MONTHLY REVIEW
of Credit and Business Conditions
Second Federal Reserve District

Federal Reserve Agent *Federal Reserve Bank, New York* *April 1, 1936*

Money Market in March

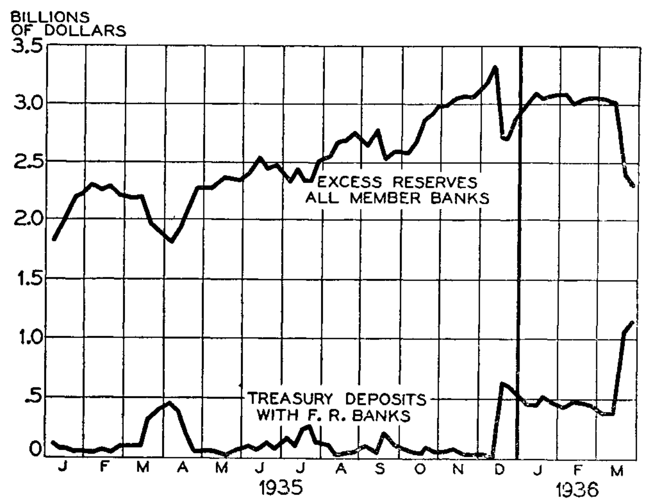
Early in March the Treasury announced offerings of approximately $1,250,000,000 of Treasury bonds and notes for cash subscription, in addition to further amounts of the same securities in exchange for Treasury notes maturing on April 15. This was one of the largest offerings for cash in recent years. Subscriptions for the new securities were received in extraordinary volume, totaling nearly $8,500,000,000. As usual, many of the subscriptions were for larger amounts than were actually desired, though various methods were used, as on previous occasions, to restrict padding of subscriptions. There was evidence also of a broadening in the investment demand.

As in December, a large part of the new securities were paid for with cash rather than with deposit credits. In New York City alone cash payments for new securities on March 16 were nearly $500,000,000, and for the country as a whole the amount was about $935,000,000. In their effect on bank reserves these payments to the Treasury were offset in part by the redemption of about $450,000,000 of Treasury bills which matured on that date, but net cash payments to the Treasury in connection with the sale of securities were more than $480,000,000. In addition, income tax collections and other Government revenues substantially exceeded interest payments on Government debt and other disbursements on March 16 and the following days. As a result, there were net payments to the Government amounting to about $225,000,000 in New York City, and $650,000,000 for the country as a whole on March 16 and the two following days, and Treasury balances in the Reserve Banks rose to a new high level at $1,067,000,000 on March 18. In the following week Government receipts continued to exceed disbursements, and Treasury balances rose somewhat further.

These payments to the Government resulted in a sudden decline in excess reserves of member banks, such as occurred in the December tax period and to a somewhat smaller extent in March 1935, as the accompanying diagram indicates. In New York City excess member bank reserves dropped to a little over $800,000,000, and for the country as a whole excess reserves declined to $2,310,000,000, as compared with high points of about $1,500,000,000 for New York City banks, and $3,300,000,000 for all member banks in December. In both cases excess reserves after the middle of March were the smallest since last July.

In New York there had been heavy transfers, apparently of commercial funds, to other districts in the first two weeks of the month which had reduced the excess reserves of New York City banks substantially before the Government financing operations of the tax period. Despite the large payments to the Government in other parts of the country, however, there were no large outward transfers of bank funds from New York during the March tax period, due, no doubt, to the large volume of surplus funds in banks throughout the country.

Although the total holdings of Government securities by all weekly reporting member banks showed a substantial increase in the week ended March 18, the amount of the increase was smaller, relative to the total volume of new Government securities sold, than on other occasions during recent years when large issues of new Government securities have been marketed, and there were indications of increased participation by other institutions and investors in providing the funds required by the Treasury. A substantial part of the new Government securities paid for by the New York City member banks apparently were for customers rather than for the banks' own account. Allotments of new Government securities in New York, exclusive of exchanges for Treasury notes maturing on April 15, exceeded maturities of Treasury bills on March 16 by approximately



Excess Reserves of All Member Banks and Treasury Deposits with Federal Reserve Banks

$300,000,000, but the Government security holdings of the reporting New York City member banks showed a net reduction during the week ended March 18 of $56,000,000. At the same time, balances held for correspondent banks, including savings banks and nonmember banks, as well as member banks in the smaller localities, showed a reduction of $181,000,000 during the week, and other demand deposits also declined substantially. For all weekly reporting member banks in the principal cities, deposits held for correspondent banks declined $323,000,000 and other demand deposits were reduced $270,000,000 during the week, apparently due largely to payments for new Government securities, although income tax collections were also an important factor.

In addition to the large Government offerings of new securities there was a substantial increase in corporation refinancing in March. A number of large issues of new securities were publicly offered and the total amount was close to the large volume of last July. Despite the large amount of new securities, Government and private, to be absorbed during the month, and the substantial shrinkage in excess bank reserves at the same time, the market for Government and other high grade securities remained firm. Short term money rates also remained steady during the month.

Money Rates at New York

	Mar. 29, 1935	Feb. 28, 1936	Mar. 30, 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	1.71
Treasury securities:			
Maturing December (yield)	No yield	No yield	No yield
Maturing February 1938 (yield)	....	0.14	0.15
Average yield on Treasury notes (1-5 years)	0.61	0.63	#0.67
Average yield on Treasury bonds (more than 5 years to earliest call date)	2.52	2.37	†2.38
Average rate on latest Treasury bill sales 273 day issue	0.18	0.07	0.13
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 0.05 by inclusion of 1½ per cent Treasury note issue maturing March 15, 1941. † Average raised 0.08 by substitution of 2¾ per cent Treasury bond issue of 1948-51 for 3⅜ per cent Treasury bond issue of 1941-43.

