MONTHLY REVIEW
of Credit and Business Conditions
Second Federal Reserve District

Federal Reserve Bank, New York *March 1, 1937*

Money Market in February

The money market during the past month appears to have been affected very little by the announcement made by the Board of Governors of the Federal Reserve System on January 31 of an increase in the reserve requirements of member banks to become effective on March 1 and May 1. A statement was issued by the Chairman of the Board on November 21 that action to reduce excess reserves of member banks was under consideration, and the action taken by the Board had been anticipated in the market during January by some slight advance in short term money rates. The only further changes in short term rates during February were an advance of 1/16 per cent in bankers acceptance rates and a slight further increase in yields on Treasury bills. Rates on Stock Exchange demand and time loans, on open market commercial paper, and on commercial loans made by the principal New York City banks directly to their customers, remained practically unchanged. Prices of United States Government bonds were fairly steady, following some decline in January, and the highest grade corporation bonds, after receding slightly further in the first half of February, were firmer in the latter part of the month.

	Feb. 29, 1936	Jan. 30, 1937	Feb. 27, 1937
Stock Exchange call loans	¾	1	1
Stock Exchange 90 day loans	*1	*1¼	*1¼
Prime commercial paper—4 to 6 months	¾	¾	¾
Bills—90 day unindorsed	⅛	¼	5/16
Customers' rates on commercial loans (Average rate of leading banks at middle of month)	1.67	1.71	1.71
Treasury securities:			
Maturing September (yield)	No yield	No yield	No yield
Maturing February 1938 (yield)	....	0.30	0.24
Average yield on Treasury notes (1-5 years)	0.64	0.92	†1.00
Average yield on Treasury bonds (more than 5 years to earliest call date)	2.37	2.22	2.21
Average rate on latest Treasury bill sales 273 day issue	0.07	0.36	0.39
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. † Change of +0.05 from previous yields due to the dropping of the February 1, 1938 Treasury note issue from the average as it matures within one year.

There were no indications of any large scale shifting of earning assets by member banks in preparation for that part of the increase in reserve requirements which became effective on March 1. Bill dealers were not called upon to purchase from the banks any considerable amount of bankers acceptances, and the principal change in "street loans" was a shift by borrowers from call loans to time loans. The total Government security holdings of the principal New York City member banks showed a further net reduction of $28,000,000 in the four weeks ended February 24, but a considerable part of the reduction occurred in banks that were amply supplied with reserves in excess of their current requirements, and so was not very directly related to the prospective increase in reserve requirements.

A possible indication of preparations for the increase in reserve requirements on March 1 was a moderate reduction in the balances carried by out-of-town banks with the large New York City banks in the latter part of February. Until the third week of the month, fluctuations in the total volume of such balances were irregular and only a small net reduction appeared in comparison with a month previous; in that week, however, there was a somewhat larger reduction and the volume of out-of-town bank balances near the end of February showed a shrinkage of approximately $40,000,000 compared with a month previous.

Meanwhile, however, there had been a substantial increase in the reserves of the New York City banks, chiefly through commercial and foreign account transactions. Excess reserves of New York City banks rose by the middle of February to approximately $900,000,000, the largest amount since the early part of August 1936, before the first increase in reserve requirements became effective. A moderate reduction occurred in the latter part of the month, but excess reserves of the New York banks near the end of February remained around $850,000,000, or well above the average volume in recent months. The March 1 increase in reserve requirements absorbed about $320,000,000 of reserves, so that the New York banks had about $500,000,000 of excess reserves remaining on that date.

While the distribution of excess reserves among individual banks in New York continues to be quite uneven, all of the large banks were in a position to meet readily the increase in percentages of reserves which they will be required to maintain against their deposits beginning on March 1, as well as any probable withdrawals of funds by banks in other localities. Those banks that have no large amounts of excess reserves now on deposit in the Reserve Bank are well supplied with liquid assets, such as bankers acceptances, Treasury bills, and call loans.

Furthermore, temporary adjustments in their reserve position can be made by banks that need additional reserves through purchases of "Federal funds" from banks that have large amounts of excess reserves remaining after the increase in reserve requirements.

Member Bank Credit

The total loans and investments of reporting member banks in New York City showed a moderate increase during the past month. The reduction in Government security holdings, previously commented upon, was more than offset by an increase in holdings of other securities which was due largely to purchases of short term New York State securities; commercial loans apparently reached the low point of the season at the beginning of February and subsequently increased slightly; and security loans, after a small reduction in the three weeks ended February 17, increased in the week of February 24.

In weekly reporting member banks in 100 other principal cities throughout the country, the seasonal low point for commercial loans appears to have been reached in the latter part of January, at least a month earlier than last year, and in the first three weeks of February there was a $44,000,000 increase in the total volume of such loans. Security loans, however, showed a further small reduction, and holdings of Government securities were reduced $58,000,000, so that total loans and investments showed a small reduction for the period.

Bills and Commercial Paper

Following announcement of the increase in reserve requirements, the bill dealers on February 1 advanced their bid and offered rates on 3 and 4 month bills by an additional 1/16 per cent; the bid rate on 5 and 6 month maturities was increased ⅛ per cent further and the offered rate was raised 1/16 per cent. No large amount of bills was offered to the dealers, however, and investment demand for bills continued active, so that no further change in rates occurred during the month. The present schedule of dealer offering rates is ¼ per cent for maturities up to 60 days, 5/16 per cent for 61 to 90 day bills, ⅜ per cent for 4 months, and ½ per cent for 5 and 6 month bills. The offering rate for 90 day bills at 5/16 per cent compares with a low of ⅛ per cent which was in effect from October 24, 1934, to July 16, 1936, but remains far below the rates in effect prior to the low years of the depression.

