MONTHLY REVIEW
of Credit and Business Conditions
Second Federal Reserve District

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

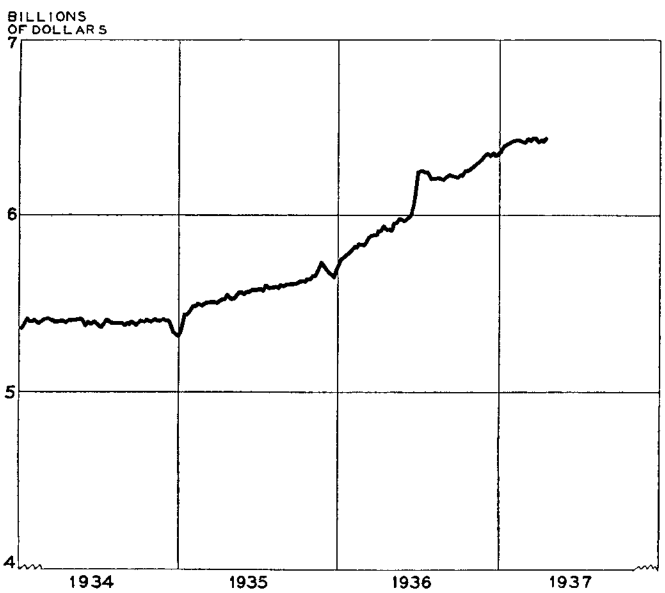
Money Market in April

During April developments in the money market were conditioned by the market's anticipation of the possible results of the substantial reduction in excess reserves of member banks, which is to be brought about, on May first, by the second of two increases in reserve requirements announced by the Board of Governors of the Federal Reserve System on January 30th. At the time of this announcement it was estimated that excess reserves of all member banks of the country would be reduced to about $500,000,000 on May first. In recent weeks this estimate has had to be revised upward due to the combined effect of a further increase in the amount of member banks' reserves, and of a somewhat smaller demand for reserve funds than might have been anticipated early in the year. It now appears that member banks of the country will still have approximately $850,000,000 of excess reserves on May first, a larger amount of excess reserves than was held by member banks at any time prior to the end of 1933.

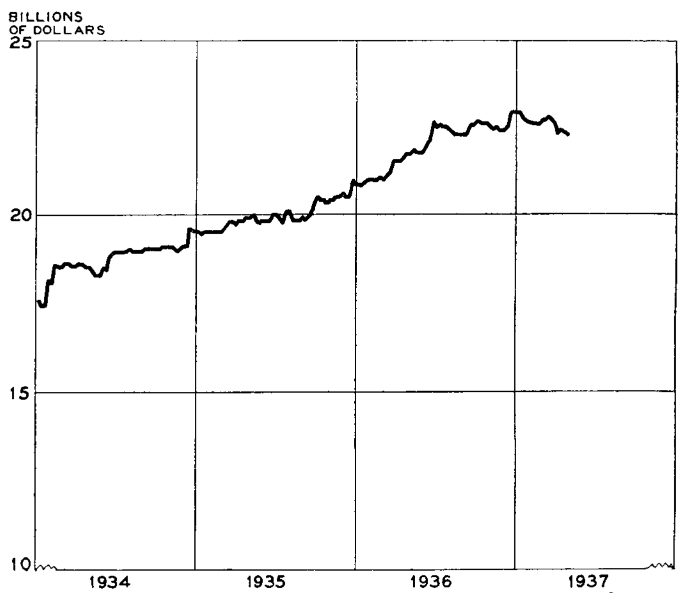
Excess reserves of the principal New York City member banks, which had fluctuated between about $335,000,000 and $480,000,000 during March, rose to between $530,000,00 and $585,000,000 in the latter part of April, and, for the country as a whole, excess reserves of member banks rose from between $1,270,000,000 and $1,450,000,000 in March to above $1,600,000,000 in the latter part of April.

One important factor in the April increase in bank reserves was Treasury disbursements, which reduced Government balances in the Reserve Banks from above $300,000,000 at the end of March to about $100,000,000 in the second half of April. The other principal factor in the increase in member bank reserves during April was Federal Reserve Bank purchases of Government securities, which were made in accordance with the statement issued by the Federal Open Market Committee on April 4, as follows:

> With a view (1) to exerting its influence toward orderly conditions in the money market and (2) to facilitating the orderly adjustment of member banks to the increased reserve requirements effective May 1, 1937, the Open Market Committee of the Federal Reserve System is prepared to make open market purchases of United States Government securities for the account of Federal reserve banks in such amounts and at such times as may be desirable. This purpose is in conformity with the policy announced by the Board of Governors of the Federal Reserve System in its statement on January 30, 1937, which declared, with reference to the increase in reserve requirements, that by this action the System would be placed in a position where such reduction or expansion of member bank reserves as may be deemed in the public interest may be effected through open market operations.



Volume of Money in Circulation, Adjusted for Usual Seasonal Variations



Total Loans and Investments of All Reporting Member Banks

Between April 4 and April 28 the Reserve Banks purchased a total of $96,000,000 of Government securities in the open market.

Two factors which, in recent months, have reduced the demand for reserve funds below earlier expectations, are indicated in the preceding diagrams. During 1935 and 1936 the volume of currency in circulation, adjusted for seasonal fluctuations, had shown a steady rise, which was accelerated temporarily in June of last year by the additional currency demand connected with the cashing of veterans' adjusted service bonds. In January of this year the trend of currency circulation still appeared to be upward, but during the past three months, as the first diagram indicates, the volume of currency outstanding, adjusted for seasonal variations, has shown practically no further increase. Member bank reserves, therefore, have not been subject, since January, to any further drain on account of unseasonal currency demands.