Member Bank Credit

The total volume of loans and investments in weekly reporting member banks increased $605,000,000 during the four weeks ended March 25 to a new high level since the autumn of 1931, largely as a result of the purchases of the new Government securities issued at the middle of the month, and loans connected with the Government financing. Total loans and investments of the New York City banks rose to levels which previously had been equaled only in a few weeks in 1929 and 1930. Loans to security dealers by these banks increased $159,000,000 in the two weeks preceding the March Treasury financing, apparently reflecting in large part the borrowings of Government security dealers to carry securities which they had acquired to exchange for new Treasury securities, but in the two following weeks receded $127,000,000 as the dealers liquidated their portfolios. Holdings of direct obligations of the Government by the New York banks showed a net increase of $45,000,000 during the four weeks ended March 25; Government guaranteed securities rose $105,000,000; and other securities increased $96,000,000. Loans other than security loans, which frequently reflect movements in the volume of commercial loans, increased $55,000,000, but a part of the increase appears to have represented temporary sales of "Federal funds."

In other weekly reporting banks throughout the country, Government security holdings showed an increase of $333,000,000 in the week ended March 18, reaching a new high level, but there had been a considerable reduction in their holdings in the two preceding weeks, and for the four weeks ended March 25 the net increase amounted to $125,000,000. Loans on securities increased $42,000,000, and all other loans increased $97,000,000 during the four weeks.

Government Securities

The March quarterly financing of the Treasury consisted of the sale of $1,224,000,000 of 2¾ per cent Treasury bonds of 1948-51 and $677,000,000 of 1½ per cent Treasury notes due in 1941. Of the new securities $496,000,000 of bonds and $48,000,000 of notes were issued in exchange for Treasury notes maturing April 15, 1936, and the remainder, totaling $1,357,000,000, were sold for cash or deposit credits. However, nine issues of Treasury bills aggregating $452,000,000 matured on March 16, with the result that the interest bearing debt of the United States showed a net rise of $905,000,000.

For the first time since the beginning of the depression there was heavier oversubscription of the bonds than of the notes. Cash subscriptions for the bonds were about seven times the amount allotted, while cash subscriptions for the notes were approximately five times the amount issued.

Other Treasury financing during March included the sale of four $50,000,000 issues of 273 day Treasury bills which replaced weekly maturities of like amounts. The new bills were sold at average rates of 0.08 to 0.12 per cent, which is slightly higher than the yield on the last February issue.

Price movements of Government securities were somewhat irregular during March, but on the whole quotations showed a net advance, and the average price of Treasury bonds rose more than ½ point for the month. The average yield on Treasury bonds not due or callable within 5 years reached a new low of 2.31 per cent in the first week of the month, but rose slightly in the second week of the month accompanying the general decline in security prices at that time. Substitution on March 16 of the new bond issue for an issue which at that time became callable within 5 years raised the average yield on Treasury bonds by 0.08 per cent. Subsequently there was a renewed decline in yields, and the average reached 2.36 per cent toward the end of the month, which, when allowance is made for the March 16 substitution of issues, is a slightly lower level than was attained in the first week of the month. The average yield on Treasury notes of 1 to 5 year maturity showed a net decline of 0.01 per cent for the month, after allowance for substitution of issues on March 16 to preserve the proper range of maturities.

Bills and Commercial Paper

Trading activity in the bill market remained during March at the same low level that has prevailed for some time and rates for bills also were unchanged. The volume of bills outstanding at the end of February totaled approximately $377,000,000, a decrease of $7,000,000 from the January total, reflecting a further drop of $14,000,000 in domestic warehouse credits offset in part by an increase of $6,000,000 in import bills. Compared with a year ago there was a reduction of $116,-000,000, but the margin between the current volume and that of a year previous has been narrowing gradually during recent months. Holdings of bills by accepting banks and bankers declined $13,000,000 to $340,-000,000 during February, while holdings of bills by other investors rose $6,000,000 to $37,000,000.

In the commercial paper market, the continued small amount of new notes that came into dealers' hands during March moved rapidly into investors' portfolios, as bank investment demand for commercial paper remained active. No change occurred in the ruling rate of ¾ per cent for prime four to six month commercial paper. There were occasional sales of four and five month paper reported at ½ per cent and ⅝ per cent during the month, but these quotations applied to paper of especially high credit standing, and these sales were reported to have accounted for only a small portion of the total volume of business. The total amount of paper outstanding through reporting commercial paper houses at the end of February was $175,600,000, as compared with $177,700,000 a month ago and $176,700,000 a year ago.

Regulation U and Supplement to Regulation T

On March 26, the Board of Governors of the Federal Reserve System issued Regulation U regulating loans by banks for the purpose of purchasing or carrying stocks registered on national securities exchanges. An accompanying supplement placed the maximum loan value of any stock offered as collateral for such a loan at 45 per cent of its current market value, except that a registered stock securing a loan to a broker under certain conditions will have a special maximum loan value of 60 per cent of its current market value. The loan value of collateral other than stocks is left to the determination of the lending bank. At the same time the Board issued a supplement to Regulation T, which gave a maximum loan value of 45 per cent of current market value to registered securities in margin accounts with members of national securities exchanges. Regulation U and its accompanying supplement become effective May 1, 1936, while the new supplement to Regulation T becomes effective April 1, 1936.

In an accompanying statement the Board pointed out that Regulation U is not retroactive; that it does not restrict the right of a bank to extend credit, whether on securities or otherwise, for any purpose except the purchasing or carrying of stocks; and that it does not require a bank to reduce any loan or to obtain additional collateral for any outstanding loan.

Copies of Regulation U and the supplements to Regulation U and Regulation T may be had on request at this bank.

Security Markets

Stock prices advanced further during the first week of March, and representative industrial shares reached the highest levels since October 1930. In the second week of the month, the advance was interrupted by a reaction amounting on the average to about 6 per cent, which was attributed to fears concerning the European situation occasioned by the German military occupation of the Rhineland. Subsequently an irregular advance in stock prices was resumed and toward the end of the month industrial shares again reached new highs since the autumn of 1930. Public utility stocks also showed some net advance for the month, but railroad shares remained somewhat below their end of February quotations, apparently reflecting uncertainty concerning the effect of reductions in passenger fare rates soon to be made effective and uncertainty as to the extension of emergency freight rate charges.