There was a total of $387,000,000 of acceptances outstanding at the end of January, an increase of $14,000,000 over a month previous and of $3,000,000 over a year ago. This marked the first time since March 1934 that the total outstanding has exceeded the figure for a year earlier. The rise from December to January was due to a further increase of $15,000,000 in import bills, the fifth consecutive monthly increase, and to a rise of $4,000,000 in bills covering domestic shipments. These two classes of bills also account for the increase over a year ago. In January accepting banks and bankers held 84 per cent of all bills outstanding, the smallest proportion since February 1934.

(Millions of dollars)

Type of acceptance	Jan. 1936	Dec. 1936	Jan. 1937
Import	108	126	141
Export	94	86	83
Domestic shipment	9	12	16
Domestic warehouse credit	86	71	68
Dollar exchange	3	2	2
Based on goods stored in or shipped between countries	84	76	77
Total	384	373	387

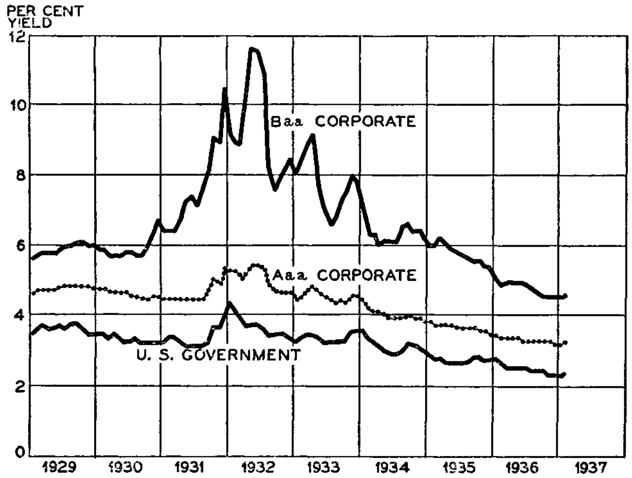
Commercial paper dealers continued during February to acquire sizable amounts of business notes from a diversified list of concerns engaged in commercial and mercantile activities. This paper was quickly disposed of, as bank investment demand remained active, although some banks were reported to have withdrawn temporarily from the market. The prevailing rate for average grade prime 4 to 6 month commercial paper remained ¾ per cent, although slightly firmer tendencies in the rate structure of the commercial paper market were indicated in the virtual disappearance of the ⅝ per cent rate, which applied to especially choice paper of short duration, and in the occasional appearance of slightly less than the best grade names priced for resale at 1 per cent.

Commercial paper houses reported a total of $243,800,000 of paper outstanding at the end of January, or 13 per cent more than a month previous and 37 per cent more than in January 1936. This year's increase from December to January has been exceeded only once in the period during which reports have been collected. The December to January percentage changes since the inception of the figures have ranged between a decrease of approximately 9 per cent—in January 1932—and an increase of about 21 per cent in January 1930; the average seasonal rise in January is about 5 per cent.

Security Markets

As in January, the average level of stock prices moved gradually higher during the first part of February although there was considerable irregularity in the movement of individual issues. On February 19 the general average of stock prices was at a new high point since October 1930 as a result of advances in railroad and industrial shares, the increases for the month to that date averaging 7 per cent in railroad stocks and 3 per cent in industrial shares. The steel stocks were especially strong. Subsequently, the movement of industrials turned irregular. Public utility stocks showed some decline for February and closed the month 9 per cent below the recent high. The volume of trading on the New York Stock Exchange remained approximately the same as in January when the average was about 2,600,000 shares per day.

Prices of bank stocks, which are traded principally in the over the counter market, advanced further during the first half of February following the announcement of the increase in member bank reserve requirements and then declined to a level substantially the same as at the beginning of the month. At the February high point, the



Yields on United States Government, High Grade Corporation, and Medium Grade Corporation Bonds (Moody's Investors Service data for corporation bonds)

average price of New York City bank stocks showed a rise of about 30 per cent over the latter part of December, but the subsequent reaction reduced this gain to about 20 per cent.

During February somewhat diverse movements occurred in the bond market. The highest grade corporation bonds continued the decline of the latter part of January through the first half of February, and at a somewhat accelerated rate. Long term United States Treasury bonds, however, showed no material net change, a small advance in the first few days of February being offset by a subsequent small decline. The relative steadiness of Government bonds while corporation bonds were declining resulted in an increase in the spread between yields on Government's and on high grade corporate securities. In the third week of the month this tendency was partly reversed by a larger recovery of high grade corporate bond prices than in Treasury bonds. Average yields on the highest grade corporate bonds went from a low of 3.07 per cent on January 15 to 3.28 per cent on February 16, and then receded to 3.23 per cent. Yields on Treasury bonds having more than 5 years to run to the earliest call date or maturity, which had risen from 2.10 per cent on December 8 to 2.16 per cent on January 15 and to 2.22 per cent on January 30, receded slightly to 2.19 per cent in the first ten days of February, but then rose again to 2.22 per cent on February 16. As the month closed the yield receded to 2.21 per cent.

Medium grade corporate bonds, which because of their credit position are relatively more affected by earnings prospects and relatively less by changes in the level of short term interest rates, in general have been somewhat firmer than the high grade corporate issues in January and February. The accompanying diagram indicates the recent movement of yields on representative groups of bonds in comparison with the trend of the past few years.

The average yield on 1 to 5 year Treasury notes showed virtually no net change during February, following a rise of more than ¼ per cent in the average yield during December and January. The average rate on sales of 273 day Treasury bills, which had been as low as 0.08 per cent in November, but had risen to 0.36 near the end of January, moved from 0.40 per cent on the February 3 issue to 0.37 per cent on each of the next two week's issues, and to 0.39 per cent on the February 24 issue. The $200,000,000 of bills floated in February in weekly blocks of $50,000,000 replaced corresponding maturities.

