual recovery in building activity in this district during the past year from the extremely low levels of the preceding three years is indicated in the accompanying diagram. Total contracts awarded in January 1936 were nearly 125 per cent higher than in January 1935 and had recovered to approximately the level of the closing months of 1931, but remained far below predepression levels.

Data for the first half of February indicate a continued decline in the volume of building contracts awarded in the 37 States, reducing this bank's preliminary index of building contracts to the lowest point since last September. A more than seasonal decline occurred in public works and utility contracts, and other major classifications showed reductions, contrary to the usual seasonal movements.

Commodity Prices

The general level of prices of actively traded commodities, as measured by Moody's Investors Service index, showed no material net change during February, but some sizable and diverse price changes occurred in the individual commodities. The largest movement was a decline in the price of raw silk, continuing the recession which had been in progress with only minor interruptions since the high of $2.35½ a pound was reached last October; at the end of February the average price stood at $1.63 a pound, 26½ cents lower than at the end of January, and the lowest price since last August. In contrast to this movement, the price of wool has shown a persistent advance since last May, and in February the domestic price reached the highest level since December 1929. Rayon prices were unchanged during February, following a decline in the previous month. There was no noticeable change in cotton prices during the first half of February, but subsequently the spot quotation at New York declined 33 points, ending the month at 11.27 cents a pound, the lowest price since October.

Weakness developed in cattle prices during February, and the average price of steers at Chicago declined $1.25 to $9.17 a hundredweight, a price almost $4 below the high point of last April and the lowest since the beginning of 1935, but increased somewhat in the last days of the month. The rise in hog prices, which followed the discontinuance of the hog processing tax in early January, continued during the greater part of February, but in the latter part of the month a reaction occurred and a slight net gain was shown for the month as a whole. The price of hides was reduced 1½ cents to 13½ cents a pound during the month, and a small decrease occurred also in the cash quotation for wheat at Minneapolis. The price of crude rubber continued to advance, and in the course of the month touched the highest level since February 1930. A firmer tendency also was apparent in the price of raw sugar, but quotations for the refined product remained at previously quoted levels.

In the domestic copper market, two leading concerns increased the price for spot copper to 9½ cents a pound on February 15, while other firms continued to quote 9¼ cents, the price which had prevailed since the beginning of last October. The price of zinc and lead increased slightly. Scrap steel at Pittsburgh rose $1.25 further to $15.75 a ton, the highest price since September 1930. On the other hand, the composite price of finished steel, compiled by the Iron Age, declined somewhat in February. Silver prices in the leading markets were relatively steady during the month.

Foreign Trade

Merchandise exports during January were valued at $198,000,000, a substantially smaller amount than in December, while imports, valued at $187,000,000, were approximately the same as in the preceding month. Exports ordinarily show little change between these two months, while imports usually show an increase. This country's foreign trade continued to be larger than a year ago, however, the gain in exports amounting to 13 per cent and in imports 12 per cent.

The decrease in exports from December to January was largely accounted for by a decline of $21,000,000 in shipments of raw cotton, which showed much more than the usual seasonal reduction from the comparatively high figures of recent months. Nevertheless, cotton exports registered increases over a year ago of 18 per cent in quantity and 11 per cent in value. Exports of other agricultural products showed decreases from a year ago. On the other hand, large increases continued to occur in exports of a number of American manufactures, especially passenger automobiles and motor trucks, industrial and agricultural machinery, fertilizers, and wood and paper products. Exports of crude and refined petroleum products were also substantially above those of January 1935.

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Among the imports, receipts of most of the leading commodities were larger in quantity and value than a year ago. The chief exceptions were imports of crude rubber and certain vegetable food products, notably sugar, receipts of which were only about half the comparatively large volume of a year ago, but were larger than in any other January since 1929. Imports of wool were almost two and a half times the volume of a year ago, and showed an even larger gain in value. Receipts of burlap were nearly doubled in quantity and value. Imports of raw silk showed an increase of 15 per cent in quantity and of 75 per cent in value. Relatively large gains over a year ago occurred also in imports of hides and skins, crude petroleum, tin and nickel, meat and dairy products, beverages, and unmanufactured tobacco.

Wholesale Trade

January sales of the reporting wholesale firms averaged about 12½ per cent higher than a year ago, a somewhat larger increase than in the two preceding months. This favorable comparison was due in considerable part to a gain in sales of the men's clothing concerns which showed the largest advance over a year previous since March 1934. Drug firms reported a moderate increase in sales, the largest since July, and sales of stationery concerns showed larger gains than in the two preceding months. Less favorable comparisons were made by the other reporting lines, however. Diamond sales continued substantially above a year ago, but the increase was less than in December, and sales of shoes registered the smallest gain since August. Hardware, grocery, paper, and jewelry sales declined following increases in the preceding few months, and sales of silk goods, reported on a yardage basis by the National Federation of Textiles, showed the largest reduction since last June.