The other principal factor in the reduced demand for reserve funds in recent months has been a moderate recession since the beginning of this year in the volume of member bank credit outstanding, following substantial increases in each of the past three years. The demand for commercial and industrial loans has increased further in recent months and the volume of such loans at weekly reporting member banks now shows an increase of more than 25 per cent compared with a year ago. Loans on securities, however, have shown practically no increase during the past year, and holdings of Government securities have shown a substantial reduction, which for the first four months of this year has exceeded the rise in commercial loans. Thus, one of the principal factors in the expansion in member bank deposits during the past few years was not present during this period. The inflow of funds from abroad, and accompanying gold imports, exerted an influence toward expansion of bank deposits that has, to a considerable extent, counteracted the effect of the moderate decline in the volume of bank credit outstanding. But aside from the effect of the March 1 increase in the percentages of reserves which member banks are required to maintain against their deposits, the reserve requirements of member banks have shown a slight decrease since the beginning of this year.

On the basis of the reserve position of member banks near the end of April, it would appear that excess reserves remaining after May 1 will be widely distributed. During March the New York City member banks had considerably smaller excess reserves, in proportion to their reserve requirements, than did all other member banks, but late in April the percentage of excess reserves in New York was only slightly less than the average for all other member banks. Further withdrawals of out-of-town bank funds, for the purpose of adjusting reserve positions, of course, would tend to leave the New York City banks with smaller proportionate amounts of excess reserves than the average for other member banks. It appeared, as May 1 approached, however, that the volume of such further withdrawals would probably be relatively small. Many banks outside New York which, at the time of the January 30 announcement of two prospective increases in reserve requirements, had insufficient reserves to meet these increases, apparently anticipated their full needs, and adjusted their position to cover not only the March 1 increase, but also the final increase on May 1.

Money Rates

Despite the increase in member bank excess reserves in April, there was no material change in money rates in the New York market. Rates of new issues of Treasury bills rose somewhat further, but other short term money rates remained practically unchanged during April.

	April 30, 1936	Mar. 31, 1937	April 29, 1937
Stock Exchange call loans	¾	1	1
Stock Exchange 90 day loans	*1	*1¼	*1¼
Prime commercial paper—4 to 6 month	¾	1	1
Bills—90 day unindorsed	⅛	9/16	9/16
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	0.13	No yield
Maturing February 1938 (yield)	....	0.56	0.45
Average yield on Treasury notes (1-5 years)	0.69	1.34	1.25
Average yield on Treasury bonds (more than 5 years to earliest call date)	2.36	2.62	2.63
Average rate on latest Treasury bill sale 273 day issue	0.09	0.64	0.72
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.

Member Bank Credit

The total loans and investments of the weekly reporting New York City banks declined nearly $250,000,000 during the four weeks ended April 21, and on that date were more than $200,000,000 less than a year previous. The principal factor in the decline during the past month has been a further reduction of $150,000,000 in holdings of Government securities, which are now more than $950,000,000 less than at the peak of July 1, 1936. Other investments were reduced $80,000,000, and loans on securities declined $41,000,000. Their commercial loans, however, showed a further small increase.

Weekly reporting member banks in other principal cities throughout the country reduced their holdings of Government securities by $107,000,000 during the four week period and there were small reductions also in their holdings of Government guaranteed securities and in their security loans. Their commercial loans, however, showed an increase of about $80,000,000.

Bills and Commercial Paper

Dealers' rates for bankers acceptances were unchanged in April, following the increases instituted during March. Early in April there was some increase in the volume of dealers' business, but the market was quiet during the remainder of the month, and total purchases and sales in April were only about half the volume of March. Reflecting an active demand, including purchases by banks outside New York City, and a very limited supply, dealers' portfolios showed a decrease for the month. Two small blocks of bills offered by dealers in the first half of the month and a small amount of bills offered by a New York City bank in the third week were purchased by the New York Reserve Bank at its buying rate of ½ per cent.

Following increases during the preceding six months, the volume of bills outstanding showed a decrease of about $5,000,000 to $396,000,000 during March, but the decline was of a seasonal character and was less than in March of the preceding four years. Accepting banks and bankers held approximately 80 per cent of all bills outstanding at the end of March, as against 85 per cent in February; in fact, the proportion of bills held by these institutions was the smallest since February 1934.

(Millions of dollars)

Type of acceptance	Mar. 1936	Feb. 1937	Mar. 1937
Import	113	158	160
Export	90	85	83
Domestic shipment	10	11	12
Domestic warehouse credit	57	68	64
Dollar exchange	2	2	2
Based on goods stored in or shipped between foreign countries	87	77	75
Total	359	401	396

Average grade prime four to six month commercial paper remained during April at the 1 per cent rate reached in March. Early in the month occasional sales of choice short term paper were made at ¾ per cent, but more recently not much of this class of paper reached the market. Some business in less well known names was also done at 1¼ per cent. A moderate total amount of new paper entered the open market, and resale to banking investors was made without delay.

Commercial paper houses had a total of $290,400,000 of paper outstanding at the end of March, compared with $267,600,000 a month earlier and $180,000,000 a year ago. The March rise was the fourth successive increase in outstandings, which reached the highest level since July 1931.

Reserves Required Against Bank Deposits

The May 1 increase in member bank reserve requirements completes a series of three increases in the percentages of reserves which member banks are required to carry against their deposits, and raises reserve percentages to the maximum authorized under the Banking Act of 1935. The percentages of reserves required on and after May 1 are double those which prevailed for more than nineteen years prior to August 16, 1936, when the first increase became effective, but are somewhat similar to those in effect prior to the establishment of the Federal Reserve System in 1914. Reserve requirements of member banks were reduced during the early years of the Federal Reserve System, and the recent increases, although ordered for other reasons, have had the effect of retracing the steps taken in those years. The following table shows the new reserve requirements for member banks, in comparison with the requirements in effect from June 1917 to the middle of August of last year, and also with the reserve requirements which were in effect for National banks for a number of years previous to the establishment of the Federal Reserve System.

