

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

May 1, 1936

Money Market in April

Total loans and investments in the reporting banks in New York City rose during the past month to an amount that was previously exceeded only in two weeks during the autumn of 1929, when the New York banks took over a large volume of loans to security brokers which previously had been extended by lenders other than banks. In other weekly reporting member banks throughout the country the total volume of loans and investments rose in April to the highest level since early in 1932.

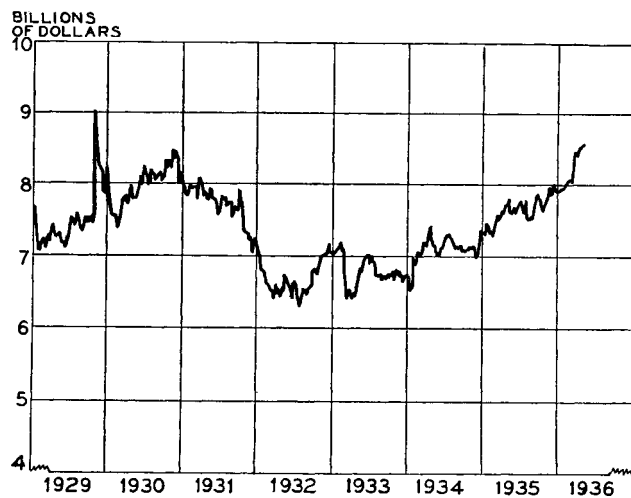
The expansion in member bank credit during the past two months has been at an unusually rapid rate, and, whereas the preceding expansion from the low point in 1933 had been almost altogether in United States Government securities and in obligations fully guaranteed by the United States Government, the growth of member bank credit during the past two months has been much more widely distributed among the various forms of loans and investments. In New York City only about one-fifth of the increase in total loans and investments was in direct obligations of the United States Government, and a little less than that amount was in securities guaranteed by the Government. Holdings of other securities by these banks, after remaining practically unchanged for several years, have increased substantially, and loans on securities and other loans have also shown considerable increases. The increase in security loans probably reflected in part a moderate increase in the volume of securities purchased on margin, and in part loans to finance the flotation of the recent large volume of new security flotations. The increase in other loans, which include borrowings for industrial and commercial purposes, presumably was at least partly seasonal in character.

For all weekly reporting member banks in the principal cities of the country only about 15 per cent of the increase in total loans and investments since the end of February is accounted for by increased holdings of direct obligations of the Government, and an additional 10 per cent by increased holdings of Government guaranteed securities. More than one-fourth of the total increase was in other investments, and nearly one-half was in loans. The increase in loans other than security loans since February is the largest that has occurred during the spring season for several years.

Changes in the loans and investments of weekly reporting member banks in this district and in the country as a whole during the past two months, and also changes during the past year, are summarized in the following table.

(In millions of dollars)

	April 22, 1936	Change from	
		Feb. 26, 1936	April 24, 1935
<i>Second Federal Reserve District</i>			
Security loans:			
To brokers and dealers	1,049	+106	+184
To others	886	+ 2	- 20
Acceptances and commercial paper bought	172	+ 8	- 36
Loans on real estate	246	- 5	+ 1
Loans to banks	28	- 3	- 24
Other loans	1,320	+ 81	- 2
U. S. Government direct obligations	3,759	+112	+289
Obligations guaranteed by U. S. Government	575	+101	+277
Other securities	1,399	+136	+145
Total loans and investments	9,434	+538	+814
<i>All Federal Reserve Districts</i>			
Security loans:			
To brokers and dealers	1,223	+154	+199
To others	2,059	+ 11	- 90
Acceptances and commercial paper bought	351	+ 2	- 60
Loans on real estate	1,140	- 6	+ 22
Loans to banks	62	- 4	- 42
Other loans	3,497	+216	+207
U. S. Government direct obligations	8,805	+115	+893
Obligations guaranteed by U. S. Government	1,277	+ 76	+493
Other securities	3,369	+213	+278
Total loans and investments	21,783	+777	+1,900



Total Loans and Investments of Weekly Reporting Member Banks in New York City

Demand deposits in the reporting banks have also shown a renewed increase recently following the decline in March caused by income tax collections and payments for new Government securities, and the volume of demand deposits, exclusive of interbank deposits and items in process of collection, rose slightly above the highest point reached in February.

Excess reserves of member banks, which showed an even larger shrinkage than did demand deposits during March, turned upward again in April, due to disbursements of funds which were accumulated in Government deposits in the Reserve Banks during the March tax period. On April 22 excess reserves of all member banks throughout the country were estimated at \$2,640,000,000, as compared with \$2,310,000,000 in the latter part of March. Government deposits in the Reserve Banks were drawn down during the intervening period from nearly \$1,150,000,000 to a little over \$700,000,000, and the actual volume of member bank reserves showed an increase of nearly \$400,000,000, but the increase in reserves was partly offset by an increase in the reserve requirements of member banks which accompanied the expansion in their deposits. In this district excess reserves showed only a comparatively small increase until late in the month, when a fairly rapid rise in the reserves of the large New York banks occurred. Treasury receipts, including the proceeds of Treasury bill sales as well as other revenues, exceeded Government disbursements in the district, and a substantial inflow of bank and commercial funds from other districts and moderate gold imports were largely offset until the final week of April by increased reserve requirements and other factors.

MONEY RATES

On the whole, money rates have continued steady during the past month, as the following table indicates, and do not differ greatly from those prevailing a year ago.