Commodity	Percentage change January 1936 compared with January 1935		Per cent of accounts outstanding December 31 collected in January	
	Net sales	Stock end of month	1935	1936
Groceries	— 3.7	—13.0	90.8	91.4
Men's clothing	+50.1	......	44.5	48.9
Rayon and silk goods	—22.6*	......	66.5	63.6
Shoes	+ 0.9	......	34.3	32.3
Drugs	+15.7	+ 4.2	26.3	29.8
Hardware	— 6.9	—13.0	44.7	43.6
Stationery	+11.0	......	43.1	43.6
Paper	— 0.3	......	46.4	54.7
Diamonds	+31.7	+16.3	} 44.9	} 44.9
Jewelry	— 4.2	— 6.0		
Weighted average	+12.7	......	57.0	58.0

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

Department Store Trade

Sales of the reporting department stores in the Metropolitan New York area during the first half of February were 5.3 per cent larger than a year ago, but there was less than the usual increase over January, apparently due to the continuance of severe weather.

In January sales of the reporting department stores in this district were 9 per cent higher than in the corresponding period a year ago. Although this was the largest year to year increase to be reported since September, the comparison is with a rather poor month in 1935, and sales showed more than the usual seasonal decline from December, owing to adverse weather conditions. Department stores in Northern New Jersey reported the largest increase in sales over a year previous since March 1934, and New York City stores showed the most substantial gain since September. In Southern New York State and the Hudson River Valley District, the comparisons with a year ago were also more favorable than in the preceding month. The increases reported in Buffalo, Rochester, Syracuse, Bridgeport, and Westchester and Stamford sales, on the other hand, were the smallest in several months. The Northern New York State and Capital District stores reported decreases in sales from a year ago. Sales of the leading apparel stores were 18½ per cent higher than a year ago, a larger increase than in December, but approximately the same as that registered in November.

The retail value of stocks of merchandise held by the department stores at the end of January continued smaller than a year ago on the whole, but apparel store stocks remained higher than in the previous year. The ratio of collections to accounts outstanding at the end of December averaged better in 1936 than in 1935 for both the department and apparel stores.

Locality	Percentage change January 1936 compared with January 1935		Per cent of accounts outstanding December 31 collected in January	
	Net sales	Stock on hand end of month	1935	1936
New York	+ 9.7	— 3.0	53.3	55.6
Buffalo	+ 3.7	+ 4.6	49.0	49.3
Rochester	+ 2.7	— 0.3	47.0	48.8
Syracuse	+ 2.0	— 7.3	36.4	37.9
Northern New Jersey	+11.4	+ 4.7	42.1	42.2
Bridgeport	+ 8.9	— 1.9	38.1	41.4
Elsewhere	+ 2.0	— 3.0	34.6	34.9
Northern New York State	— 8.2	......	....	....
Southern New York State	+ 2.4	......	....	....
Hudson River Valley District	+ 2.0	......	....	....
Capital District	— 4.4	......	....	....
Westchester and Stamford	+11.8	......	....	....
All department stores	+ 9.0	— 1.7	48.2	49.8
Apparel stores	+18.5	+ 8.1	43.8	50.8

	Net sales percentage change January 1936 compared with January 1935	Stock on hand percentage change January 31, 1936 compared with January 31, 1935
Furniture	+29.3	+ 1.0
Toys and sporting goods	+27.5	— 3.8
Men's and boys' wear	+16.4	+17.7
Books and stationery	+15.9	+ 5.4
Luggage and other leather goods	+15.7	— 1.3
Toilet articles and drugs	+13.8	+14.2
Women's and misses' ready-to-wear	+12.9	+29.3
Home furnishing	+10.8	— 1.5
Men's furnishings	+ 9.2	+ 4.8
Linens and handkerchiefs	+ 8.7	— 7.0
Silverware and jewelry	+ 7.2	— 5.2
Hosiery	+ 6.4	— 2.4
Women's ready-to-wear accessories	+ 6.3	+ 5.0
Cotton goods	+ 3.4	+ 4.4
Musical instruments and radio	+ 0.4	— 6.1
Shoes	— 2.6	+ 5.1
Woolen goods	— 5.0	— 8.6
Silks and velvets	— 9.7	— 4.2
Miscellaneous	+ 5.3	— 1.8