Required Reserves in Percentages of Deposits.

	Prior to Nov. 16, 1914(a)	June 21, 1917 to Aug. 15, 1936(b)	On and after May 1, 1937(c)
Central Reserve City Banks			
Demand deposits:			
Cash in vault	25	—	—
With Federal Reserve Bank	—	13	26
Total	25	13	26
Time deposits:			
Cash in vault	25	—	—
With Federal Reserve Bank	—	3	6
Total	25	3	6
Reserve City Banks			
Demand deposits:			
Cash in vault*	12½	—	—
With approved agents**	12½	—	—
With Federal Reserve Bank	—	10	20
Total	25	10	20
Time deposits:			
Cash in vault*	12½	—	—
With approved agents**	12½	—	—
With Federal Reserve Bank	—	3	6
Total	25	3	6
Country Banks			
Demand deposits:			
Cash in vault*	6	—	—
With approved agents**	9	—	—
With Federal Reserve Bank	—	7	14
Total	15	7	14
Time deposits:			
Cash in vault*	6	—	—
With approved agents**	9	—	—
With Federal Reserve Bank	—	3	6
Total	15	3	6

* Minimum. ** Maximum.

(a) Requirements for National banks under the National Bank Act.

(b) Under the Federal Reserve Act, as amended June 21, 1917.

(c) Requirements prescribed by the Board of Governors of the Federal Reserve System under the Banking Act of 1935.

As this table indicates, the new reserve requirement of 26 per cent against demand deposits for banks in New York City and Chicago (Central Reserve Cities) compares with 25 per cent for National banks in the same cities in 1914. Cash in vault cannot now be counted as reserve, but on the other hand, Central Reserve City banks are now required to carry only 6 per cent of reserve against time deposits, whereas before the establishment of the Federal Reserve System the reserve requirement against time deposits was the same as against demand deposits.

Reserve percentages against demand deposits for member banks in Reserve cities and for "country" member banks are now somewhat less than for corresponding National banks up to 1914, but National banks in the earlier period were permitted to count balances with correspondent banks in larger centers, up to specified limits, as a part of their reserves. On the other hand, for these banks also present reserve requirements against time deposits are much lower than those in effect before the Federal Reserve System was established.

It may be concluded, therefore, that while it is difficult to make a close comparison between present reserve requirements and those in effect a number of years ago, because of the fact that all member bank reserves must now be in the form of deposits with the Federal Reserve

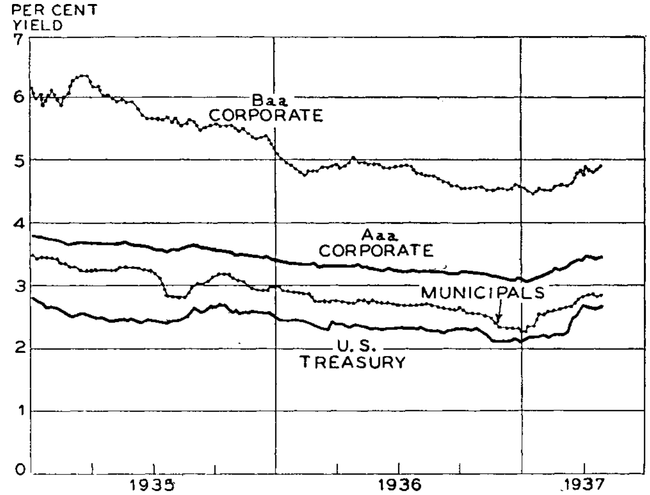
Banks, and may not include vault cash or balances with other banks, the new reserve requirements in general probably represent no very great change from those in effect before the establishment of the Federal Reserve System. Furthermore, the ability of member banks to obtain additional reserves by borrowing from the Federal Reserve Banks, or through other extensions of Federal Reserve credit, makes it unnecessary for them to carry any appreciable amount of reserves in excess of minimum requirements.

The increases in percentages of reserves required against bank deposits, since last August, represent a major readjustment, called for by the extraordinary expansion of bank reserves resulting from the great inflow of gold from abroad during the past three and a half years, and the increased value of the gold as a result of the reduction in the gold content of the dollar. Since January 1934 the dollar value of the gold stock of the United States has increased from about $4,000,000,000 to approximately $11,800,000,000, and the ratio of the gold stock to bank deposits and currency outstanding has risen from 9 per cent to nearly 20 per cent. In 1914, before the Federal Reserve System was established, the ratio of the gold stock to deposits and currency was about 7½ per cent. The great increase in the monetary gold stock in the past three years was accompanied by a rise in member bank reserve balances from approximately $2,800,000,000 in January 1934, to about $6,900,000,000 at the present time. If reserve requirements of member banks had been left at the levels prevailing from 1917 to August of last year, member banks would have continued to be under pressure to expand their loans and investments, and the possibility of a bank credit expansion of unprecedented proportions would have continued to exist. The doubling of reserve percentages since last August, therefore, represented a necessary adjustment, if potential credit expansion was to be brought within reasonable limits.

Security Markets

Conditions in the bond market were steadier in April than in March, although there was some further net decline in prices for the past month as a whole. United States Treasury bonds reached their April low points on the opening day of the month as the result of a ⅞ point drop in the average price from the closing day of March. After a partial recovery, the market showed renewed weakness on April 6 to 8, but prices did not decline below the April 1 low. Thereafter Treasury bond prices moved upward through April 19 for an average gain of more than 1 point over the April 1 level. After declining again from April 20 to 23, the average price of Teasury bonds recovered toward the close of the month.