Money Rates at New York

	Apr. 30, 1935	Mar. 31, 1936	Apr. 29, 1936
Stock Exchange call loans.....	$\frac{1}{4}$	$\frac{3}{4}$	$\frac{3}{4}$
Stock Exchange 90 day loans.....	$\frac{3}{4}$	*1	*1
Prime commercial paper—4 to 6 months	$\frac{3}{4}$	$\frac{3}{4}$	$\frac{3}{4}$
Bills—90 day undorsed.....	$\frac{1}{8}$	$\frac{1}{8}$	$\frac{1}{8}$
Customers' rates on commercial loans (Average rate of leading banks at middle of month).....	1.71	1.71	1.67
Treasury securities:			
Maturing December (yield).....	No yield	No yield	No yield
Maturing February 1938 (yield).....		.17	.10
Average yield on Treasury notes (1-5 years).....	.59	.68	#.68
Average yield on Treasury bonds (more than 5 years to earliest call date).....	2.41	2.38	2.36
Average rate on latest Treasury bill sales 273 day issue.....	.17	.13	.09
Federal Reserve Bank of New York re- discount rate.....	1½	1½	1½
Federal Reserve Bank of New York buy- ing rate for 90 day indorsed bills....	$\frac{1}{4}$	$\frac{1}{4}$	$\frac{1}{2}$

* Nominal. # Change of +0.07 from previous yields due to dropping the April 15, 1937 Treasury note issue from average, as it matures within one year.

GOVERNMENT SECURITIES

Prices of United States Treasury bonds moved upward through the 17th of April, whereas the advance in high grade corporate issues largely ceased after the first week of the month. The advance during this period of 2½ weeks in the average price of Treasury bonds not due or

callable within five years reduced the average yield to 2.34 per cent, which for comparable maturities represented a new low point for many years. In the succeeding part of the month, prices of Government securities declined slightly, and the average yield rose to 2.36 per cent. The average yield on Treasury notes showed a similar movement except that the decline in yields in the early part of the month was larger in proportion to the following rise than in the case of Treasury bonds.

Changes in the Federal interest bearing debt during April were limited to the redemption of the small amount of Treasury notes maturing April 15 which had not been exchanged in March for new notes or bonds, and to sales of Treasury savings bonds. Five \$50,000,000 weekly issues of 273 day Treasury bills simply replaced corresponding weekly maturities. The new bills were sold at rates ranging from 0.13 per cent on the issue dated April 1 to 0.09 per cent on the April 29 issue, which is the lowest yield since the March 4 series was sold.

BILLS AND COMMERCIAL PAPER

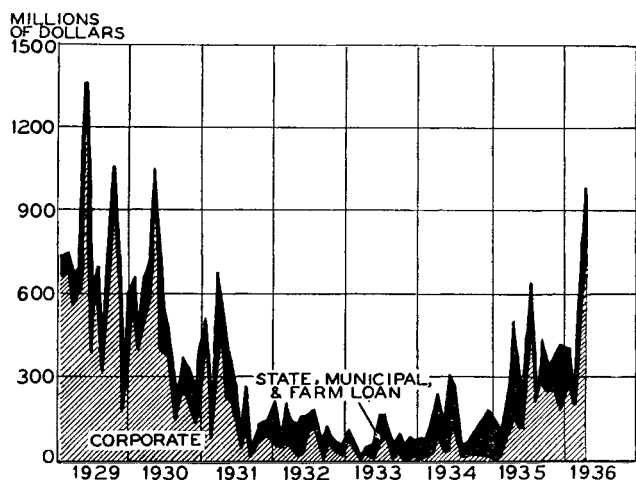
The bill market during April continued to be very inactive, and the small amount of trading was conducted at the rates that have been in effect for some time past. The volume of bills outstanding at the end of March totaled \$359,000,000, as against \$377,000,000 at the end of February and \$466,000,000 a year ago. The decline of \$18,000,000 from February to March reflected primarily a further decrease of \$15,000,000 in domestic warehouse credits to \$57,000,000, which is \$69,000,000 below the amount a year ago. Holdings of bills by accepting banks and bankers amounted to \$321,000,000 at the end of March, leaving only \$38,000,000 available for other investors.

No change occurred in the active bank investment demand for commercial paper during April, nor in the small amounts of new notes being acquired for resale by the dealers. Average grade prime four to six month commercial paper continued to be quoted at $\frac{3}{4}$ per cent; some of the choicest names of fairly long maturity moved at $\frac{5}{8}$ per cent and some of shorter maturity at $\frac{1}{2}$ per cent. Commercial paper dealers had a total of \$180,000,000 of paper outstanding at the end of March, as compared with \$176,000,000 a month ago and \$182,000,000 a year ago.

New Financing

The month of April was a very active period in the marketing of new security issues. In fact, as the accompanying diagram indicates, total flotations of all types of domestic issues, amounting to approximately \$965,000,000, have been exceeded in only a few months of the past eight years—once in 1930 and twice in 1929. The diagram also shows that offerings of \$645,000,000 of domestic corporation securities were also the heaviest since 1930. The volume of State, municipal, and farm loan financing, amounting to \$320,000,000, likewise was comparatively large, even though it was somewhat smaller than in April 1935.

Although the total of new securities put out in April closely approached the largest monthly amounts in 1929 and 1930, there are two points of difference between this year's flotations and those of the earlier period. In the



New Domestic Security Offerings, Including Refunding Issues (Commercial and Financial Chronicle data adjusted to exclude investment trust issues; April totals estimated from weekly data)

first place, the recent issues have continued to be very largely for the purpose of refunding outstanding bond issues bearing interest at higher rates, whereas a large part of the issues in 1929 and 1930 were for the purpose of obtaining new capital funds. Secondly, the 1929 and 1930 issues to a considerable extent were in the form of common stocks, whereas most of the financing now is in the form of issues of fixed interest bearing securities.

The principal domestic and foreign issues of the month are listed below.