New Financing

Some further falling off in the volume of new security issues publicly offered occurred during February, but the amount remained considerably greater than a year previous. The unsettlement in bond prices in January and early February apparently was a factor in the decline in the volume of public offerings of new securities, but two other factors, the short month, and the lapse of time required for new issues after registration with the Securities and Exchange Commission, also contributed to the smaller total of this type of new financing than in the previous two months. Owing largely, however, to approximately $106,000,000 of stocks which are to be sold to shareholders, if subscription rights issued in February are fully exercised, preliminary weekly data indicate a total of approximately $615,000,000 of new issues of all kinds arranged in February, as compared with $620,000,000 in January and $300,000,000 in February 1936.

Domestic corporation financing totaled about $365,000,000, including $215,000,000 of bonds and notes and $150,000,000 of stock issues; State, municipal, and farm loan financing aggregated $160,000,000; and foreign issues amounted to $89,000,000. The largest issue of the month—$100,000,000—represented short term borrowing by the State of New York in the form of 4 month ½ per cent tax anticipation notes, which were allotted to a large number of banks and investment houses at par; subsequently some of these notes were reoffered at a price yielding 0.40 per cent. The ½ per cent interest cost to the State compares with a cost of ¼ per cent on a $60,000,000 short term issue sold on December 1, and reflects the moderate rise in short term interest rates during the interval.

In the corporate field, Northern States Power Company engaged in a large refunding operation, comprising the sale of $75,000,000 of 3½ per cent 30 year bonds priced at 101 to yield 3.45 per cent, and $28,325,000 of $5 preferred stock priced at 103 to yield about 4.85 per cent. Among the $106,000,000 of stock issues to be sold to present stockholders on the exercise of subscription rights, the largest was $63,000,000 of Texas Corporation common stock, the proceeds of which are to be in part for the retirement of bank loans and the balance mostly to finance expansion of the company. The other large issues of the month were in the foreign field, namely $70,000,000 Argentine Republic 35 year 4 per cent bonds priced at 91 to yield 4.51 per cent, of which $10,000,000 was reserved for sale in Great Britain, and $29,000,000 Kingdom of Norway 26 year 4 per cent refunding bonds which were priced at 98¼ to yield 4.11 per cent.

The distribution of new security issues has tended to lag somewhat in recent weeks, a situation which is in contrast to that which prevailed for a few months prior to the middle of December. The slower distribution has applied, not to all issues, but particularly to a number of the low coupon issues that were floated at prices very close to the market level then prevailing. Examination of the large bond issues floated since the beginning of December indicates some decline in the market prices of most of these issues from the original prices at which they were offered; only a few of these issues were maintained during the latter part of February at or above their issue prices.

Foreign Exchanges

The principal foreign exchanges generally fluctuated within a narrow range during the month of February. The pound sterling declined gradually in New York from a high of $4.90 1/16 reached on February 2 to $4.88 13/16 at the end of the month. The French franc moved in a slightly wider range, as the London-Paris cross rate varied between 105.15 and 105.00 francs per pound, but its movement in terms of dollars paralleled roughly those of the pound, the quotation ranging from $0.0466 7/16 on February 2 to $0.0464⅞ at the month's close. The announcement, on February 16, of the British five-year £1,500,000,000 rearmament program, requiring loans or budget surpluses of £400,000,000 during that period, did not appear to disturb the foreign exchange market seriously, sterling losing only ½ cent on that day.

The narrowness of exchange rate fluctuations at the beginning of February, however, was reported to have been maintained only with the aid of operations of official quarters, so far as the French franc was concerned. The weakness of the franc, which was evident at the end of January when the Bank of France raised its discount rate from 2 to 4 per cent, and when the French railway companies under the guaranty of the French Government, borrowed £40,000,000 in London at 3½ per cent for ten months, continued into February. The publication on February 4 of the Bank of France statement for January 29, revealing that the Bank of France had resold to the Stabilization Fund 3 billion francs in gold, made for further nervousness in the exchange market. The receipt of the first two of the five equal instalments of the London credit, on February 2 and 5, however, seems to have enabled the French authorities to lessen the tension in the market.

The Dutch guilder, which had been maintained at a level close to $0.5476 since mid-December, developed sudden weakness in February, declining from $0.5476 on February 9 to $0.5464 the following day, and $0.5440 on February 11. This weakness was ascribed by the foreign exchange market to: (1) the completion of the repatriation of Dutch capital from London; (2) rumors of an Amsterdam credit for the City of Paris; and (3) sales by Germany of the guilder balances and proceeds of Dutch securities surrendered to the Reichsbank under the Reich decree of November 19 and the law of December 15, 1936. On February 15, however, a rapid recovery took place in guilder exchange, apparently on the basis of a report from Amsterdam that the Netherlands Bank had lowered its price for gold to an equivalent, at $35.00 an ounce in the United States, of a $0.5600 guilder. It was subsequently learned that no official price for gold had been quoted by the Netherland Bank, and that purchases continued to be made at a rate negotiated daily. The advance carried the guilder to $0.5476 where it had previously been maintained.

The Swiss franc, which had declined in January from $0.2299 (the level maintained, approximately, since the September devaluation) to a low of $0.2282, and then recovered at the close of the month, to $0.2289, again declined gradually during February. The apparent termination of the post-devaluation return flow of capital to Switzerland, and German sales of Swiss francs acquired through sales of Swiss securities were said to be principally responsible for the weakness. Quotations for the Swiss franc opened in February at $0.2289½, fell to $0.2280 on February 15, and closed at $0.2281½ at the month end.

In Italy the discount on the tourist lira was increased on February 22, from 6.7 per cent below the parity rate of $0.0526 to 9.7 per cent, giving a dollar equivalent of $0.0475 per tourist lira. German registered marks rose from $0.1900 on February 1 to $0.2000 at the end of the month, entirely canceling the decline of January.