The decline in other classes of bonds continued into April for a somewhat longer period than did the decline in Government bonds. High grade corporate issues reached their April lows around the 9th of the month, and lower grade corporation issues around the 10th or 12th, following which both classes advanced about 2 points, but after April 20 there were renewed declines of about ½ point to one point in bond price averages.



Average Yield on United States Treasury Bonds, High Grade Corporation and Municipal Bonds, and on Medium Grade Corporation Issues (Federal Reserve Bank of New York average yield on Treasury bonds of more than 5 years' term to call date or maturity; Moody's Investors Service data for corporation bonds; and Standard Statistics Company data for municipal bonds)

Yields on United States Treasury, high grade municipal and corporate bonds, and medium grade corporate issues are shown in the accompanying diagram. As the diagram indicates, yields on Treasury bonds prevailing around the end of April were about the same as in October 1935, yields on high grade corporation bonds were at approximately the same level as in December of that year, yields on municipal bonds equaled those obtainable in February 1936, and yields on medium grade corporate issues were about the same as in July 1936.

In the intermediate and short term United States Government security markets, the average yield on Treasury notes of 1 to 5 year maturity continued to rise to 1.44 per cent on April 8, which was the highest figure since December 1934. Subsequently the yield on these securities dropped to 1.25 per cent on April 29. The average rate at which 9 month Treasury bills were sold by the Treasury on tender was 0.72 per cent on the issue dated April 28, as compared with 0.66 per cent on the April 7 issue and 0.71 per cent on the March 24 issue. The rate on the bills maturing at the September tax period, the flotation of which was begun in the amount of $50,000,000 on April 21 and repeated on April 28, was 0.54-0.55 per cent. In all, $200,000,000 of Treasury bills matured in April, and new issues aggregated $350,000,000, including $50,000,000 due at the June tax period, completing a series of $300,000,000 maturing at that time, $100,000,000 of bills due in the September tax period, and $200,000,000 of 273 day bills due between January 5 and January 26, 1938.

The average level of stock prices declined considerably in April, accompanying sizable recessions in prices of a number of basic commodities. Activity on the Stock Exchanges, however, was generally quite small and considerably less than in March. A recession in the first week of April was followed by a partial recovery in the second and third weeks, but a sharp decline occurred in the latter part of the month. The net decline from the March peak, which represented the highest level since

October 1930, averaged about 14 per cent, so that prices near the end of April were the lowest since early in October 1936. Industrial stocks declined somewhat more than railroad stocks—about 10 per cent for industrials against 7 per cent for the rails—and public utility stocks showed a total decline from the high point of mid-January of about 23 per cent.

New Financing

Reflecting the continuance of uncertain market conditions, a further falling off in the flotation of new securities occurred during April. A preliminary tabulation of new financing, including public offerings, private placements, and the issuance of securities to stockholders, indicates an April total of approximately $280,000,000, as compared with a final figure of about $410,000,000 in March, and an average of $620,000,000 in the period from December 1936 to February 1937. In April of last year, large refunding operations raised the total for that month to more than $1,000,000,000.

Domestic corporate financing aggregated about $160,000,000 in April, and of this amount slightly more than one-half represented flotations placed privately or securities offered to present security holders of certain companies. The only large corporate flotation of the month was approximately $41,100,000 of 3¼ per cent 15 year convertible secured bonds of the New York Central Railroad issuable on the exercise of subscription rights by stockholders of the company; the proceeds of this issue have been allocated to the retirement of outstanding debentures, bonds, and short term notes. In addition, a number of small and moderate sized bond, stock, and equipment trust issues were arranged by other concerns in April.

In the State, municipal, and farm loan field, the principal issues were $33,200,000 of short term Federal Intermediate Credit Bank debentures, of which $1,000,000 were placed privately, and $25,000,000 of Triborough Bridge Authority (New York) issues. Rates of 0.625 per cent for the 3 month Federal Intermediate Credit Bank debentures and of 0.875 per cent for the 7 month debentures were slightly more than ¼ per cent higher than the yields offered on the last previous issues. The proceeds of these issues were used to the extent of $21,700,000 to retire maturing obligations, and about $11,500,000 represented new funds. The Triborough Bridge Authority financing was composed of $16,500,000 of 40 year sinking fund bonds priced at 99¾ to yield about 4.01 per cent to maturity, and $8,500,000 of serial bonds maturing from 1942 to 1968, priced to yield from 2.65 to 3.90 per cent according to maturity; it was reported that $18,000,000 of the proceeds will be applied in new bridge construction and $7,000,000 in retiring obligations held by the Reconstruction Finance Corporation.

A public offering of $35,000,000 of Argentine Republic sinking fund 4 per cent 35 year conversion bonds, of which $15,000,000 were allocated to European selling groups, completed the refunding program of the Argentine Republic in this market. These bonds were offered for public subscription at a price of 89½, giving a yield of 4.61 per cent to maturity.

Foreign Exchanges

The foreign exchange market was subject to a number of diverse influences during April. In the early part of the month there developed a heavy speculative demand for dollar exchange based upon widespread rumors of a possible lowering of the American price for gold. These rumors served also to accelerate the dishoarding of gold held in London on private account, and they occurred simultaneously with indications of a cessation of the repatriation of French capital.

The dollar was generally firm in early April in terms of foreign currencies. Owing to a heavy movement of gold from London to New York, the dollar-sterling rate receded only slightly, however, from $4.89^{7}/_{16}$ at the end of March to a low of $4.88½ during the course of trading on April 9, and the pressure on sterling was quickly relieved following the President's statement on that day that no change in the American gold price was contemplated. In contrast to the brief period of moderate weakness in sterling, the French franc declined rather sharply from a high of $0.0461½ on April 5 to a low of $0.0443^{5}/_{16}$ on April 21. The pressure on French exchange subsided during the last few days of the month, with the result that the franc-dollar rate recovered somewhat to $0.0448⅞ during the course of trading on April 29.