	Amount	Term of years	Yield (per cent)
<i>Publicly Offered</i>			
<i>Domestic Corporation</i>			
Brooklyn-Manhattan Transit Corp.	\$65,000,000	30	4.50
Brooklyn-Manhattan Transit Corp.	45,000,000	1-15	0.75-3.93
Youngstown Sheet & Tube Co. 1st mortgage bonds	60,000,000	25	4.10
Youngstown Sheet & Tube Co. conv. debentures	30,000,000	15	3.29
Chesapeake & Ohio Railway Co.	40,400,000	60	3.52
Consolidated Edison Co. of New York, Inc.	35,000,000	10	3.13
Consolidated Edison Co. of New York, Inc.	35,000,000	20	3.53
New York Central Railroad Co.	40,000,000	10	4.00
Jones & Laughlin Steel Corporation	30,000,000	25	4.45
Pacific Telephone & Telegraph Co.	30,000,000	30	3.17
Pacific Gas & Electric Company	30,000,000	25	3.58
Union Pacific Railroad Co.	26,800,000	35	3.55
California Oregon Power Co.	13,500,000	30	4.15
Wisconsin Gas & Electric Co.	10,500,000	30	3.42
<i>State, Municipal, and Farm Loan</i>			
Consolidated Federal Farm Loan	180,000,000	20	3.03
Federal Intermediate Credit Banks	18,900,000	6-12 mos.	0.25-0.45
City of Detroit, Michigan	18,700,000	1-26	0.75-3.75
Cook County, Illinois	11,500,000	10-15	3.40-4.00
<i>Foreign</i>			
Kingdom of Norway	31,500,000	29	4.40
Saguenay Power Co. Ltd. (Quebec)	25,000,000	30	4.25
<i>Privately Taken or Offered to Security Holders</i>			
<i>Domestic Corporation</i>			
National Dairy Products Corporation	62,500,000	15	3.71
<i>State, Municipal, and Farm Loan</i>			
New York State	50,000,000	8 mo.	0.30
<i>Foreign</i>			
Saguenay Power Co. Ltd. (Quebec)	5,000,000	1-10	2.25-4.00

Several of the April issues were of especial interest: the \$110,000,000 of Brooklyn-Manhattan Transit issues because they constituted the largest public utility financing in the market since 1930; the Youngstown Sheet and

Tube issues because they represented the largest piece of industrial company financing since 1929; the Jones and Laughlin issue because it represented the raising of new capital funds for additions and improvements in the largest volume in some time; and the Pacific Telephone and Telegraph issue because of its low yield—3.17 per cent—the lowest rate for a long term corporation bond issue in many years.

In general, the distribution of the large volume of new issues was successfully accomplished. First grade issues were quickly absorbed and their market prices were maintained at or above their offering prices, while less high grade issues sold less rapidly and market prices were not as well sustained, especially in the latter part of the month when there was a rather general recession in security prices.

Security Markets

Stock prices advanced somewhat further during the first week of April, at which time industrial shares as a group reached the highest level since October 1930 and the general level of stock prices was the highest since April 1931. Subsequently, prices generally turned downward in the most substantial decline in over a year. Industrial shares declined 13 per cent by the end of April and railroad stocks receded 16 per cent, both classes reaching the lowest levels since early January. Public utility stocks with a drop of 13 per cent broke through their previous low point for 1936, but remained close to the highest levels of 1935.

Domestic corporate bond prices followed a course similar to that of stock prices. During the first week of April, prices of all grades of bonds advanced further and yields on high grade issues again reached new low figures for many years. The following recession likewise affected all grades of bonds to some extent, though the decline in medium grade issues, averaging around 1½ points, was about double that in high grade issues. Despite these recessions the various grades of bonds remained somewhat above their 1936 lows and generally above the highest quotations reached in 1935.

Central Bank Rate Changes

Effective April 7 the Bank of Japan lowered its discount rate from 3.65 per cent to 3.29 per cent per annum. The previous rate had been in force since July 3, 1933.

Gold Movement

During April a total of \$23,200,000 of gold was imported into the United States. Of this amount, \$10,700,000 from Canada, \$5,100,000 from India, \$1,800,000 from Colombia, \$1,500,000 from France, \$1,300,000 from England, \$1,100,000 from Russia, \$500,000 from Peru, \$300,000 from Chile, and \$200,000 from Ecuador was received at New York. On the West Coast, \$500,000 was received from China, \$100,000 from the Philippines, and \$100,000 from Australia.

The effect of gold imports was supplemented by the usual deposits at the mints and assay offices of domestic newly mined and scrap gold, so that the monetary gold stock of the country showed a total gain of approximately

\$40,000,000 for April. There was little net change in the total amount of gold held under earmark for foreign account at the Federal Reserve Bank.

Foreign Exchanges

The principal feature of the foreign exchange market during April was a continuation of pressure against the French franc resulting from the persistent outflow of capital from France. This outward movement of funds appeared to reach its largest volume during the first few days of the month, and, as a result, the Bank of France reported a loss of \$111,000,000 of gold for the week ended April 3. The rate of loss diminished during the three subsequent weeks, but a total loss of \$242,000,000 was reported for the four-week period. The weakness of French exchange at the beginning of April was more definitely reflected in its quotation against sterling than in the movements of the dollar-franc rate, the principal movement of funds evidently being from Paris to London. The sterling-franc quotation advanced from slightly below 75 francs per pound during most of March to over 75¼ francs during the course of trading on April 3, despite reported purchases of francs on an extensive scale by the British Equalization Account. The London-Paris rate receded during the subsequent few days, and was quoted during the remainder of the month at its previous level of slightly below 75 francs.

Although the outflow of funds from France was heavier at the beginning than in the latter part of April, the franc-dollar rate showed a general downward tendency during most of the month, receding from \$0.0660⅝ on April 1 to a low of \$0.0658¼ on April 24 and 25, when about \$18,000,000 of gold was engaged in Paris for shipment to New York. The other European gold exchanges also moved lower in this market, the Swiss franc receding abruptly on April 29. Throughout the month, however, both the guilder and the belga were relatively strong against the French franc.