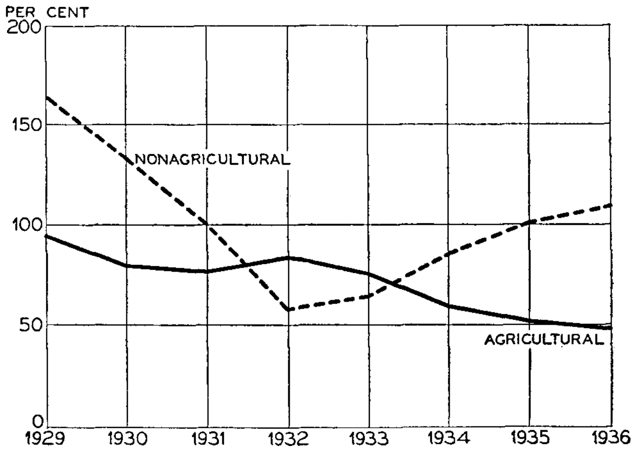
Gold Movement

During February the movement of gold to the United States continued in moderately large volume. Imports affecting the monetary gold stock totaled $62,900,000, of which $35,700,000 from England, $10,200,000 from Canada, $6,400,000 from India, $8,100,000 from Switzerland, and $2,000,000 from Australia were received at New York and $200,000 from Australia and $300,000 from China arrived on the West Coast.

These imports together with approximately $300,000 released from foreign account earmarkings and receipts from other sources, including newly mined and scrap gold, resulted in an increase of about $80,000,000 in the monetary gold stock of this country during the month. The Treasury's daily statement of February 24 shows $193,500,000 of "inactive gold" held in the General Fund, representing receipts of gold by the Treasury since the announcement of the Secretary of the Treasury on December 21, 1936 regarding the new procedure to be followed with respect to further additions to the gold stock.

Foreign Trade

Available data concerning the quantity of agricultural and industrial exports reveal a wide divergence since 1929 between the movements of these two types of products, as the accompanying diagram shows. The 1936 volume of farm exports, at 48 per cent of the 1923-25 average and about the same percentage of the 1929 level, was the smallest since 1877, according to the Department of Agriculture. With the exception of an upturn in 1932, the quantity of agricultural exports has declined continuously from 1929, accentuating the tendency toward gradual reduction in these exports since the World War. The temporary stimulus to agricultural exports in the depth of the depression may be partially explained by the exceptionally low price of American farm products



Indexes of Volume of Agricultural and Nonagricultural Exports (Based on Department of Agriculture and Department of Commerce data; 1923-25 average=100 per cent)

in this period, as compared with agricultural prices abroad. On the other hand, the small exports of agricultural products, especially grains and meat products, in some of the recent years may be attributed partly to the short crops resulting from drought, and relatively high prices here in such years.

Meanwhile, the quantity of nonagricultural exports, following a large decline between 1929 and 1932, has responded markedly in the past four years to world-wide recovery. In 1936 the index of exports of these products returned to within one-third of the 1929 level and was 9 per cent above the 1923-25 average, and the recovery from the low point in 1932 amounted to nearly 100 per cent.

With respect to the value of shipments from this country, agricultural exports have shown some net increase since 1932, but the rise has been small relative to the increase in the value of nonagricultural products exported.

Commodity Prices

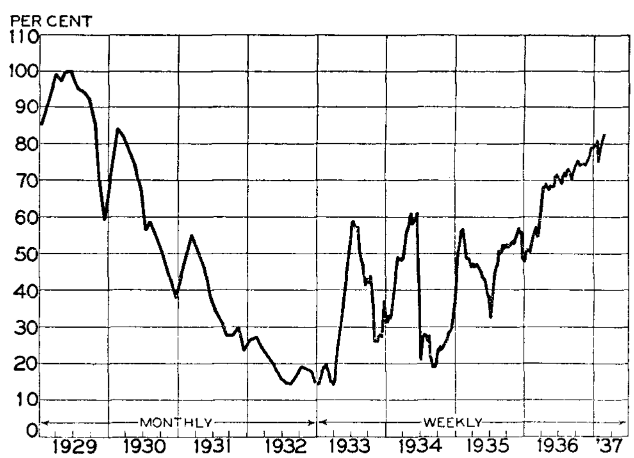
Reflecting primarily marked advances in the quotations for both ferrous and nonferrous metals in the latter part of February, the general level of wholesale commodity prices closed the month at a somewhat higher level than prevailed a month earlier. The outstanding advance among the metal prices occurred in copper, the domestic price of which rose 2 cents during the third week of February to 15 cents a pound; this increase followed a substantial advance in the export price, which continued its upward trend through February 22, reaching 17 cents, but closed the month at 16.30 cents. Among other nonferrous metals, lead rose 1 cent to 7.02¼ cents a pound, zinc 80 points to 6.80 cents a pound, and tin about 5 cents to 54¾ cents a pound. A further advance of $1.50 raised scrap steel at Pittsburgh to $20.75 a ton. As a result of these increases, most metal prices reached the highest levels in a number of years.

Cash wheat at Minneapolis advanced to as high as $1.62⅝ a bushel, but later declined following reports of rain and snow in the winter wheat area, closing February at $1.53¼ or slightly higher than at the end of January. Net gains for the month also occurred in prices of steers and wool, while the prices of sugar and silk moved somewhat lower.

Production

A resumption during February of the upward movement in the general level of industrial production, following the moderate slackening caused largely by strikes and floods in January, is indicated by available data. After the settlement of the General Motors strike on February 11, automobile assembly operations were gradually increased, and increasing automotive demands, together with the substantial requirements of other steel consuming lines generally, and apparently some stocking up in anticipation of possible labor difficulties in the steel and coal industries, gave rise to a steady upward tendency in steel mill operations. As the accompanying diagram shows, steel was being produced at an estimated rate of 82½ per cent of capacity during the last week of February, the highest rate in percentage of capacity since early 1930, and the highest rate in actual amount of steel produced since the summer of 1929. Bituminous coal production increased during February and it is reported that cotton textile mills, working on previous large orders, continued the January rate of operations despite a diminished inflow of new orders.