Stock prices have now shown an upward trend for about a year, and the following table indicates the extent of the rise in the major classifications of stocks since March 1935. Public utility shares have shown the largest percentage increases, due at least partly to the fact that these stocks reached their lowest prices of the depression in March 1935, while the other groups of stocks shown in the table reached their lowest points in June 1932 and had shown recoveries of varying amounts by March 1935.

(Price indexes in percentages of the 1926 averages)

	March 1935 lows	Current	Percentage change
Industrial stocks	78.6	140.4	+ 79
Railroad stocks	28.6	49.9	+ 74
Public Utility stocks	39.5	89.4	+126
Bank stocks	46.7	66.3	+ 42

Domestic corporation bond prices followed a course somewhat similar to that of stock prices during March, but with less upward movement, so that composite price averages generally showed small net declines for the month as a whole. The higher grade bonds registered further net advances, which, however, were outweighed in the general averages by declines in the less high grade groups, reflecting recessions principally in railroad issues.

A comparison of bond prices, similar to that for stocks, is shown below. By far the largest rise over the past year has been in the railroad group, especially among the medium grade issues in which recovery had lagged. The quotations in this table represent average prices.

	March 1935 lows	Current	Percentage change
Industrial bonds	107.14	116.42	+ 9
Railroad bonds	90.69	106.07	+17
Public Utility bonds	100.33	108.03	+ 8

New Financing

Offerings of new securities were in much larger volume in March than in February, and the indications are that in general the issues were readily absorbed through investment channels. Domestic corporation financing amounted to approximately $450,000,000; State, municipal, and farm loan issues exceeded $120,000,000; and there were two foreign government issues totaling $23,-

500,000. The preliminary total of around $615,000,000 for the month was of much the same size as the total reported for last July, which was the largest reached during the recovery in new security flotations of the past year. Although by far the larger part of the new securities continued to be offered for the purpose of obtaining funds to refund outstanding securities with higher interest rates or to acquire securities, or to repay bank loans, a small part of the proceeds of the March issues represented new capital. The following table lists the principal security issues publicly floated during March.

	Amount	Term of years	Yield (per cent)
Pacific Gas & Electric Co.	$90,000,000	25	3.60
Eastern Gas & Fuel Associates	75,000,000	20	4.26
Virginian Railway Co.	60,344,000	30	3.63
Shell Union Oil Corp.	60,000,000	15	3.61
Consumers Power Co.	55,830,000	34	3.33
Chicago Union Station Co.	44,000,000	27	3.50
*Sanitary District of Chicago	41,469,000	19	4.00
Kingdom of Norway	17,000,000	20	4.50
Iowa Counties Primary Road Refunding Bonds	10,118,000	1–9	0.35–2.09
Louisville & Nashville R.R. Co.	9,292,000	67	4.00
Central Illinois Light Co.	7,178,500	30	3.29
City of Oslo, Norway	6,500,000	19	4.54

* Originally issued for P. W. A. loan and resold by R. F. C. to syndicate now making public offering; optional redemption dates 1937-54, yielding 1.00 to 3.77 per cent to optional dates.

Business Profits

Total profits of 700 leading industrial and mercantile concerns whose statements are now available were 48 per cent larger for the year 1935 than for 1934, and were the largest since 1930, but, as the accompanying diagram indicates, were still only one-half as large as in 1929. The increase in profits accompanied further recovery in business activity, and, as usual, profits showed a greater percentage change than the volume of business, owing to the inflexibility of overhead costs.

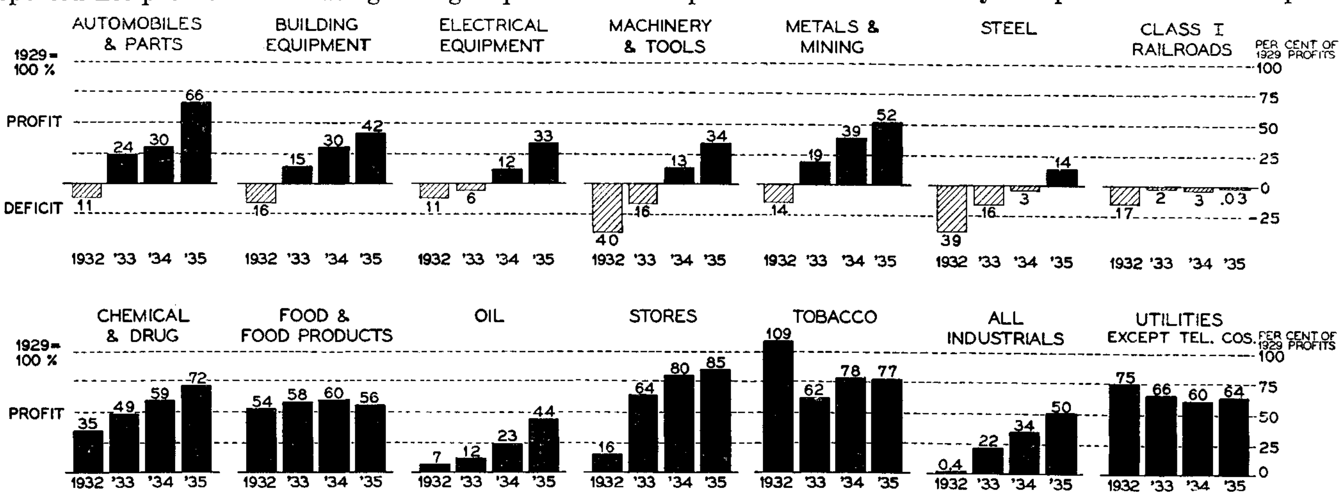
The largest percentage increases in profits between 1934 and 1935 were reported by the automobile and automobile parts, copper, electrical equipment, heating and plumbing, machinery and tool, aviation, and silk and hosiery groups of concerns. Several groups, including agricultural implement, railroad equipment, chain restaurant, steel, and miscellaneous textile companies, reported net profits in 1935 as against group deficits for 1934. The earnings of a number of the principal groups of companies for the past four years relative to 1929 earnings are shown in the diagram.