The renewal of gold shipments from France to the United States followed the development of a slightly easier tendency in sterling exchange. The dollar-sterling rate receded gradually during April from \$4.96¼ at the beginning of the month to a low of \$4.93¼ on April 22, the day after tax increases had been announced by the British Chancellor of the Exchequer to cover part of the enlarged armament outlays provided for in the 1936-37 budget. Because of the somewhat easier market tendency of the pound, the British Equalization Account apparently reduced its scale of operations in French exchange and its purchases of gold from the Bank of France. Consequently, the gold movement from France to the United States served to some extent to replace the franc operations of the British authorities as the means of meeting the demand for foreign currencies in the Paris market.

Changes were effected during April in the status of two European currencies. Definitive devaluation of the belga by 28 per cent, the figure tentatively adopted a year ago, was accomplished by a decree issued on March 31, just prior to the expiration of the Government's decree powers. Belgian gold holdings, which had been provisionally revalued on the basis of a 25 per cent devaluation,

were finally revalued in conformity with the belga's gold parity. A stabilization fund created a year ago was abolished, the full devaluation profit thus accruing directly to the Treasury, and the convertibility of Belgian bank notes was restored. These measures marked the return by Belgium to its previous definitive standard, replacing the tentative gold basis in effect during the past year. On April 27, according to press reports, a decree was issued by the Polish Government establishing strict control over gold movements and foreign exchange dealings. Poland had previously operated on a gold or gold exchange standard without official exchange restrictions, although certain voluntary exchange regulations had been adopted by the Polish banks.

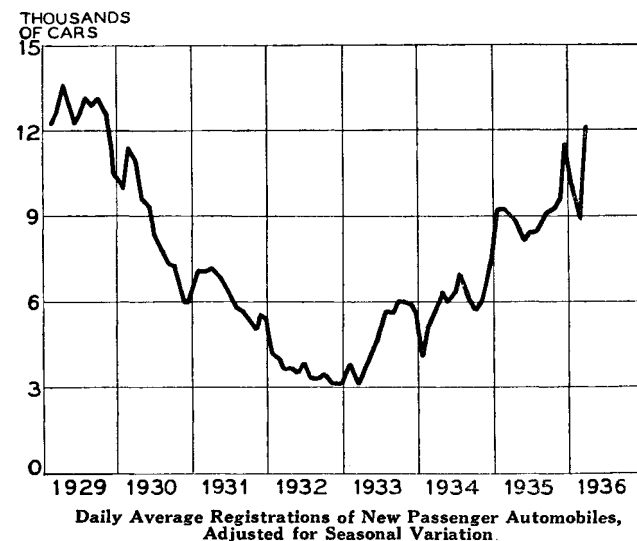
Closing Cable Rates at New York

Exchange on	April 30, 1935	March 31, 1936	April 29, 1936
Belgium.....	\$.1699	\$.1694	\$.1691
Denmark.....	.2158	.2213	.2205
England.....	4.8300	4.9538	4.9413
France.....	.06620	.06593	.06585
Germany.....	.4042	.4022	.4021
Holland.....	.6787	.6792	.6787
Italy.....	.0827	.0793	.0788
Norway.....	.2429	.2490	.2482
Spain.....	.1371	.1367	.1365
Sweden.....	.2492	.2555	.2540
Switzerland.....	.3249	.3258	.3246
Canada.....	.9956	.9944	.9969
Argentina.....	.3220	.3302	.3295
Brazil.....	.0860	.0859	.0859
Uruguay.....	.8000	.8000	.8000
Japan.....	.2850	.2892	.2892
India.....	.3656	.3741	.3736
Shanghai.....	.4150	.3000	.2988

Indexes of Business Activity

During the first half of April, department store sales expanded as a result of Easter buying, and a gain of about the average seasonal proportions occurred in merchandise and miscellaneous freight car loadings. Railroad shipments of bulk freight remained at the March level, although a decline usually occurs in this period.

Some expansion in general business activity and the distribution of goods was evidenced in March following a downward movement in the two preceding months. Registrations of new passenger automobiles surpassed the



corresponding month of any year since 1929, and, as the accompanying diagram indicates, carried further the upward movement which was interrupted in January and February. Registrations in March 1936 were approximately four times as large as at the March 1933 low point.

In March, a larger increase than usual occurred also in department store sales in urban localities, and mail order house sales rose unseasonally, reaching the highest point for any March on record. The average level of merchandise and miscellaneous freight shipments was more than seasonally above February, despite floods in the third week of the month, and the volume of check transactions also showed a rise. On the other hand, chain grocery store sales were slightly lower, sales of chain stores other than grocery chains gained by less than the usual seasonal amount, and bulk freight shipments declined sharply, reflecting seasonal curtailment of coal shipments and the interruption to traffic caused by the floods.