In January, partly as a result of strikes and floods, the general level of industrial production failed to increase as in most other years, and the adjusted index of the Board of Governors of the Federal Reserve System declined six points to 115 per cent of the 1923-25 average. The index, however, was 19 per cent higher than in January 1936. Production of steel increased 7 per cent to within 8 per cent of the peak amount of 1929, and mill consumption of cotton expanded 5 per cent to the highest level on record, but the gains in both instances were less than in January of most previous years, and bituminous coal output, which usually increases in January, was reduced. Automobile production was curtailed by strikes affecting the largest producer, and to a less degree by strikes in the glass industry. Zinc production, lead output, anthracite coal mining, and activity at meat packing plants also were lower. Output of electric power,



Steel Mill Activity (Ingot output expressed as percentage of capacity)

on the other hand, declined slightly less than seasonally, and pig iron production advanced 3 per cent further. Machine tool orders, while declining from the December level, were in the highest volume on record with that exception.

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

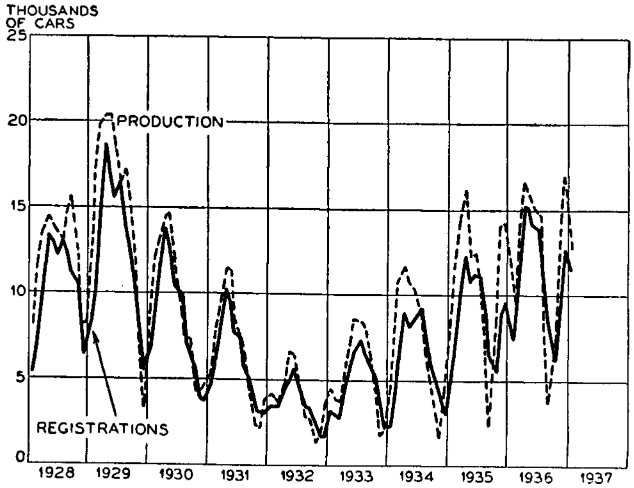
	1936			1937
	Jan.	Nov.	Dec.	Jan.
Metals				
Pig iron	71	97	110	112
Steel	70	115	119	112
Lead	53	59	65	62
Zinc	75	87	85	71
Automobiles				
Passenger cars	87	94	110	95*p*
Motor trucks	110	93	116	119*p*
Fuels				
Bituminous coal*r*	80	101	96	84*p*
Anthracite coal*r*	96	94	89	73*p*
Petroleum, crude	89	86	91	95*p*
Petroleum products	69	72	73	
Electric power	88	94	95*p*	96*p*
Textiles and Leather Products				
Cotton consumption	89	106	121	112
Wool consumption	104	126	138	110*p*
Silk mill activity	61	63	66	68
Rayon deliveries*	111	92	109	117
Shoes	122*r*	122	140	134*p*
Foods and Tobacco Products				
Meat packing	83	108	102	87
Wheat flour	89	82	83	81
Tobacco products	87	95	107	93
Miscellaneous				
Cement	41	74	81	74
Tires	89	145	143	
Newsprint paper	78	86	82	83*p*
Machine tools	110	150	245	200

p Preliminary *r* Revised * For quarter ended

Indexes of Business Activity

Sales of department stores in the New York Metropolitan area during the first half of February appear to have increased somewhat less than usually over the January rate, but around the middle of the month both wholesale and retail trade, according to Department of Commerce reports from 37 cities throughout the country, began to be stimulated by several factors including good shopping weather, the approach of Easter, the settlement of strikes, and flood rehabilitation expenditures. Shipments of merchandise and miscellaneous freight over the railroads and bulk freight car loadings continued in the first half of February at about the levels of January, whereas the usual seasonal movement is upward, but merchandise and miscellaneous car loadings increased considerably in the third week of the month.

Some contraction was shown in general business activity and the distribution of goods in January. After allowance for the usual seasonal movements, declines occurred in railroad freight car loadings, mail order house sales, advertising, and the volume of check transactions. Registrations of new passenger automobiles were estimated to have declined by about 47,000 units to 280,000 units following a sharp increase in December. Although this represents a slightly larger reduction than might have been anticipated for seasonal reasons alone, probably due in part at least to shortages of certain makes and types of cars, the level of registrations was the highest for any January on record. This is indicated in the accompanying diagram, which also shows the level of



Registrations of New Passenger Automobiles, Compared with Production, Exclusive of Cars Exported (Daily average data)

production of passenger automobiles. During December production was at a higher level than in the corresponding period of any previous year, and January production was the largest for the corresponding month of any year since 1929, despite a considerable decline from December caused by the General Motors Corporation strike. Production showed a much greater falling off than registrations during January.

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

	1936			1937
	Jan.	Nov.	Dec.	Jan.
Primary Distribution				
Car loadings, merchandise and misc.	68	78	84	81
Car loadings, other	75	87	85	78
Exports*r*	67	65	67*p*	
Imports*r*	86	88	102*p*	
Distribution to Consumer				
Department store sales, U. S.	77	90	90*r*	89
Department store sales, 2nd Dist.	85	92	90	90*p*
Chain grocery sales	72	70	69	68
Other chain store sales	87	96	98	96
Mail order house sales	80	95	100	88
Advertising*r*	72	83	85	77
New passenger car registrations	89	89	124*r*	120*p*
Gasoline consumption*r*	97	100	103	
General Business Activity				
Bank debits, outside New York City	63	69	74	68*p*
Bank debits, New York City	44	50	50	42
Velocity of demand deposits, outside New York City	69	72	72	71
Velocity of demand deposits, New York City	42	45	48	44
New life insurance sales*r*	78	76	67	75*p*
Factory employment, United States	90	97	100	100*p*
New corporations formed in N. Y. State*r*	71	74	74	75
Building contracts, residential	25	37	34	52*p*
Building contracts, other	84	64	59	77*p*
General price level*	150	158	159	160*p*
Composite index of wages*	190	196	198	198*p*
Cost of living*	142	142*r*	144	145*p*