After touching its low of $4.88½ on April 9, the pound showed a rather pronounced upward tendency during the remainder of the month and reached $4.95 on April 29, the highest quotation since the establishment of the tripartite agreement last September. This rise was due to a rather abrupt and substantial increase in the demand for sterling against both gold and foreign currencies. Apart from the President's denial of rumors regarding American gold policy, several additional factors were responsible for this increased demand for sterling. The movement of French capital to London was resumed and the British turned sellers of American securities. Moreover, the customary supplies of gold coming upon the London market were augmented by Russian sales and private dishoarding, and sellers of gold in London apparently were inclined to retain a somewhat larger portion of the proceeds in sterling instead of converting them into francs or dollars.

Under these conditions the British authorities, in order to hold sterling steady, would have been obliged to purchase gold extensively from the American and French Funds, and in the London bullion market. British purchases of gold evidently were not sufficient to absorb the abnormally heavy offerings in London, and the remainder was taken chiefly for shipment to this country. Under existing conditions, it was possible to obtain sterling for these gold purchases only by bidding the exchange value of sterling up to a level high enough to induce a transfer of balances from London to New York. Thus the continued movement of gold to this country, during a period when foreign holders were selling American securities, resulted in a large inflow of short term balances from abroad.

Among the other European currencies, the Netherlands guilder, which had held at or close to $0.5476 during most of April, advanced abruptly to $0.5484 on April 27, and then to $0.5488 on April 29. The Swiss franc also advanced from $0.2279 at the end of March to $0.2293 on April 29.

Gold Movement

During April gold imports into the United States continued at an accelerated rate. Imports affecting the gold stock totaled $172,100,000, of which $138,800,000 from England, $6,800,000 from Canada, $5,300,000 from Belgium, $4,400,000 from India, $4,200,000 from Colombia, and $600,000 from France were received at New York, and $10,000,000 from Japan, $1,900,000 from Australia, and $100,000 from Hongkong arrived on the West Coast. Part of the gold from England was reported to be of Russian origin.

These imports together with receipts from other sources, including domestic newly mined and scrap gold, and the release of $12,100,000 from foreign account earmarkings, resulted in an increase of about $225,000,000 in the gold stock of this country during the month. The Treasury's daily statement of April 27 shows $549,900,000 of "inactive gold" held in the general fund.

Central Bank Rate Changes

On April 1 the discount rate of the National Bank of Albania was lowered from 6½ to 6 per cent. The higher rate had been in force since January 2, 1937.

Production

With improvement in the strike situation in the automobile industry serving as a contributing factor, the general level of industrial production appears to have continued its rising tendency in April. Assemblies of automobiles increased substantially following the settlement, on April 6, of the four week Chrysler strike; cotton textile production remained at a high level despite a reported diminution in the volume of new orders received; and steel output continued the upward course that has prevailed with minor interruptions since last summer. The rate of steel output in April was approximately 35 per cent higher than a year ago, and toward the end of the month it was reported higher than in the late spring of 1929. There were declines in April in generation of electric power which usually recedes in that month, however, and in bituminous coal output, which was maintained at an unusually high level in March in anticipation of possible difficulties attendant upon the renewal of union agreements.

The seasonally adjusted index of industrial production compiled by the Board of Governors of the Federal Reserve System rose 2 points in March to 118 per cent of the 1923-25 average. This compares with the recovery high point of 121 attained in December, and with 93 in March 1936. Average daily steel ingot production rose 5 per cent, bituminous coal output expanded 7 per cent, and cotton consumption by textile mills reached a new record rate. Meat packing operations, shoe production, zinc output, machine tool orders, and anthracite coal mining also gained; and electric power, which usually declines in March, was approximately unchanged. On the other hand, automobile assemblies were restricted by labor difficulties and output of tobacco products and rayon deliveries declined.

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

	1936	1937		
	Mar.	Jan.	Feb.	Mar.
Metals				
Pig iron	59	112	103	99
Steel	68	112	101	102
Lead	48	62	56	60
Zinc	72	71	71	90
Automobiles				
Passenger cars	87	95	102	98*p*
Motor trucks	107	119	111	115*p*
Fuels				
Bituminous coal	78	87	99	121*p*
Anthracite coal	64	73	59	97*p*
Petroleum, crude	87	94	96	98*p*
Petroleum products	83	90	92	
Electric power	86	94	94*p*	95*p*
Textiles and Leather Products				
Cotton consumption	84	112	112	115
Wool consumption	97	124	130	135*p*
Silk mill activity	55	68	66	64*p*
Rayon deliveries*	91	117	108	94
Shoes	103	142*r*	129*p*	145*p*
Foods and Tobacco Products				
Meat packing	86	87	82	91
Wheat flour	89	81	84	79
Tobacco products	87	93	98	92
Miscellaneous				
Cement	49	74	69	76
Lumber *r*	56	63	66	
Newsprint paper	78	83	83	83*p*
Machine tools	96	200	158	175

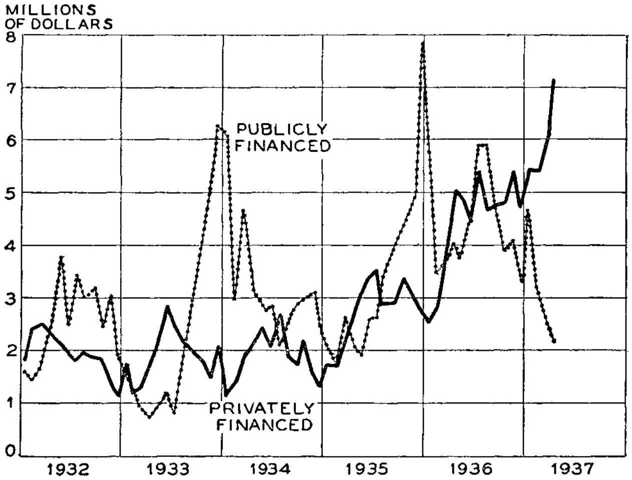
p Preliminary *r* Revised * For quarter ended

Building

Construction activity in the New York and Northern New Jersey area, as reflected in the F. W. Dodge Corporation contract figures, declined unseasonally in March. Average daily contract awards were 26 per cent lower than in February, reflecting largely a decline in the heavy engineering field including public works projects, which showed a decrease of 42 per cent in average daily contracts, and public utility work which was reduced 73 per cent. Relatively small declines occurred in other types of nonresidential work, and residential contracts remained approximately unchanged.