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

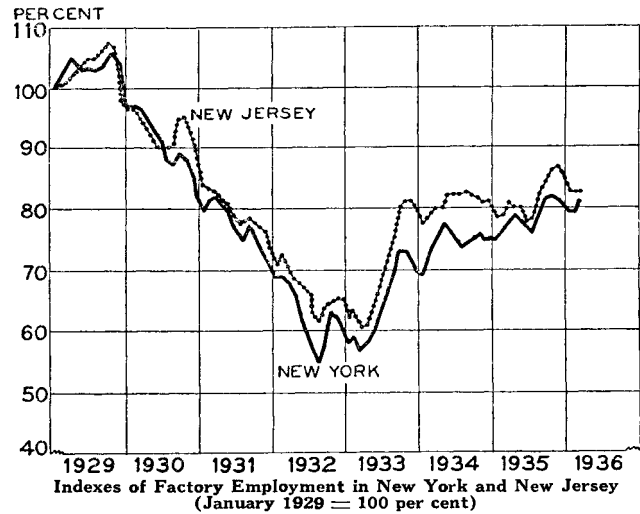
	1935	1936		
	Mar.	Jan.	Feb.	Mar.
<i>Primary Distribution</i>				
Car loadings, merchandise and misc.	63	64	62	65
Car loadings, other	64	69	76	59
Exports	51	50	50	51 _p
Imports	75	73	73	76 _p
<i>Distribution to Consumer</i>				
Department store sales, U. S.	77	73	75	78
Department store sales, 2nd Dist.	72	73	69	75
Chain grocery sales	60	63	62	61
Other chain store sales	85	81	83	81
Mail order house sales	97	72	70	95
Advertising	63	63	60 _r	65
New passenger car registrations	66	71	63	86 _p
Gasoline consumption	81	91	78	..
<i>General Business Activity</i>				
Bank debits, outside New York City _r ..	64 _r	63 _r	63 _r	66 _p
Bank debits, New York City	47	43	44	48 _p
Velocity of demand deposits, outside New York City	69	69	69	72
Velocity of demand deposits, New York City	46	42	42	48
New life insurance sales	56	57	49	49
Factory employment, United States	84	86	85	85 _p
Business failures	37	32	32	35
Building contracts	27	57	42	41 _p
New corporations formed in N. Y. State ..	55	58	54	54
General price level*	141	150	151	151 _p
Composite index of wages*	185	189 _r	190	189 _p
Cost of living*	140	142	142	142

_p Preliminary _r Revised * 1913 average = 100

Employment and Payrolls

Employment and payrolls in New York State factories increased slightly more than usual from the middle of February to the middle of March. The increase in the number of workers was general, nine of the eleven major industrial groups showing net gains in employment, while the remaining groups reported losses of less than one-half of one per cent. Advances in employment were most pronounced in the textile, clothing, and building material industries and a considerable increase was reported in the number of workers at iron and steel plants.

Factory employment figures for the State of New Jersey running back to 1929 have recently become available, from which it has been possible to construct an



index somewhat comparable to that published by the New York State Department of Labor. Employment in the two States has followed approximately the same course since 1929, as the accompanying diagram indicates, and in the main, month-to-month changes have shown similar movements. The index of employment for New Jersey did not decline quite as far in 1932 and 1933, and after a strong recovery in 1933 rose well above the New York State index, but has subsequently shown less increase, so that the two indexes for March 1936 were at approximately the same level relative to January 1929.

For the United States as a whole private employment in both manufacturing and nonmanufacturing industries advanced seasonally from mid-February to mid-March despite the curtailment of operations in flood areas and a temporary reduction in the tire industry caused by labor troubles at Akron. According to the Secretary of Labor there were approximately 225,000 more workers employed in March than in February, while weekly payrolls were nearly \$10,000,000 greater. Factory employment showed an increase of slightly more than the usual seasonal proportions, and factory payrolls expanded considerably more than usual. The gain in employment was well distributed, nearly three-fourths of the industries covered by the Department of Labor reporting more workers in March than in February, while payroll increases were indicated in 78 of the 90 industries.

The improvement in employment was also general among the nonmanufacturing industries, eleven of the sixteen reporting groups having more workers employed in March than in February. The outstanding advance occurred in the building construction industry where nearly 30 per cent more men were at work, owing in part to the resumption of activities which had been curtailed by cold weather in February and in part to an increase in new building projects. Seasonal employment gains were reported also in retail trade reflecting the spring increase in the volume of business. The only nonmanufacturing industry to show a decided decrease in the number of workers between February and March was anthracite coal mining.

During the month ended March 15 there was an increase of approximately 150,000 workers on the pro-

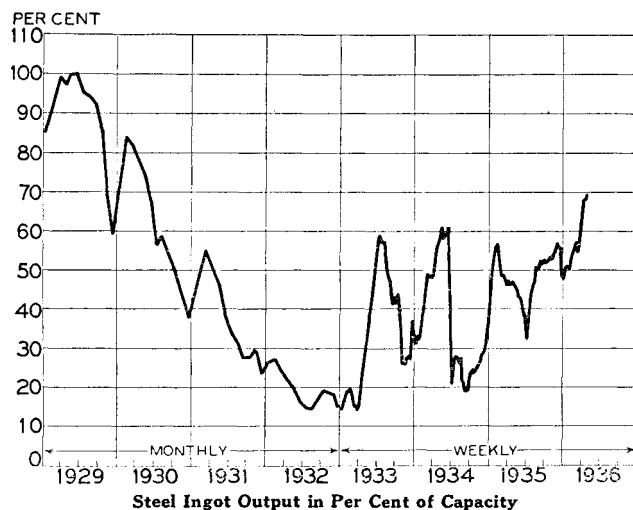
gram financed under the Emergency Relief Act of 1935 bringing the total so employed to about 3,400,000, more than three million of whom were working on projects conducted by the Works Progress Administration.

Production

The rate of industrial production, which had receded in January and February, and was retarded by floods in important industrial centers in March, rose during April. Steel ingot output advanced throughout April and at the end of the month operations were near 70 per cent of capacity, as compared with a March average of 59 per cent. Broadening demands from the automobile, building, and railroad industries, as well as miscellaneous steel consuming lines, were responsible for the rise. Automobile production has been rising since the end of cold weather in February, accompanying a rapid increase in retail sales of cars. Electric power production expanded during the first half of April, contrary to the usual tendency, while the rate of bituminous coal output was virtually unchanged from that of March.

The April increase in steel ingot production caused the industry's operating ratio to reach the highest level since the summer of 1930, as the accompanying diagram indicates. The estimated rate at the end of April was nearly five times the lowest rate reached during the depression, in March 1933, but was still approximately one-third below the highest point reached in 1929. The rate of output at the end of April was about 50 per cent above that of the corresponding period of 1935; a year ago operations reached a peak in February and declined gradually until the summer, whereas this year the expansion of activity came later.