Of the 36 groups of companies listed in the table, only three showed deficits for 1935; one group—the coal and coke companies—showed a deficit in the aggregate following a profit in 1934, and in the case of the two other groups there was an increase in deficits from 1934 to 1935. Among the 700 companies, 15 per cent had deficits from 1935 operations, as compared with 23 per cent in 1934. Seventy-two per cent of the companies

(Net profits in millions of dollars)

Corporation Group	No. of Cos.	1929	1930	1933	1934	1935
Agricultural implements	6	60.9	35.6	—14.0	—1.2	26.1
Automobiles	11	308.0	164.8	84.9	94.8	199.9
Automobile parts and accessories (excl. tires)	43	73.7	29.4	4.7	21.3	50.7
Aviation	7	3.7	—8.5	—0.8	0.1	1.7
Bakery products	8	47.9	43.8	23.3	18.2	16.7
Beverages	5	17.7	17.4	17.6	26.0	23.2
Building equipment and supplies	31	55.6	22.2	—4.7	7.7	14.5
Chemicals and drugs	36	231.0	178.2	112.8	136.2	166.8
Clothing	8	10.9	4.5	2.4	2.0	3.7
Coal and coke	12	6.0	2.8	—8.2	4.0	—3.3
Confectionery	10	26.7	25.4	14.8	16.6	16.5
Copper	8	93.9	22.5	—1.1	12.0	24.8
Electrical equipment	29	174.3	105.3	—10.3	21.7	58.1
Food products—misc.	36	172.2	155.3	101.8	98.5	93.4
Heating and plumbing	9	9.2	5.3	—1.1	0.7	5.2
Householdequipmentandsupplies	25	72.0	45.4	25.7	29.5	33.4
Leather and shoes	11	3.7	—2.4	6.2	3.6	7.0
Machinery and tools	46	71.5	40.1	—11.6	8.9	24.6
Meat packing	4	3.6	2.5	2.4	3.5	2.5
Metals and mining (excl. copper, coal and coke)	23	105.8	54.8	48.5	63.6	84.9
Motion pictures	3	3.6	1.1	0.7	2.7	2.1
Office equipment	11	45.2	29.0	7.9	17.3	23.0
Oil and petroleum	34	104.3	33.7	12.3	24.4	46.4
Paper and paper products	15	7.5	1.3	2.1	4.7	5.7
Printing and publishing	14	37.6	29.8	2.4	9.8	12.3
Railroad equipment	17	49.4	38.4	—7.9	—1.1	0.7
Realty	4	9.3	7.0	—1.0	0	—0.1
Restaurants—chain	6	4.9	4.2	—0.6	—0.4	0.3
Rubber and tires	5	25.4	—16.0	8.0	7.1	10.9
Shipping	7	10.3	4.0	0.6	—0.1	—0.5
Silk and hosiery	17	14.1	3.6	0.7	0.3	2.0
Steel	32	383.1	176.0	—61.6	—13.2	53.5
Stores	32	115.8	73.3	73.7	92.1	98.2
Textiles—misc.	20	9.4	—6.4	20.7	—0.6	9.4
Tobacco	21	109.2	120.9	67.2	85.2	83.6
Miscellaneous	94	176.5	107.3	69.8	99.7	129.2
Total 36 groups	700	2,653.9	1,551.6	588.3	895.6	1,327.1
Class I Railroads, net income	149	896.8	523.9	—13.8	—29.4	—0.3
Public utilities, except telephone companies, net income	60	375.1	368.9	247.1	224.3	241.6

— Deficit



Annual Net Profits or Deficits of 700 Industrial and Mercantile Concerns, Class I Railroads, and 60 Public Utility Companies Other Than Telephone Companies During Past Four Years, Compared with 1929

improved their earnings from 1934 to 1935, while the remaining 28 per cent had poorer earnings in 1935 than in 1934.

The Class I railroads as a group earned almost enough in 1935 to cover fully interest and other fixed charges, although about one-half of the individual roads continued to show deficits. The aggregate deficit of Class I railroads for 1935 after payment of fixed charges amounted to only $288,000, as compared with a deficit of $150,600,000 in 1932, and net income of $896,800,000 in 1929. Net income of public utility companies, other than the telephone group, increased 8 per cent between 1934 and 1935, the first increase in utility company profits since before the depression.

Gold Movement

On the last day of February the guilder rose slightly above the gold export point from New York and $344,000 of gold was engaged on March 2, for shipment to Holland. Following this, a decline in the European gold currencies commenced, and gold exports from the United States were limited to the single shipment.

Imports of gold into the United States for the month amounted to about $2,000,000, of which $1,420,000 came from Canada, $160,000 from Australia, $140,000 from China, and $130,000 from Russia. In addition to these imports, there was a net decrease of $970,000 in the amount of gold held under earmark for foreign account at the Federal Reserve Bank of New York, and receipts of newly mined domestic and scrap gold at the mints and assay offices continued in about the usual volume.

As the net result of the month's transactions, the monetary gold stock of the country was increased by close to $15,000,000, following a reduction of $16,000,000 in February.

Foreign Exchanges

The principal factors affecting foreign exchange rates during March were the increased tension of the European political situation following the movement of German troops on March 7 into the previously demilitarized zone along Germany's western frontier, and the renewed evidence of persistent fiscal difficulties in France provided by the Government's successful request for Parliamentary authorization to increase the Treasury's floating debt limit from 15 to 21 billion francs. As a result of these influences, and the fears and speculation which they accentuated, a further outflow of funds from France occurred and the French franc showed a generally downward tendency throughout March, developing pronounced weakness in the last few days of the month. In the New York market the franc declined from $0.0668⅝, or only slightly below the upper gold point, at the close of the previous month to a low on March 28 of $0.0658¼, which was well below the gold shipping point from Paris to New York. After only $1,600,000 of gold had been engaged for shipment from Paris to New York, on March 30 French exchange advanced slightly above the gold export point to New York. The fall in the spot rate for the franc was accompanied by a considerable increase in the forward discount, the discount on three months francs widening from the equivalent of 9 per cent per annum to the equivalent of 22 per cent. The weakness of the franc was communicated in part to the other European exchanges, and in the latter part of the month the guilder, the Swiss franc, and the belga were not greatly above their lower gold points, whereas they were close to their upper gold points at the beginning of the month.