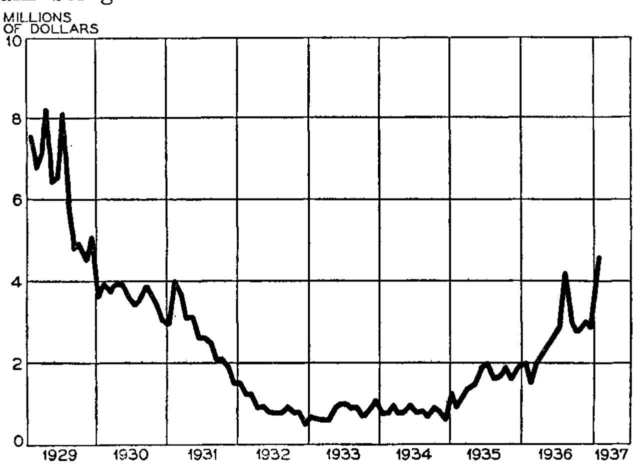
p Preliminary *r* Revised * 1913 average = 100; not adjusted for trend.

Building

The January total of building and engineering contracts reported by the F. W. Dodge Corporation for 37 States exceeded that of December by more than 20 per cent, the advance marking the first month to month increase since last July. This gain in construction contracts was particularly noteworthy because it occurred during what is frequently the dullest month in the building year. Each of the major building classifications shared in the advance registered in January, residential work which included a number of publicly financed apartment house projects showing an increase of nearly 20 per cent, public works and utilities a rise of approximately 12 per cent, and other types of nonresidential work an increase of more than 30 per cent. The total was about 13 per cent higher than that recorded in the corresponding month of last year, residential building, which more than doubled, showing the most pronounced increase among the major classifications of building. Among the nonresidential types of construction, the January figures revealed important gains over a year ago in commercial and factory building, but these gains were largely offset by reductions in contracts for educational building, hospitals, and various public buildings, all of which were influenced by the slowing up in the Public Works Program.

The extent of the recovery in residential building from the extremely low level of the period from 1932 to 1934 is indicated in the accompanying diagram which shows the average daily volume of residential contracts in each month since 1929, adjusted for the usual seasonal movements. After a marked period of improvement in the first half of 1935, residential building remained at a fairly constant level until the spring of 1936 and since that time has registered a substantial upturn, the January 1937 rate corresponding roughly with that maintained in the latter part of 1929, although still much less than in early 1929 and several preceding years.

In the New York and Northern New Jersey area, total contracts awarded in January likewise showed an increase of more than 20 per cent over the December total. A gain of more than 50 per cent in residential contracts at a time when such work is normally slack was due in part at least to unusually favorable weather conditions. Nonresidential work, other than the heavy engineering types, also advanced from December to January, but public works and utility contracts declined by more than 15 per cent. Compared with January 1936, total contracts were more than 30 per cent higher, the most pronounced gain being recorded in contracts for residential work



Daily Average Value of Residential Contracts Awarded in 37 States, Adjusted for Seasonal Variation (F. W. Dodge Corporation data; latest figure is for January)

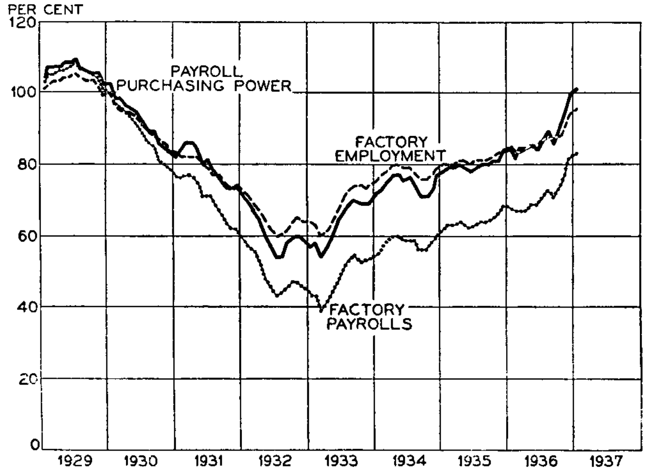
which were more than 2½ times as large as in the corresponding month last year. Among the nonresidential types of construction the volume of contracts for factories was over three times that of January 1936, and commercial building showed a gain of 55 per cent, but curtailment of publicly financed work accounted for reductions in educational buildings and hospitals. The volume of public works reaching the contract stage in January compared unfavorably with that reported a year ago owing to reductions in contracts for highways and sewage systems. A gain of more than 60 per cent over last year in the public utility group, however, was occasioned by further contracts for construction of New York City subways.

Employment and Payrolls

The number of people employed in New York State factories remained approximately unchanged from the middle of December to the middle of January, although there is usually a reduction at this period of the year, and as a result this bank's seasonally adjusted index of factory employment advanced by more than 1 per cent to the highest level since March 1930. None of the major industrial groups reported material changes in number of workers employed between mid-December and mid-January. Factory payrolls showed less than the average seasonal decline, thereby raising the adjusted index to the highest level since September 1930.