During March the seasonally adjusted index of industrial production of the Board of Governors of the Federal Reserve System remained unchanged at 94 per cent of the 1923-25 average, as an upward tendency in many important lines of industry was offset by the adverse effects of the floods in the East. Despite restricted operations in the Pittsburgh district during the flood period, however, daily production of steel advanced 8½ per cent, and automobile plants produced cars at an average daily rate one-third higher than in February. Meat packing plants also increased operations; cement



production, reflecting increased construction activities, gained more than seasonally; and zinc output reached the highest point since June 1930. On the other hand, production of both bituminous and anthracite coal, due to the abatement of cold weather and to the floods, declined sharply from the high level of February; consumption of cotton by textile mills, though the largest for any March since 1929, decreased slightly on a daily average basis in response to slackened demand; rayon plants were less active; and the volume of machine tool orders receded somewhat from the level of the preceding two months.

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

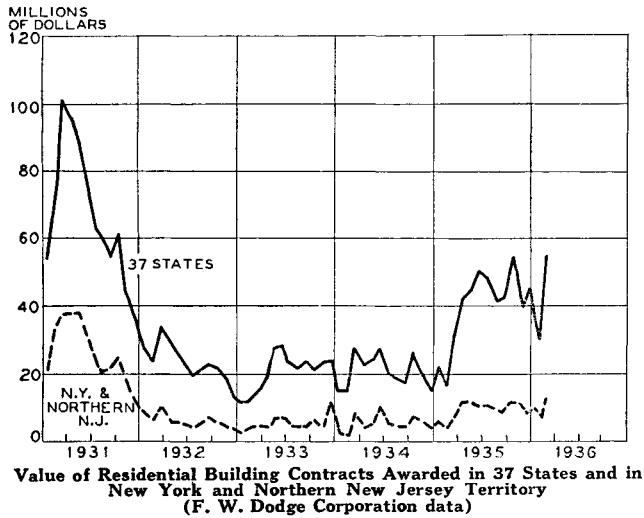
	1935	1936		
	Mar.	Jan.	Feb.	Mar.
<i>Metals</i>				
Pig iron.....	51	71	61	59
Steel.....	59	70	65	68
Lead.....	46	53	51	48
Zinc.....	63	75	66	72
<i>Automobiles</i>				
Passenger cars.....	57	66	54	66p
Motor trucks.....	91	110	107	107p
<i>Fuels</i>				
Bituminous coal.....	95	79	92	75p
Anthracite coal.....	58	92	121	53p
Petroleum, crude.....	69	73	70	70p
Petroleum products.....	65	69	69	
Electric power r.....	72r	76r	76p	75p
<i>Textiles and Leather Products</i>				
Cotton consumption.....	78	89	86	84
Wool consumption.....	92r	104r	116r	104p
Silk mill activity.....	64	61	53	55
Rayon deliveries*.....	91	111	106	91p
Shoes.....	103	118	104p	99p
<i>Foods and Tobacco Products</i>				
Meat packing.....	77	83	76	86
Wheat flour.....	87	89	92	89
Refined sugar deliveries.....	98r	69	81	112p
Tobacco products r.....	84r	87r	88r	87r
<i>Miscellaneous</i>				
Cement.....	41	41	40	49
Tires.....	63	89	67	
Newsprint paper.....	68	71	71p	72p
Machine tools.....	48	92	89	80

p Preliminary r Revised * For quarter ended

Building

Following a temporary setback during February, all of the major classifications of building and engineering contracts awarded in the 37 States covered by the F. W. Dodge Corporation showed gains during March, raising the total value of such contracts 62 per cent above a year ago, to the highest level for the month of March since 1931. The outstanding feature of the month was the gain registered in the residential field where contracts showed nearly three times the customary seasonal increase. As the accompanying diagram indicates, March contracts for this type of building approximately equaled the highest point reached in 1935. The increases in the public works and utilities and other nonresidential categories, on the other hand, were of less than usual seasonal proportions.

Total contracts for the first quarter of 1936 were 83 per cent larger than in the first three months of 1935 and exceeded those placed in any similar period since 1931. The largest gain over last year was in nonresidential construction other than public works and utilities, the



value of such contracts being more than double that reported for the first quarter of 1935.

The resumption of building activity during March was also reflected in the contract figures for the New York and Northern New Jersey area, where total contracts in March were nearly 55 per cent higher than in February and 68 per cent larger than a year ago. Awards for residential work advanced 80 per cent over February and reached the highest figure since November 1931, as the diagram also shows. Public works and utility contracts were also approximately 80 per cent above those placed in the preceding month, but nonresidential building, other than public works and utilities, advanced by less than 20 per cent. Total contracts awarded in the first quarter of 1936 were nearly twice as large as in the corresponding quarter last year.

Foreign Trade

The foreign merchandise trade of this country showed an increase during March, as compared both with the preceding month and with a year ago. Exports were valued at \$195,000,000 and imports at \$200,000,000. The resulting excess of imports was the second in succession, and was the first for the month of March in any year since 1926. The increases over a year ago amounted to 6 per cent in the case of exports and 13 per cent in imports, but these gains were only about half the February increases.