Compared with a year ago, residential contracts were nearly 50 per cent higher, and factory contracts were more than four times as large, but these gains were largely offset by substantially smaller contracts for public works and utility projects, and total contracts, therefore, were only slightly larger than a year ago.

For the 37 States covered by the full F. W. Dodge Corporation report total contracts in March were 23 per cent higher than in February, but on an average daily basis remained practically unchanged. The daily rate for residential contracts was 17 per cent higher than in February, and nonresidential contracts other than public works and utilities, stimulated primarily by activity in factory building, showed an increase of 10 per cent. The heavy engineering types of construction, however, showed a rather marked recession, the decline being most pronounced in the case of public utility projects. Total March contracts registered an increase of 16 per cent over March 1936, gains of 63 per cent in residential build-



Daily Average Value of Contracts Awarded for Private and Public Construction in 37 States (F. W. Dodge Corporation data; latest figures are for first half of April)

ing and 9 per cent in nonresidential construction other than public works and utilities being partly offset by a decrease of 16 per cent in the heavy engineering classification.

The increasing importance of private building in recent months is indicated in the accompanying diagram, which shows average daily contracts awarded for both private and public construction work by months since 1932. In March 1937 private construction represented 71 per cent of the total of all contracts, and preliminary figures for the first half of April indicate a further increase in this proportion to nearly 77 per cent, the highest percentage recorded since the compilation of these figures was begun.

Commodity Prices

Following an advance which had been in progress with only minor interruptions since last October, a pronounced reaction in the wholesale prices of a number of basic commodities developed in early April and continued throughout most of the month. The broad Bureau of Labor Statistics index of wholesale commodity prices, which on April 3 reached a point 48 per cent above the 1933 low and only 8 per cent below the 1929 high, declined about 1 per cent during the three subsequent weeks. The more sensitive Moody's Investors Service index of prices of 15 raw products, which on April 5 was almost triple the depression low and within 7 per cent of the 1929 peak, receded during the remainder of the month to a point 7 per cent below the recent high.

The accompanying table shows the extent of the recent decline in the spot quotations of a number of the principal basic commodities. The recession shown in grain prices in the domestic markets began in the second week of April accompanying favorable weather conditions, and was later accentuated by pronounced weakness in European markets. The cash quotation for the Number 1 grade of Northern wheat at Minneapolis, after reaching \$1.69⅜ a bushel, the highest price in more than a decade, declined 21¾ cents net to \$1.47⅝ a bushel at the close of the month, thereby canceling all of the advance which had occurred between October and early April. Cash corn rose during the first part of the month to a high of \$1.38¾ a bushel, and closed the month at \$1.38¼. At the end of April crude rubber was 6⅛ cents, or 23 per cent, below its early April high. A reduction of about 13 per cent during April in the price of cotton represented the cancelation of more than one-half of the October-March rise.

In the metals group, the most pronounced recession was in the price of lead, which showed a net decline of 1¾ cents a pound, or about 23 per cent from its high. The downward movement also reduced the domestic price of copper 3 cents to 14 cents a pound, and the export price to 13.90 cents. Scrap steel at Pittsburgh during March reached \$23.75 a ton, the highest price since 1923, but declined \$3 a ton in April. Tin moved 11⅞ cents lower to 55⅛ cents a pound, and zinc declined ⅝ cent to 6⅞ cents a pound.

Spot Price (cents a pound)	Recent high	Price on April 29	Per cent decline from high
Farm Products			
Wheat, No. 1, Minneapolis†	169.375	147.625	12.8
Corn, No. 3, yellow, Chicago†	138.75	138.25	0.4
Cotton, middling, New York	15.25	13.26	13.0
Metals			
Copper, domestic electrolytic, New York	17.00	14.00	17.6
Lead, New York	7.775	6.025	22.5
Zinc, East St. Louis	7.50	6.875	8.3
Tin, Straits, New York	67.00	55.125	17.7
Scrap steel, Pittsburgh*	23.75	20.75	12.6
Miscellaneous			
Rubber, crude plantation, New York	27.125	21.00	22.6
Moody's index of 15 commodities (December 31, 1931 = 100)	228.1	207.9	8.9

† Cents a bushel. * Dollars a ton.

Employment and Payrolls

Continuing a practically unbroken series of monthly advances since February 1936, total employment in the manufacturing and nonmanufacturing industries surveyed by the Department of Labor increased by more than 300,000 persons from the middle of February to the middle of March, and weekly payrolls rose more than \$15,000,000. Since March 1936 the number of workers employed in these industries, which have on their payrolls a little less than one-half of the nonagricultural workers of the country, has increased by approximately 1,600,000 and average weekly payrolls have advanced by \$68,400,000. In the four years since the depression low of March 1933 the Secretary of Labor estimates that the number employed in these industries has increased by 4,850,000 and that aggregate weekly payrolls have risen by \$186,000,000. According to the Department of Labor's indexes, both factory employment and factory payrolls in March were at their highest levels since November 1929. Employment was within approximately 3.5 per cent and payrolls 7 per cent of the 1929 averages.