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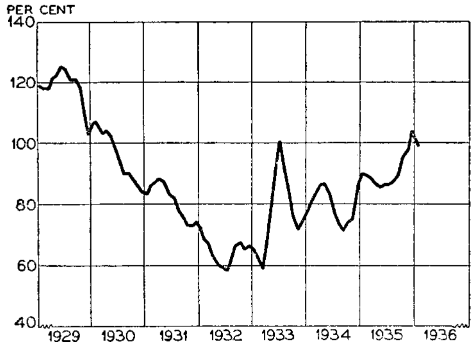
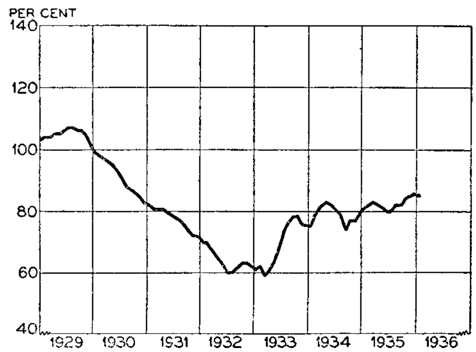
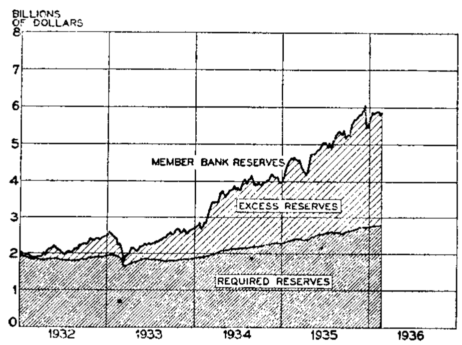
FEDERAL RESERVE BANK OF NEW YORK
MONTHLY REVIEW, MARCH 1, 1936



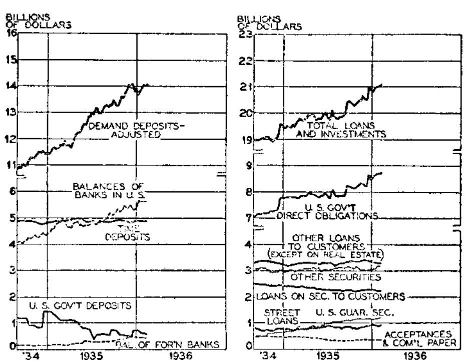
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



Index of Factory Employment with Adjustment for Seasonal Variation (1923-25 average = 100 per cent)



Member Bank Reserve Balances (Latest figures are for February 19)



Wednesday Figures for Reporting Member Banks (Latest figures are for February 12)

Business Conditions in the United States

(Summarized by the Board of Governors of the Federal Reserve System)

TOTAL volume of industrial production increased in January, but, owing to a decline in activity in the automobile and allied industries from an exceptionally high level in December, the increase was less than is usual at this season.

Production and Employment

Total output at factories increased by a smaller amount than is usual in January, while output at mines showed a seasonal increase. The Board's combined index of industrial production, which makes allowance for seasonal changes, declined from 104 per cent of the 1923-1925 average in December to 99 per cent in January. This decrease reflected chiefly sharp reductions in output of steel and of automobiles from the high levels reached in December. In the first three weeks of February the average rate of operations at steel mills showed a smaller increase over the January average than is usual, and at automobile factories output was estimated to be at a lower level than in January. Smaller than seasonal increases in activity were reported at textile mills and at shoe factories, while output of food products was in considerably larger volume in January than a month earlier.

Factory employment showed a small seasonal decrease between the middle of December and the middle of January. At automobile factories the number of workers, which usually increases at this season, was unchanged, and at textile mills employment declined. Factory payrolls decreased by more than the usual amount.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was smaller in January than in December. Awards for publicly-financed projects decreased from the relatively high December figure, and there was a seasonal decline in contracts for residential construction.

Distribution

Retail trade was reduced more than seasonally in January, reflecting in part the influence of unusually severe weather. Sales by department stores, variety stores, and mail order houses all declined by more than the usual seasonal amount. Freight car loadings showed little change; loadings of coal increased considerably, while rail shipments of miscellaneous freight declined.

Commodity Prices

The general level of wholesale commodity prices continued to show little change during January and the first three weeks of February. Prices of cotton textiles, flour, wheat, and silk declined, while prices of hogs, petroleum, coffee, and rubber increased considerably. Retail prices of foods decreased somewhat during January.

Bank Credit

Excess reserves of member banks fluctuated between January 22 and February 19 near a $3,000,000,000 level, changes reflecting principally fluctuations in Treasury holdings of cash and deposits with Federal Reserve Banks.

Investments of weekly reporting member banks in leading cities increased by $300,000,000 in the four weeks ended February 12, and reached the largest amount ever held by these banks, while loans decreased by $130,000,000. Holdings of United States Government obligations increased by $140,000,000, holdings of obligations guaranteed by the Government by $50,000,000, and other securities by $110,000,000.

Adjusted demand deposits of reporting member banks, which declined somewhat from the middle of December to the middle of January, increased by $290,000,000 in the four weeks ended February 12, while United States Government deposits declined by $150,000,000.

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