An increase of almost \$5,000,000 over a year ago in the value of raw cotton shipped abroad during March accounted for nearly half the total gain in exports. Exports of American cotton to Germany, England, and France, as well as to Japan and Canada, showed a large expansion over last year in quantity and value, although these increases were partly offset by reductions in exports to Italy, China, and a few minor cotton consuming countries. Substantial increases occurred likewise in shipments of cotton cloth. Foreign demand continued to be larger than a year ago for many products manufactured in this country, notably electric refrigerators, agricultural and industrial machinery, passenger automobiles and trucks, and fertilizers. Gains occurred also

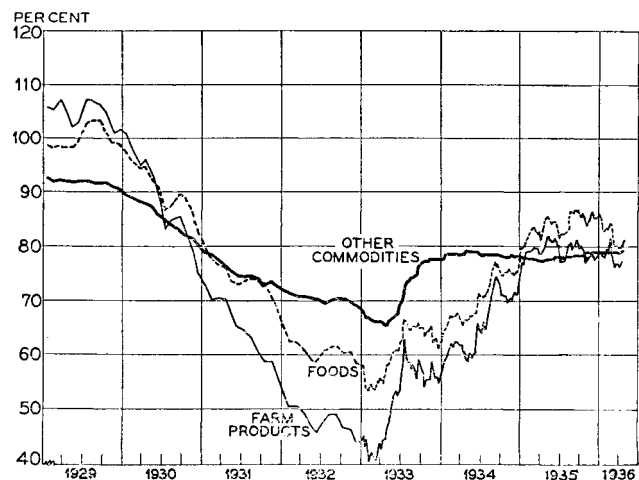
in exports of vegetable food products, including grains, fruits, and nuts. On the other hand, exports of meat and lumber products remained substantially smaller than a year ago, and shipments abroad of copper and crude and refined petroleum products also decreased.

Receipts of sugar and unmanufactured wool continued to show large increases over a year ago, the dollar gain in these two groups amounting to approximately half the total increase in imports. Receipts of sugar were about 35 per cent greater than the volume of March 1935 and increased nearly 90 per cent in value, due to the higher price of sugar, while wool imports increased 80 per cent in quantity and, with an accompanying sharp rise in price, were approximately three times as large in value as a year ago. Imports of burlaps, hides and skins, furs, wood and paper products, nickel, coffee, and beverages all showed sizable increases over a year ago, but there were substantial decreases in receipts of raw silk, crude rubber, copper, tin, and flaxseed.

Commodity Prices

In the first week of April the Bureau of Labor Statistics index of wholesale commodity prices stood at a level 2 per cent lower than in the third week of February, due chiefly to recessions in the farm products and food groups in the latter part of February and first half of March, but the index rose slightly during April. Prices of farm products, which as a group had been fairly steady for almost a year, following the strong rise that culminated in April 1935, declined 6 per cent during the three weeks ended March 14 to the lowest level since the beginning of 1935, and wholesale food prices showed a similar decline, but after the first week of April tended somewhat higher.

As a result of the decline in the wholesale food prices, the spread between that group and the nonagricultural group of the Bureau of Labor Statistics index has been substantially reduced, as the accompanying diagram indicates. From the low point of March 1933 wholesale foods had risen by September 1935 to a level 11 per cent higher, relative to 1926 prices, than nonagricultural prices, but are now only slightly above the nonagricultural group. The farm products group, which in early 1933



Bureau of Labor Statistics Wholesale Price Indexes of Farm Products, Foods, and Other Commodities (1926 average = 100 per cent)

was 40 per cent below nonagricultural products, relative to 1926 prices, but which in April 1935 reached a point 6 per cent above, now stands slightly below the non-agricultural group.

Reflecting this moderate recession in farm products and wholesale food prices, retail food prices showed a similar tendency and by April 7 the Bureau of Labor Statistics index of retail prices of 84 food products had receded to a level 4 per cent below the high point at the end of 1935. This decline in retail food prices, which are the largest single item in the cost of living, appears to have offset advances in other items such as rents, so that the cost of living in general has remained fairly steady, and is now only slightly higher than a year ago.

Diverse movements occurred in the prices of actively traded commodities during April. Wheat prices fluctuated rather widely, reflecting changing reports on crop conditions appearing during the month. The Government crop report released on April 10 estimated this year's winter wheat production at 493,166,000 bushels, a figure considerably below private trade estimates, and following the issuance of this report and of subsequent reports of drought in the southwestern wheat areas, prices moved toward higher levels, the cash quotation for the Number 1 grade at Minneapolis reaching \$1.28 $\frac{1}{8}$ a bushel, compared with \$1.19 $\frac{3}{4}$ a bushel at the end of March. A large part of this gain, however, was canceled in the latter part of the month by a recession following reports of heavy rainfalls in some of the drought affected areas. Spot corn rose to as high as 66 cents a bushel during the month, but subsequently reacted to close at 63 $\frac{3}{4}$ cents, up 2 $\frac{1}{2}$ cents for the month as a whole. On the other hand, the upward movement in domestic wool prices, which had been in progress since May 1935, was interrupted during April, and prices showed a decline of about 7 per cent for the month. The price of silk declined substantially during April, the quotation for the raw product receding 21 cents to \$1.64 $\frac{1}{2}$ a pound, thus canceling the previous month's advance. A further loss during the month also reduced the average price of steers to the lowest level since the end of 1934.

Among the metal prices, the price of domestic copper, which had been quoted at both 9 $\frac{1}{4}$ and 9 $\frac{1}{2}$ cents a pound since the middle of February, was advanced on April 14 to a uniform price of 9 $\frac{1}{2}$ cents, the highest since May 1931. Between April 16 and 20, the spot price for silver in the New York market rose 1 cent to 45 $\frac{3}{4}$ cents a fine ounce, the first advance since August 1935, but subsequently reverted to 44 $\frac{3}{4}$ cents, the price that had prevailed since January.

Department Store Trade

For the first half of April, sales of the reporting department stores in the Metropolitan area of New York were 12.6 per cent higher than in the corresponding period a year ago; the occurrence of Easter this year on April 12, as compared with April 21 last year, probably caused a greater concentration of pre-Easter buying in the first half of the month than in the first half of April 1935.

During the month of March, total sales of the reporting department stores in this district were 8 per cent higher than last year, and after making allowance for

differences in the total number of shopping days and for the number of Saturdays, March sales made the best showing since last September. Average daily sales of the New York, Syracuse, and Capital District department stores compared more favorably with a year previous than in any month since September, and the increases in average sales of the Northern New Jersey and Bridgeport stores were larger than in February. Reporting department stores in the remaining localities, however, had less favorable comparisons with a year ago in March than in the previous month.