Although French funds moved principally to London rather than to New York, the rise in the London-Paris rate was confined to narrow limits, presumably through operations in the franc market by the British Exchange Equalization Account. These operations served to hold the franc-sterling rate close to 75 francs per pound, and as a result the pound declined somewhat against the dollar, reaching a low of $4.94⅜ on March 28, as compared with $4.99½ at the end of February.

Closing Cable Rates at New York

Exchange on	March 30, 1935	Feb. 29, 1936	March 30, 1936
Belgium	$ .1890	$ .1707	$ .1693
Denmark	.2141	.2231	.2212
England	4.8013	4.9950	4.9513
France	.06588	.06686	.06591
Germany	.4010	.4068	.4010
Holland	.6744	.6876	.6774
Italy	.0828	.0802	.0794
Norway	.2410	.2500	.2489
Spain	.1366	.1386	.1367
Sweden	.2472	.2573	.2554
Switzerland	.3231	.3307	.3254
Canada	.9938	1.0019	.9950
Argentina	.3201	.3330	.3300
Brazil	.0859	.0859	.0859
Uruguay	.8000	.8000	.8000
Japan	.2819	.2895	.2890
India	.3630	.3775	.3743
Shanghai	.3763	.3013	.3000

Central Bank Rate Changes

On March 28, following a decline in the franc to around the gold export point, the Bank of France raised its discount rate from 3½ to 5 per cent. The lower rate had been in force since February 7.

Production

An expansion in industrial activity occurred during March, but during the third week of the month operations in many eastern industrial centers were seriously interrupted by floods, not only through direct damage, but also through attendant failure of power, transportation, and communication facilities. It had been anticipated that steel operations would rise to approximately 60 per cent of capacity during the third week of March, but the floods in the upper Ohio river area compelled shutdowns by most steel plants in Pittsburgh and the surrounding districts, and while there were to some extent offsetting advances in operations in other steel centers, it is estimated that the average steel mill operating ratio for the country as a whole declined approximately 5 points. The car loadings figures also showed a sharp decline, while electric power production, which usually fluctuates more moderately, fell less markedly than either steel mill activity or railroad car loadings. During the last week of the month operations were being resumed in flood areas, and data now available for steel mill activity indicate a sharp recovery. Automobile production was not visibly checked by the floods, but continued to rise throughout the month under the stimulus of spring weather and enlarged retail sales. Cotton mills, on the other hand, were reported to have reduced operations somewhat during the month and bituminous coal output decreased, particularly during the third week as a result of the floods.

From January to February industrial activity on the whole failed to rise as much as in other years, and the seasonally adjusted index of the Board of Governors of the Federal Reserve System declined to 95 per cent of the 1923-25 average, as compared with 98 in January and 104 in December. Output at steel mills during February increased 5 per cent over January on a daily average basis, but at that time of year operations usually expand considerably more. An important factor in the less than seasonal increase in demand for steel was a 14 per cent reduction in automobile assemblies, following a decline of similar proportions in the preceding month. Production of pig iron and output at zinc smelters were also less in February than in January, contrary to the usual seasonal tendency; shoe production and rayon deliveries failed to rise as much as in most other years; and there was a decline in slaughterings at meat packing plants. Mill consumption of cotton, measuring the rate of production of cotton textiles, was only slightly below the level of January, when the amount consumed was the highest in two and one-half years. Activity at wool mills remained at about the same high level as in the preceding month, machine tool orders were received in substantially the same volume as in January, and the rate of generation of electric power showed only the usual seasonal change. Wheat flour production expanded slightly, and there was another substantial rise in coal mining.

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

	1935		1936	
	Feb.	Dec.	Jan.	Feb.
Metals				
Pig iron	56	75	71	61
Steel ingots	64	87	70	65
Lead	42	58	53	51
Zinc	64	73	75	66
Automobiles				
Passenger cars	59	76	66	54*p*
Motor trucks	96	108	110	107*p*
Fuels				
Bituminous coal	83	76	79	92*p*
Anthracite coal	85	83	92	121*p*
Petroleum, crude	70	72	73	70*p*
Petroleum products	66	70	69	
Electric power	73	76	76*p*	76*p*
Textiles and Leather Products				
Cotton consumption	82	91	89	86
Wool mill activity	119	126	124*p*	123*p*
Silk mill activity	68	67	61	53
Rayon deliveries*	118	107	111	106*p*
Shoes	102	128	118*p*	105*p*
Foods and Tobacco Products				
Meat packing	74	83	83	76
Wheat flour	89	86	89	92
Refined sugar deliveries	95	100	69	81*p*
Tobacco products *r*	84*r*	89*r*	87*r*	88*r*
Miscellaneous				
Cement	38	54	41	40
Tires	69	93	89	
Newsprint paper	72	72	71*p*	71*p*
Machine tools	46	84	92	89

p Preliminary *r* Revised * For quarter ended

Indexes of Business Activity

During the first half of March, some expansion was indicated in the distribution of goods reflecting in part the improved weather conditions. Department store sales in the New York Metropolitan area increased considerably more than seasonally, and the railroad movement of merchandise and miscellaneous freight was well maintained following a sharp increase in the last week of February. In the third week of March, however, railroad freight shipments were adversely affected by flood conditions, which caused a temporary interruption of operations on some railroads.