The course of factory employment and payrolls in New York State from 1929 to the present time is indicated in the following diagram. Although payrolls in 1929 rose somewhat higher relative to the average for the years 1925-1927 than did employment, they dropped much more sharply than employment during the depression. By March 1933 payrolls had declined by more than 60 per cent from the 1929 average while the decrease in employment was a little over 40 per cent. During the subsequent period of recovery, however, the growth in payrolls has been more rapid than in the number of workers employed, because of increased wage rates and elimination of part time work. Compared with January 1936 employment has advanced 12 per cent and payrolls 21 per cent. The diagram also shows variations in the estimated purchasing power of factory payrolls, which is a figure derived by adjusting total factory wage payments for changes in the cost of living. These data indicate that the aggregate purchasing power of factory workers is now nearly as great as in 1929, despite a somewhat lower level of employment, and considerably shorter working hours.

For the United States as a whole, total employment in manufacturing and nonmanufacturing industries reporting to the Department of Labor declined between December and January by more than 700,000 workers and weekly payrolls were reduced by $18,500,000. The reduction in employment was largely due to the release of large numbers of temporary Christmas workers from retail establishments, and to seasonal declines in manufacturing industries which were accentuated by decreases caused by labor disputes in the automobile industry. The effect of the automobile strike was reflected in an employment decrease of 10 per cent and a reduction in payrolls



Indexes of Employment and Payrolls in New York State Factories, and Purchasing Power of Payrolls (1925-27 average=100 per cent)

of approximately 20 per cent in that industry. Despite this curtailment in the automobile industry, factory employment as a whole showed slightly less than the customary seasonal recession, but payrolls were reduced by somewhat more than the usual amount. Comparison of the January 1937 figures with those for January 1936 indicates an increase of 11 per cent in number of workers and of 23 per cent in payrolls during the past year.

Wholesale Trade

In January total sales of the reporting wholesale firms averaged 10.7 per cent higher than last year, a smaller increase than in December. Sales of stationery concerns, after a large gain in December, showed a decline from a year ago, jewelry firms registered the smallest gain in sales since January 1936, and the men's clothing and cotton goods concerns reported the smallest increases in three or four months. Sales of the grocery and paper firms, and yardage sales of rayon and silk goods reported by the National Federation of Textiles, also showed smaller increases than in December. On the other hand, the reporting diamond concerns had the best year to year sales comparison since February 1936, the shoe firms reported the largest increase since October 1935, and the hardware concerns the most substantial gain in three years.

Commodity	Percentage change January 1937 compared with January 1936		Per cent of accounts outstanding December 31 collected in January	
	Net sales	Stock end of month	1936	1937
Grocery	+ 5.1	+12.3	90.3	87.0
Men's clothing	+ 2.5	......	49.7	44.9
Cotton goods	+ 4.9	......	36.9	38.2
Rayon and silk goods	+ 9.4*	......	63.6	61.4
Shoes	+24.2	......	32.3	30.9
Hardware	+25.8	+35.4	43.6	45.6
Stationery	— 7.1	......	67.9	59.8
Paper	+12.2	......	55.4	54.8
Diamonds	+51.2	+21.4	44.9	43.7
Jewelry	+22.6	+153.0		
Weighted average	+10.7	......	60.6	58.1

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

Department Store Trade

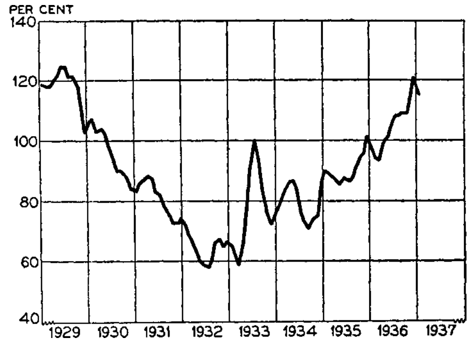
During the first half of February, total sales of the reporting department stores in the Metropolitan area of New York were 11 per cent higher than in the corresponding period a year ago, although somewhat less than the usual seasonal rise from January to February appears to have occurred. The New York and Brooklyn stores reported an increase of 8.9 per cent in sales over the corresponding period of the preceding year, and the Northern New Jersey stores recorded an unusual rise of 22.4 per cent.

Total January sales of the reporting department stores in this district were 7.2 per cent larger than last year, and after allowing for differences in the number of shopping days between this year and last, the increase in average daily sales was somewhat larger than in December.

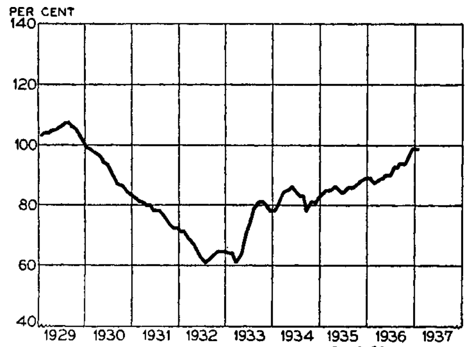
Department store stocks of merchandise on hand, at retail valuation, were almost 16 per cent higher than last year, the largest year to year increase since May 1934; the largest increases in stocks were in the furniture, books and stationery, cotton goods, and woolen goods departments. Collections continued better than a year previous in department stores and also in apparel stores.

Locality	Percentage change January 1937 compared with January 1936		Per cent of accounts outstanding December 31 collected in January	
	Net sales	Stock on hand end of month	1936	1937
New York	+ 5.0	+16.3	54.2	55.1
Buffalo	+19.4	+17.6	48.8	49.3
Rochester	+12.3	+14.4	48.8	50.4
Syracuse	+17.3	+ 8.4	37.9	40.0
Northern New Jersey	+ 9.9	+22.0	42.3	43.5
Bridgeport	+17.1	+ 5.6	41.4	42.5
Elsewhere	+12.1	— 3.4	33.6	36.3
Northern New York State	+ 1.6	......	....	....
Southern New York State	+ 8.8	......	....	....
Central New York State	+26.1	......	....	....
Hudson River Valley District	+18.8	......	....	....
Capital District	+13.5	......	....	....
Westchester and Stamford	— 4.2	......	....	....
Niagara Falls	+17.9	......	....	....
All department stores	+ 7.2	+15.9	48.7	50.0
Apparel stores	+ 8.8	+ 3.9	50.2	50.7