New York State factory employment and payrolls increased more than is usual from the middle of February to the middle of March, and this bank's seasonally adjusted employment index advanced approximately 1 per cent to the highest level since February 1930, while the adjusted payrolls index rose 3 per cent to the highest point since July 1930. The increase in payrolls was accounted for in part by further wage rate increases. All of the major industrial groups shared in the increases in employment and payrolls, and the advances were likewise general in all sections of the State, the Buffalo district showing the most pronounced gains.

Indexes of Business Activity

According to the Department of Commerce survey of 37 cities, retail trade during the first three weeks of April continued at levels above a year ago in most sections of the country, despite unfavorable shopping weather in a few districts and the fact that the comparable 1936 period included much of the Easter trade. For the Metropolitan area of New York, however, department store sales during the first half of the month compared somewhat unfavorably with the March rate. Car loadings of merchandise and miscellaneous freight during the first two weeks of April increased somewhat less than seasonally and shipments of bulk freight over the railroads showed more than the usual recession.

March indexes of business activity follow.

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

	1936	1937		
	Mar.	Jan.	Feb.	Mar.
Primary Distribution				
Car loadings, merchandise and misc.	69	78	80	81
Car loadings, other	64	78	79	87
Exports	65	69	78	77*p*
Imports	84	104	117	111*p*
Distribution to Consumer				
Department store sales, U. S.	83	89	88	87
Department store sales, 2nd Dist.	87	89	86	85
Chain grocery sales	73	68	66	67
Other chain store sales	87	96	92	94
Mail order house sales	94	88	85	101
Advertising	74	77	79	80
New passenger car registrations	107	120	95*p*	111*p*
Gasoline consumption	94	97	96	..
General Business Activity				
Bank debits, outside New York City	66	68	68	70*p*
Bank debits, New York City	45	42	42	40
Velocity of demand deposits, outside New York City*r*	71	72	71	73
Velocity of demand deposits, New York City*r*	53	50	51	48
New life insurance sales	68	75	73*p*	76*p*
Factory employment, United States	89	100	101	102*p*
New corporations formed in N. Y. State	68	75	72	70
Building contracts, residential	25	51	39	35*p*
Building contracts, other	56	76	65	47*p*
General price level*	151	161	161	162*p*
Composite index of wages*	188*r*	199	200	201*p*
Cost of living*	141	145	145	146*p*

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

Department Store Trade

During the first half of April total sales of the reporting department stores in the Metropolitan area of New York were 1.7 per cent lower than in the corresponding period of last year. Even after adjustment for the early Easter this year and for the usual seasonal fluctuations, the rate of sales appears to have been somewhat lower in April than in March.

Total March sales of the reporting department stores in this district were 13.4 per cent higher than last year, but because there was one more shopping day this year than last, the increase in average daily sales was about 9½ per cent, a slightly smaller increase than in February. Sales of leading apparel stores in this district were 11.4 per cent higher than last year, but on an average daily basis the increase was about 7½ per cent, a smaller gain than in the previous two months.

Department store stocks of merchandise on hand, at retail valuation, continued more than 20 per cent above a year ago, most of the principal departments showing substantial increases. Collections were better this year than last in the department stores in all localities, but somewhat slower collections were reported by the apparel stores.

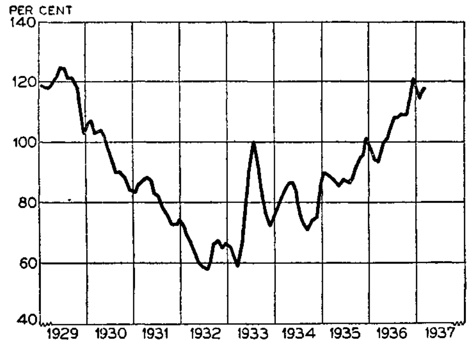
Locality	Percentage change March 1937 compared with March 1936		Per cent of accounts outstanding February 28 collected in March	
	Net sales	Stock on hand end of month	1936	1937
New York	+12.6	+22.7	47.0	49.4
Buffalo	+25.5	+19.1	47.0	51.2
Rochester	+17.6	+14.2	46.6	50.4
Syracuse	+13.9	+13.2	37.6	42.3
Northern New Jersey	+12.1	+21.6	41.1	43.4
Bridgeport	+21.4	+ 7.2	38.5	40.8
Elsewhere	+15.0	+ 0.2	34.1	35.9
Northern New York State	+12.9	......	....	....
Southern New York State	+24.7	......	....	....
Central New York State	+15.0	......	....	....
Hudson River Valley District	+14.5	......	....	....
Capital District	+ 7.9	......	....	....
Westchester and Stamford	+ 7.3	......	....	....
Niagara Falls	+29.8	......	....	....
All department stores	+13.4	+20.7	44.4	47.1
Apparel stores	+11.4	+ 3.2	46.3	43.9

Wholesale Trade

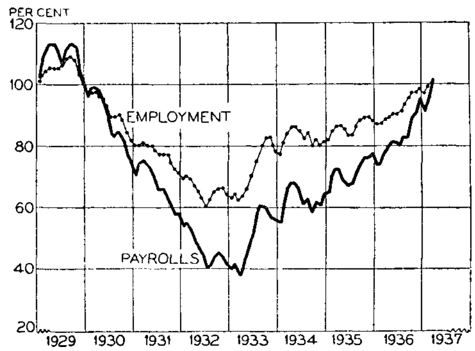
In March total sales of the reporting wholesale firms averaged 21.4 per cent higher than last year, the largest increase since last July. The diamond concerns recorded the most substantial year to year advance in sales since July 1933, the men's clothing firms the greatest increase since August 1936, and the jewelry concerns the largest gain since last November. Sales of the grocery and paper firms showed larger increases than in the preceding two months, hardware sales increased more than in February, and stationery sales registered an increase over a year previous following declines in the preceding two months. On the other hand, yardage sales of silk goods, reported by the National Federation of Textiles, and sales of the cotton goods and shoe concerns showed smaller year to year increases than in February.