In February the distribution of goods and general business activity compared unfavorably with the preceding month. A considerable reduction occurred in the number of new passenger car registrations due to bad weather, and the daily rate of merchandise and miscellaneous freight car loadings for the month as a whole rose less than seasonally. Smaller gains than usual were shown also in daily average mail order house sales, advertising, and new life insurance sales. Department store sales throughout the country, chain store trade, and the volume of check transactions, however, registered virtually no change other than seasonal, and bulk freight shipments increased sharply as a result of a sizable increase in demand for coal during the severe weather.

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

	1935		1936	
	Feb.	Dec.	Jan.	Feb.
Primary Distribution				
Car loadings, merchandise and misc.	64	67	64	62
Car loadings, other	61	66	69	76
Exports	47	58	50	50*p*
Imports	67	79	73	75*p*
Distribution to Consumer				
Department store sales, U. S.	71	79	73	75
Department store sales, 2nd Dist.	67	75	73	69
Chain grocery sales	61	57	63	62
Other chain store sales	82	85	81	83
Mail order house sales	75	79	72	70
Advertising	58	69	63	59
New passenger car registrations	67	81	72*p*	57*p*
Gasoline consumption	81	86	91	
General Business activity				
Bank debits, outside New York City *r*	62*r*	68*r*	63*r*	63*p*
Bank debits, New York City	43	44	43*r*	44*p*
Velocity of demand deposits, outside New York City	66	70*r*	69	69
Velocity of demand deposits, New York City	44	43	42	42
New life insurance sales	63	55	57	49
Factory employment, United States	83	87	86	85*p*
Business failures	40	37	32	32
Building contracts *r*	24*r*	71*r*	57*p*	42*p*
New corporations formed in N. Y. State	58	58	58	54
General price level*	142	149	150*p*	151*p*
Composite index of wages*	183	189	190	190*p*
Cost of living*	140	142*r*	142*r*	142*p*

p Preliminary *r* Revised * 1913 average=100

Commodity Prices

The movements in prices of individual commodities were quite irregular during March. The cash quotation for Number 1 Northern wheat at Minneapolis declined 15½ cents to \$1.19⅝ a bushel on March 27, the lowest since last July, and smaller losses occurred in wheat futures and in spot corn. The average price of steers continued the downward tendency of recent months, a movement which is in sharp contrast to the advance of a year ago. The most pronounced advance during the month occurred in the price of raw silk, which, after having shown a rather persistent decline from the high of \$2.35½ a pound reached last October, rose during March from \$1.63 to \$1.85½ a pound. The price of wool continued to advance during March, while rayon prices moved somewhat lower. Crude rubber rose during the course of the month to 16⅛ cents a pound, the highest price since February 1930, and moderate gains were shown also in the prices of sugar, hogs, and cotton. With the exception of slight declines in the prices of tin and finished steel, the actively traded metals showed little net change during March.

Building

Exceptionally inclement weather in all parts of the country during February was reflected in a marked decline in the volume of building and engineering contracts, whereas a seasonal increase is usual in that month. In many localities outdoor construction was practically at a standstill, and for the 37 Eastern States covered by the F. W. Dodge Corporation report average daily contract awards in February were approximately 22 per cent smaller than in the preceding month. Although the decline included each of the three major classifications of construction, residential building had a relatively small decrease, the average daily volume being only 6 per cent below that of January. Despite the recession during February, the total value of contracts was nearly 90 per cent larger than in February 1935, and the total for the first two months of 1936 was practically double that of the corresponding period last year. Nonresidential construction other than public works and utilities showed the most pronounced gain.

In the New York and Northern New Jersey area likewise, building activities were adversely affected by weather conditions, and the daily rate of building contract awards was more than 20 per cent below that of January. The greatest decrease occurred in contracts for public works and utility projects which were nearly 45 per cent under the volume reported for January. February, however, was the third consecutive month in which the total of building contracts was more than double the corresponding month a year ago in this district.

Data for the first half of March indicate that residential and nonresidential building other than public works and utilities recovered rapidly from the February decline, both classifications showing much more than the customary seasonal rise. Contracts for public works and utility projects, however, increased by less than the usual seasonal proportions. Total contracts were approximately 70 per cent larger than those placed in the first two weeks of March 1935.

Employment and Payrolls

Private employment in the United States remained virtually unchanged between the middle of January and the middle of February, although an increase usually occurs in that period. Unusually extreme winter weather in practically all parts of the country caused a curtailment of employment in many industries and accentuated seasonal recessions in other lines of manufacturing as well as in building and quarrying.

Factory employment increased less than usually in February, and factory payrolls were practically unchanged although substantial increases had been recorded for the corresponding period in each of the fourteen preceding years. The seasonally adjusted index of employment decreased 1 per cent and the adjusted payroll index was nearly 5 per cent lower than in January. The automobile industry, which in past years has regularly reported increased employment from January to February, showed a sizable decline this year, owing to the shift of new model production schedules to an earlier date, together with the retarding effect of bad weather on retail sales of cars. The number of workers at steel plants remained practically the same as in January, although increased employment is usual at this time of the year. Employment in the machine tool industry was increased for the sixteenth consecutive month, bringing the employment index for that industry to the highest level since October 1930.

Although the severe weather conditions caused a sharp reduction in employment in private building construction, unusually heavy demands for fuel resulted in some increase in employment and a pronounced gain in payrolls at coal mines. Weather conditions likewise required the employment of additional workers by electric railroad and motor bus companies in order to maintain service.

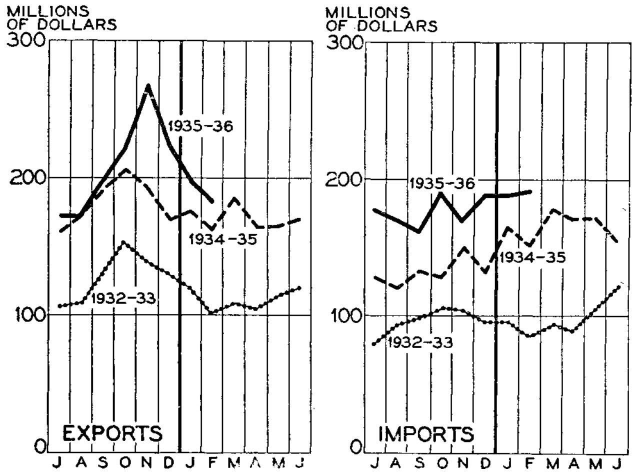
Public employment increased from mid-January to mid-February, more than a quarter of a million additional people being given work on projects financed by the Emergency Relief Act of 1935, and the total engaged on such undertakings was raised to over three and one quarter million persons. Of this number, approximately 2,900,000 were working on projects of the Works Progress Administration.