Locality	Percentage change March 1936 compared with March 1935		Per cent of accounts outstanding February 29 collected in March	
	Net sales	Stock on hand end of month	1935	1936
New York.....	+ 8.6	- 1.7	46.8	46.7
Buffalo.....	+ 5.7	+ 9.0	49.0	47.0
Rochester.....	0	- 3.4	46.4	46.6
Syracuse.....	+13.8	- 5.4	37.4	37.6
Northern New Jersey.....	+ 8.3	+ 5.4	42.8	40.4
Bridgeport.....	+ 4.4	+ 0.9	36.2	38.5
Elsewhere.....	+ 3.1	- 3.0	29.7	30.8
Northern New York State.....	- 2.4	.....	.....	.....
Southern New York State.....	- 1.9	.....	.....	.....
Hudson River Valley District.....	+ 1.9	.....	.....	.....
Capital District.....	+ 5.0	.....	.....	.....
Westchester and Stamford.....	+10.3	.....	.....	.....
All department stores.....	+ 8.0	- 0.5	44.5	44.0
Apparel stores.....	+20.4	+ 7.7	39.9	41.0

Wholesale Trade

In March total sales of the reporting wholesale firms in this district averaged 10.3 per cent higher than last year, a smaller increase than in the previous two months. The men's clothing, drug, stationery, and diamond concerns all reported increases of smaller proportions than in the preceding few months, and shoe sales and yardage sales of silk goods continued somewhat lower than last year. Hardware firms, however, made the best showing in more than a year, jewelry concerns recorded the largest advance in sales since May 1934, and sales of groceries, cotton goods, and paper showed moderate increases over a year ago.

Commodity	Percentage change March 1936 compared with March 1935		Per cent of accounts outstanding February 29 collected in March	
	Net sales	Stock end of month	1935	1936
Groceries.....	+ 3.9	-12.6	92.7	90.1
Men's clothing.....	+17.4	.....	50.9	50.4
Cotton goods.....	+ 9.7	.....	38.1	39.2
Rayon and silk goods.....	- 4.8*	.....	57.4	63.6
Shoes.....	- 0.1	.....	.....	.....
Drugs.....	+11.4	+12.8	24.1	36.9
Hardware.....	+12.3	+ 2.8	36.3	36.0
Stationery.....	+ 9.9	.....	57.6	64.3
Paper.....	+ 6.7	.....	51.4	57.3
Diamonds.....	+22.9	-18.4	26.6	22.4
Jewelry.....	+41.9	+107.6		
Weighted average.....	+10.3	.....	59.0	59.9

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

FEDERAL RESERVE BANK OF NEW YORK

MONTHLY REVIEW, MAY 1, 1936

Business Conditions in the United States

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

PRODUCTION and employment at factories increased from February to March, while output of minerals declined. There was considerable expansion in retail trade.

PRODUCTION AND EMPLOYMENT

The Board's combined index of industrial production, which includes both manufacturing and mining and makes allowance for seasonal changes, remained unchanged in March at the February figure of 94 per cent of the 1923-1925 average. Production of automobiles rose sharply in March to a total of 425,000 passenger cars and trucks and continued to increase during April. There was a seasonal increase in output of steel in March, followed in the first three weeks of April by a rapid rise in activity. Estimates of the rate of production in that period averaged around 67 per cent of capacity as compared with the rate of 59 per cent reported for March. Production of cement and lumber increased more than seasonally from February to March, and activity at meat packing establishments and at silk mills also increased, although a decline is usual in these industries at this time of the year. There was little change in output at cotton textile mills, while at woolen mills activity decreased by more than the usual amount. Production of anthracite and bituminous coal showed a substantial reduction from the relatively high level of February and this decrease accounted for the decline in total output at mines.

Factory employment increased by more than the usual seasonal amount from the middle of February to the middle of March, and payrolls showed a larger increase. Employment increased in the machinery industries, at sawmills, and at establishments producing wearing apparel. There was a decrease in the number of workers at plants producing rubber tires and tubes, where a strike was in progress in the middle of March. At automobile factories the number employed declined slightly, while payrolls showed a considerable increase.

The value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, showed a seasonal increase from February to March. Awards for residential building increased seasonally and contracts for other private construction advanced to the highest point since 1931. Value of awards for publicly owned projects continued considerably smaller than in December and January, when the dollar volume of such contracts was relatively high.

DISTRIBUTION

Retail trade, which had been reduced in January and February by unusually severe weather, increased considerably in March. Sales at department and variety stores and by mail order houses serving rural areas showed a more than seasonal increase. The number of new automobiles sold was also larger than in February.

Freight car loadings of most classes of commodities increased from February to March by more than the usual seasonal amount. Total loadings declined somewhat from the relatively high level of the three preceding months, however, reflecting a sharp reduction in shipments of coal.

COMMODITY PRICES

The general level of wholesale commodity prices, which had declined somewhat between the third week of February and the middle of March, showed relatively little change in the following four weeks. Retail prices of foods declined during March.

BANK CREDIT

Excess reserves of member banks, after declining sharply in the last half of March, increased by about \$300,000,000 in the first three weeks of April to a total of \$2,640,000,000. This increase, like the preceding decline, was due chiefly to operations of the Treasury. After the middle of March Treasury balances at the Federal Reserve Banks were built up through the collection of taxes and receipts from the sale of new securities, and in April these balances were drawn upon to meet expenditures.

Partly as a result of these expenditures, deposits at reporting member banks in leading cities, which had declined in March, increased in the first half of April, when total loans and investments of these banks also increased. From February 26 to April 15 total loans and investments of reporting member banks showed an increase of about \$800,000,000, reflecting increases of \$380,000,000 in investments, of \$180,000,000 in loans to brokers and dealers in securities, and of \$240,000,000 in so-called "other" loans, which include loans for commercial, industrial, and agricultural purposes.