Commodity	Percentage change March 1937 compared with March 1936		Per cent of accounts outstanding February 28 collected in March	
	Net sales	Stock end of month	1936	1937
Groceries	+17.6	+17.6	91.3	95.9
Men's clothing	+12.9	......	51.7	60.9
Cotton goods	+ 5.9	......	39.4	41.6
Rayon and silk goods	+29.6*	......	63.6	61.4
Shoes	+ 8.4	......	38.1	43.2
Hardware	+17.6	+36.1	36.0	37.7
Stationery	+14.1	......	64.3	64.0
Paper	+25.2	......	57.3	53.0
Diamonds	+188.2	+73.0	22.4	25.1
Jewelry	+48.3	−10.5		
Weighted average	+21.4	......	60.0	64.0

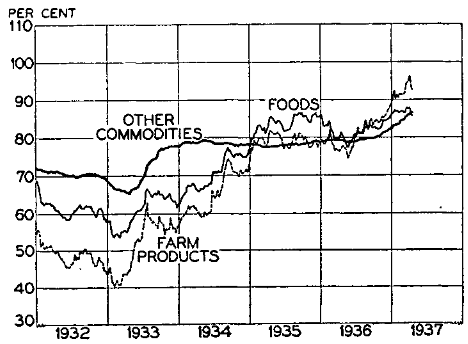
* Quantity figures reported by the National Federation of Textiles, Incorporated' not included in weighted average for total wholesale trade.



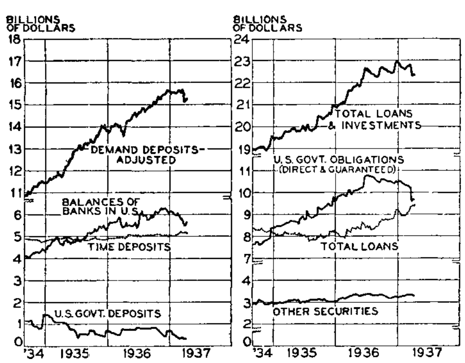
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



Index Numbers of Factory Employment and Payrolls, Without 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 April 14)

Business Conditions in the United States

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

IN March industrial activity continued to increase and payrolls at factories and mines showed a substantial rise. Prices of basic commodities after advancing rapidly in March declined in the first half of April.

Production and Employment

Industrial production increased from February to March and the Board's seasonally adjusted index advanced from 116 per cent of the 1923-1925 average to 118 per cent. The rise reflected a sharp increase in output of minerals, chiefly coal, and an increase of somewhat more than the usual seasonal amount in manufacturing. The larger output of coal in March was due in part to stocking by consumers in anticipation of a possible strike at bituminous coal mines on April 1 when the agreement between mine operators and the miners' union expired. A new agreement was reached on April 2 but, owing partly to the previous accumulation of stocks, production in the first ten days of April showed a sharp decline. During March activity at steel mills increased seasonally and in the first three weeks of April was over 90 per cent of capacity. In the automobile industry output showed about the usual seasonal increase in March and the first three weeks of April, considerable fluctuations during this period being largely in response to developments in the labor situation. Lumber production expanded considerably in March, and there was a sharp rise in output of nonferrous metals. Cotton consumption, which has been at an unusually high level in recent months, increased further in March and in actual amount was larger than in any previous month. Production at woolen mills and shoe factories continued in large volume.

Value of construction contracts awarded in March, as reported by the F. W. Dodge Corporation, was at about the same level as in February and substantially higher than a year ago. Privately financed work increased, while the amount of publicly financed work continued to decline. The increase in privately financed projects reflected a larger volume of residential building and of factory and commercial construction.

Employment and payrolls increased by considerably more than the usual seasonal amount between the middle of February and the middle of March. The expansion in payrolls was larger than in employment, reflecting in part a further rise in wage rates. In manufacturing, the principal increases in employment were in industries producing durable goods, particularly steel, machinery, and lumber. The number employed in the production of nondurable manufactures showed slightly more than the usual seasonal rise.

Distribution

Distribution of commodities to consumers showed about the usual seasonal increase from February to March. Mail order sales expanded considerably but the rise in department store sales was less than seasonal, considering the early date of Easter this year.

Commodity Prices

Prices of nonferrous metals, steel scrap, rubber, cotton, and wheat, which had advanced rapidly in March, declined considerably in the first half of April. Since the middle of March prices of coke, tin plate, and rayon have advanced and there have been smaller increases in a wide variety of other industrial products. Dairy products have declined, reflecting in part seasonal developments.

Bank Credit

In the four week period from March 24 to April 21 excess reserves of member banks increased from $1,270,000,000 to $1,590,000,000, reflecting principally disbursements by the Treasury from balances with Federal Reserve Banks and purchases of U. S. Government obligations by the Federal Reserve System. The bulk of the increase in excess reserves was at banks in New York City and Chicago.

Total loans and investments of reporting member banks, which had declined sharply in March, reflecting sales of U. S. Government obligations, showed little change in the two weeks ended April 14. Loans to brokers and dealers in securities declined from the middle of March to the middle of April, while other loans, which include loans for commercial, industrial, and agricultural purposes, showed a substantial increase. These loans have increased almost continuously over the past year.

Demand deposits, after declining in March, increased somewhat in the first half of April, and there was an increase in foreign bank balances, reflecting an inward movement of short term funds from abroad.

Money Rates

The rate on prime commercial paper advanced from ¾ per cent to 1 per cent in the latter part of March. Bond yields, which had advanced sharply in March, showed no pronounced change in the first three weeks of April.