Factory employment and payrolls in New York State were virtually unchanged from January to February, but as gains usually occur at this time of year, this bank's seasonally adjusted indexes declined somewhat. Increased employment in the clothing, wood products, and metals and machinery groups of industries was largely offset by reductions in working forces at textile, and stone, clay, and glass products establishments.

Foreign Trade

During February merchandise exports from the United States were smaller than in the preceding month and imports increased, both in general accord with the usual seasonal changes. Exports amounted to $183,000,000 and imports to $193,000,000, so that there was an import balance which was the first since last July and the largest since August 1933. Compared with a year ago, February exports showed an increase of 12 per cent, or about the same as in January, while imports registered a gain of 26 per cent which was more than double that of the preceding month. As the following diagrams indicate, exports and imports throughout the past eight months have consistently shown some increase over a year previous, and are now substantially above the low levels of 1932-1933. Thus far in the current fiscal year, exports have aggregated 14 per cent and imports 29 per cent more than in the similar period of 1934-1935. As compared with the corresponding period of 1932-1933, the gains have amounted to 65 per cent for exports and to 90 per cent for imports.

Among the various groups of exports, large gains



Monthly Exports and Imports of Merchandise

over a year ago continued to be shown during February in shipments of agricultural and industrial machinery, automobiles, and crude and refined petroleum products. Although raw cotton exports declined seasonally from the previous month, the total volume still showed a moderate increase over a year ago, due to larger takings by most European countries which more than offset smaller shipments to countries of the Far East. The value of cotton exports, however, was slightly less than a year ago, due to a decrease in cotton prices. Exports of leather, meat, sawmill products, and steel mill manufactures were less than a year ago.

Most of the major imports continued to show substantial increases over the 1935 quantity and value. Receipts of sugar were more than twice the comparatively small amount of a year ago, and exceeded those of any February since 1929. Wool imports again were nearly double the volume of a year ago and, with an accompanying rise in wool prices, were more than two and a half times as large in value as in February 1935. Large gains occurred also in imports of hides and skins, furs, fertilizer, wood and paper products, iron and steel products, nickel, tin, coffee, and beverages. Receipts of raw silk, although considerably smaller in volume than a year ago, showed an increase in value of 15 per cent, due to a sizable increase in silk prices.

Department Store Trade

During the first half of March total sales of the reporting department stores in the Metropolitan area of New York appear to have shown considerably more than the usual seasonal gain over the February rate, and were 11 per cent higher than in the corresponding period a year ago.

In February total dollar sales of the reporting department stores in this district were 11.6 per cent higher than last year, but after allowing for one more shopping day this year than last, the increase in the daily rate of sales in February was not as large as in January. The New York, Northern New Jersey, and Bridgeport stores showed smaller percentage gains in average daily sales than in the previous month, while for the remaining localities comparisons were more favorable than in January. The Hudson River Valley District stores recorded the largest advance over a year previous in the daily rate of sales since June 1934, the Westchester and Stamford stores showed the best sales increase since last April, and the Rochester, Southern New York State, and Northern New York State stores registered the largest gains in 5 to 7 months. Total sales of the leading apparel stores in this district were 19.6 per cent higher than last year, but on an average daily basis the increase did not equal the advance registered in January.

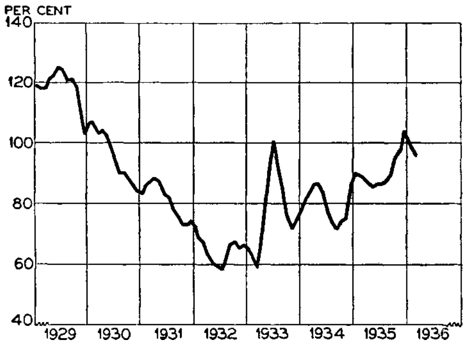
Locality	Percentage change February 1936 compared with February 1935		Per cent of accounts outstanding January 31 collected in February	
	Net sales	Stock on hand end of month	1935	1936
New York	+11.3	— 1.8	43.6	45.4
Buffalo	+14.3	+ 6.8	43.1	47.2
Rochester	+18.3	— 4.5	44.2	46.2
Syracuse	+12.9	— 9.2	36.4	40.7
Northern New Jersey	+10.8	+ 5.0	40.1	41.1
Bridgeport	+10.3	— 0.3	34.0	38.9
Elsewhere	+12.4	— 3.2	27.1	32.1
Northern New York State	+ 7.2	......	....	....
Southern New York State	+10.4	......	....	....
Hudson River Valley District	+12.0	......	....	....
Capital District	+ 6.4	......	....	....
Westchester and Stamford	+25.1	......	....	....
All department stores	+11.6	— 0.9	41.5	43.7
Apparel stores	+19.6	+ 9.2	38.4	40.4

Wholesale Trade

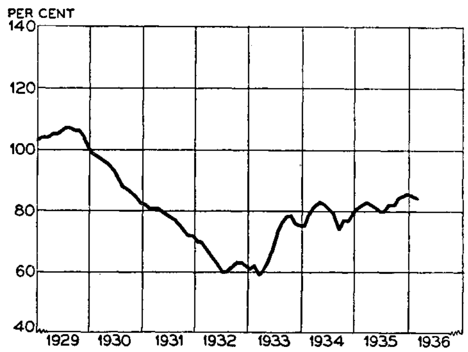
Total sales of the reporting wholesale firms in this district during February, which included one more business day than a year ago, averaged 18 per cent higher than last year, the largest percentage increase since April 1934. The diamond concerns reported the most substantial gain in sales since March 1934, the grocery and jewelry firms the largest advances since July 1935, and the men's clothing, drug, and stationery concerns showed sales which were well above last year for the second consecutive month. Hardware and paper firms showed moderate advances in sales following recessions in January, but the shoe concerns reported a smaller volume of sales this year, and yardage sales of silk goods, reported by the National Federation of Textiles, continued below last year's level.