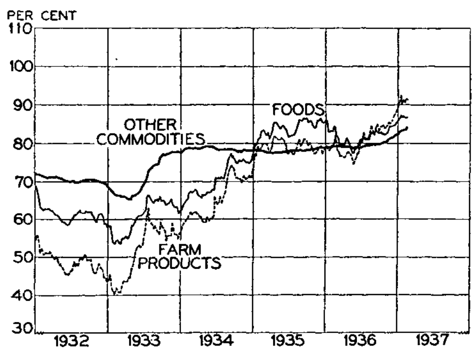
	Net Sales percentage change January 1937 compared with January 1936	Stock on hand percentage change January 31, 1937 compared with January 31, 1936
Furniture	+26.7	+35.8
Books and stationery	+22.4	+34.2
Silverware and jewelry	+13.9	+12.2
Cotton goods	+12.4	+37.7
Luggage and other leather goods	+12.1	+16.7
Women's and Misses' ready-to-wear	+11.1	+19.5
Linens and handkerchiefs	+10.0	+15.9
Toilet articles and drugs	+ 8.9	+20.6
Men's and Boys' wear	+ 8.3	+27.1
Home furnishings	+ 8.3	+11.8
Toys and sporting goods	+ 4.9	+23.6
Shoes	+ 3.4	+22.8
Woolen goods	+ 1.2	+29.4
Women's ready-to-wear accessories	+ 0.4	+20.0
Hosiery	+ 0.4	+20.2
Silks and velvets	— 0.4	+ 7.7
Musical instruments and radio	— 2.0	+32.2
Men's furnishings	— 5.6	+28.7
Miscellaneous	+ 2.5	+ 5.6



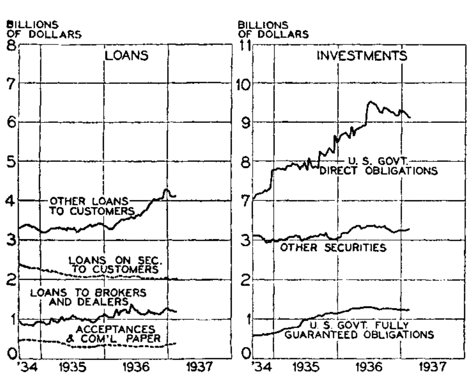
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



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



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



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

Business Conditions in the United States

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

INDUSTRIAL activity, adjusted for seasonal changes, showed a decline in January following a rapid rise in November and December. Distribution of commodities to consumers declined more than seasonally.

Production and Employment

Volume of industrial production, which usually increases at this time of year, declined from December to January, and the Board's seasonally adjusted index was 115 per cent of the 1923-1925 average as compared with 121 in December and 114 in November. Steel production increased, though by less than the usual seasonal amount, and was larger in January than at any other time during the recovery period. In the first three weeks of February output of steel increased somewhat further. Output of automobiles was curtailed by strikes in January and the first half of February but after the strikes were settled production rose sharply. At lumber mills there was a considerable decrease in activity in January, reflecting in part the effects of unusually cold weather in the Western lumber regions. Production of plate glass declined further in January but toward the end of the month the strikes which had restricted output since October were settled. At textile mills activity declined from the exceptionally high level reached in December, and in the meat packing industry there was also a decrease, while output at shoe factories increased. Mineral production was smaller in January than in December, reflecting a reduction in output of coal. There was a further rise in output of crude petroleum.

Value of construction contracts awarded showed a considerable rise in January, according to figures of the F. W. Dodge Corporation, and was substantially larger than a year ago. The most marked increases over December were in factory building, which recently has been in larger volume than at any time since 1930, and in residential building. The increase in residential building was largely in publicly financed apartment construction.

Factory employment and payrolls showed about the usual seasonal decline between the middle of December and the middle of January. Among the durable goods industries there were increases in employment at blast furnaces and steel mills and at foundries and machine shops, while in the automobile industry there was a considerable decline. In industries producing nondurable goods employment declined by less than the usual seasonal amount, with increases at textile mills and in the chemical industries, and seasonal reductions in working forces in most other lines.

Distribution

Department store sales showed the usual seasonal decrease in January, while sales at variety stores and mail order houses declined considerably more than is usual. Car loadings of revenue freight also declined in January, reflecting in part the effects of floods. There were substantial declines in shipments of forest products, coal, and miscellaneous freight.

Commodity Prices

The general level of wholesale commodity prices, which, according to the Bureau of Labor Statistics, had advanced more than 5 per cent from the end of October to the middle of January, showed little change from the middle of January to the third week of February. Prices of agricultural commodities declined slightly, while industrial commodities as a group continued to advance. There were substantial increases in nonferrous metals, lumber, and petroleum and smaller increases in a wide variety of finished products, while prices of glass and certain cotton textiles declined, following rapid increases in other recent months.

Bank Credit

Total loans and investments of weekly reporting member banks in leading cities declined somewhat further during the four weeks ended February 17, reflecting principally a decrease in holdings of United States Government obligations. Commercial loans, following a seasonal decline in January, increased at reporting banks outside New York City and remained practically unchanged in New York.

On January 31 the Board of Governors raised reserve requirements for member banks by 33⅓ per cent, half of the increase to become effective on March 1 and half on May 1. This action completes the use of the Board's authority under the law to raise reserve requirements.

Excess reserves of member banks showed little change in the five weeks ended February 24; there was a further substantial increase at New York City banks and a small decline at banks elsewhere.

The rate on bankers acceptances was raised 1/16 of 1 per cent on February 1, following a similar increase on January 16. Market yields on short and medium term Treasury obligations also increased slightly in January and the early part of February, while yields on long term Government bonds showed little change.