Commodity	Percentage change February 1936 compared with February 1935		Per cent of accounts outstanding January 31 collected in February	
	Net sales	Stock end of month	1935	1936
Groceries	+ 3.3	—15.1	83.9	87.7
Men's clothing	+48.3	......	48.1	48.4
Cotton goods	+ 6.9	......	36.7	37.7
Rayon and silk goods	— 2.4*	......	58.3	55.4
Shoes	— 5.4	......	....	....
Drugs	+15.6	+ 5.3	27.6	29.5
Hardware	+ 6.8	— 0.8	31.3	35.2
Stationery	+10.9	......	52.5	56.7
Paper	+ 2.4	......	51.9	52.4
Diamonds	+92.1	+37.1	27.7	22.6
Jewelry	+25.3	+15.4		
Weighted average	+17.9	......	55.4	56.7

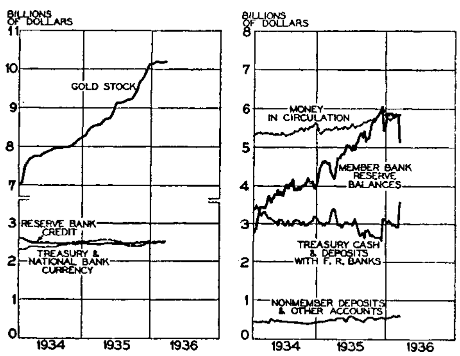
* Quantity figures reported by the National Federation of Textiles, Incorporated, not included in weighted average for total wholesale trade.



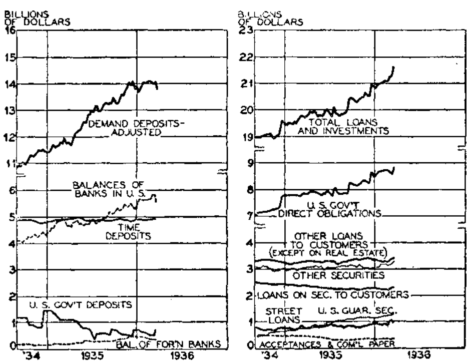
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average = 100 per cent)



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



Member Bank Reserves and Related Items (Latest figures are for March 18)



Wednesday Figures for Reporting Member Banks (Latest figures are for March 18)

Business Conditions in the United States

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

VOLUME of industrial production and employment showed little change in February, and the index of production, which makes allowance for seasonal changes, declined from 98 to 95 per cent of the 1923-1925 average. Distribution of commodities continued at about the January level.

Production and Employment

Daily average output in basic industries was in about the same volume in February as in January. Since usually there is an increase in manufacturing activity at this season, the Board's seasonally adjusted index of factory output showed a decline. Output at mines increased. There was a substantial further decrease in automobile production in February, and the rate of operations at steel mills increased by less than the usual seasonal amount. In the first half of March production of steel expanded seasonally and output of automobiles showed a more than seasonal increase. There was little change in the volume of lumber cut in February, although an increase usually occurs in that month. At woolen mills production increased by about the seasonal amount, while activity at cotton textile mills, which is usually larger in February than in January, decreased, and at silk mills there was a larger than seasonal decline. Output at meat packing establishments also declined. There was a substantial increase in the mining of both anthracite and bituminous coal, while output of crude petroleum declined somewhat.

Factory employment increased by less than the usual seasonal amount between the middle of January and the middle of February. There was little change in the number of workers at steel mills and a decrease in the number employed at automobile factories, although increases are usual in these industries in February. Employment declined at silk and rayon textile mills and showed a smaller than seasonal increase at shoe factories. Increases in employment were reported for railroad repair shops, for printing and publishing establishments, and for factories producing wearing apparel. Factory payrolls, which are usually larger in the middle of February than a month earlier, showed no change.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined further in February. Awards for residential construction showed little change, and there was a decrease in the value of awards for all other contracts, a large part of which are for public projects.

Distribution

Department store sales showed little change from January to February and, after allowance for seasonal variation, were at about the same level as that prevailing last summer and autumn. Freight car loadings increased by a small seasonal amount in February. Loadings of coal were considerably larger than in January, while shipments of miscellaneous freight declined, and the Board's seasonally adjusted index of total loadings remained at the January figure of 70 per cent of the 1923-1925 average as compared with 71 per cent in December and an average of 63 per cent for 1935.

Commodity Prices

The general level of wholesale commodity prices declined somewhat during the latter part of February and the first half of March, following a six month period of little change. The recent downward movement reflected declines in prices of farm products and foods.

Bank Credit

Excess reserves of member banks decreased by $650,000,000 during the four weeks ended March 18 and on that date amounted to $2,400,000,000. This decrease reflected chiefly a transfer of funds to Treasury deposits at the Reserve Banks in connection with receipt of income taxes and of cash payments for newly issued Government securities.

Loans and investments of reporting member banks in leading cities increased rapidly in March and on the 18th of the month were $525,000,000 higher than four weeks earlier. Of this increase $190,000,000 represented a growth in holdings of direct and guaranteed obligations of the United States Government and $80,000,000 an increase in other investments. Security loans both to brokers and dealers and to others increased, and there was a substantial growth in so-called "other loans," which include loans for commercial purposes.

Adjusted demand deposits of reporting member banks declined by $340,000,000 during the four weeks ended March 18. Balances held for domestic banks increased at the turn of the month as banks in the interior sold Government securities in New York in anticipation of maturities. During the week ended March 18 balances declined, partly as the result of banks throughout the country purchasing in the New York market Government securities issued on March 16.