MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Bank, New York

Money Market in April

The monetary aspects of the program for the promotion of business recovery contained in the President's message to Congress on April 14 gave assurance of a great increase in the supply of funds available in the banks as the basis for expansion of bank credit. The monetary proposals included the release and use of nearly $1,400,000,000 of gold previously set aside in the Treasury —of which about $1,200,000,000 represented gold which had been imported or purchased from domestic sources since December, 1936, and "sterilized" in the inactive gold account, and about $200,000,000 represented other free gold in the Treasury—and a reduction in the reserve requirements of member banks which would release approximately $750,000,000 of reserves.

On the same day the Treasury made deposits, corresponding to the amount of gold released, in the Treasury account with Federal Reserve Banks, out of which all important Treasury expenditures are made. Subsequently it was announced that the gold sterilization program, which had been modified in February, was being discontinued entirely and that the inactive gold account had been abolished.

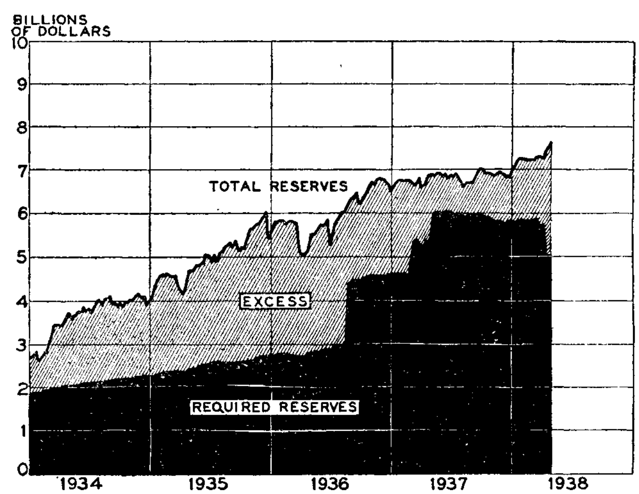
On April 15 the Board of Governors of the Federal Reserve System announced the following reductions in the percentages of reserves which member banks would be required to maintain against their deposits, effective at the opening of business on April 16.

Classes of member banks and of deposits	Prior to April 16 per cent	Beginning April 16 per cent
Demand deposits		
Central Reserve City banks	26	22¾
Reserve City banks	20	17½
"Country" banks	14	12
Time deposits		
All classes of member banks	6	5

As the accompanying diagram shows, this reduction, together with the preceding effect of a decline in deposits during the past year, lowered the aggregate reserve requirements of all member banks to the smallest amount since the period before the increases in reserve requirements of March 1 and May 1, 1937, were made effective. Meanwhile, the actual amount of member banks' reserves had risen to new high levels even before any appreciable amount of the proceeds of desterilized gold had been disbursed by the Treasury. Bank reserves had been expanded during the past year through the preceding release of $300,000,000 of gold from the inactive account last September, through increases in the monetary silver stock, through purchases of gold from foreign and domestic sources since the end of last year, and through purchases of Government securities by the Federal Reserve System last autumn and other factors.

As a result of these various influences, including the reduction in member bank reserve requirements on April 16 and the beginning of Treasury disbursements of the proceeds of the desterilization of gold on April 14, excess reserves of all member banks rose on April 20 to nearly $2,500,000,000, as compared with about $700,000,000 at the low point of last August and a little over $1,700,000,000 on April 13. Further increases may be expected as a result of the expenditure by the Treasury of the large balances in the Reserve Banks created by the desterilization of gold, and eventually excess member bank reserves are expected to rise to at least $3,600,000,000, an amount well above the previous high point of $3,300,000,000 which was reached in December, 1935.

On April 21 the Treasury announced that weekly offerings of new Treasury bills would be reduced from $100,000,000 to $50,000,000, as compared with weekly maturities of $100,000,000, so that there will be net redemptions of $50,000,000 of Treasury bills each week. This will have the effect of expediting the disbursement of the large Treasury balances in the Reserve Banks, and the consequent increase in member bank reserves. In addition, other Treasury disbursements are tending to run well ahead of current revenue collections between



Reserve Balances of All Member Banks, Showing Amount of Required and Excess Reserves

income tax periods, so that fairly rapid disbursement of the Treasury balances may be expected.

In New York City the immediate effect of the reduction in reserve requirements was to increase excess reserves from approximately $700,000,000 to about $1,000,000,000. A further increase has occurred subsequently, largely as a result of transfers of funds to New York by banks in other parts of the country. Balances of out-of-town banks on deposit with their New York City correspondents increased approximately $200,000,000 in the week ended April 20, and on that date were more than $400,000,000 higher than in the last week of August, 1937, and within 13 per cent of the maximum amount reached in November, 1936. This renewed accumulation in New York of idle funds of banks in other parts of the country tended to cause a somewhat disproportionate volume of excess reserves in New York City as compared with the rest of the country; near the end of the month excess reserves were about 52 per cent above required reserves for New York City banks, as compared with about 47½ per cent for all other banks. It should be borne in mind, however, that the funds deposited in New York by banks in other localities are subject to withdrawal at any time.

Effect on Money Rates

The great increase in member bank excess reserves since the middle of April was immediately reflected in an increased demand for Government obligations and a decline in yields on such securities, which, for short term securities, was accelerated by the reduction in the supply that resulted from the reduction in weekly offerings of Treasury bills. The average yield on the Treasury bills issued on April 27 was only about one-fourth of the yield on Treasury bills issued on April 13. Average yields on Treasury notes maturing in from 3 to 5 years declined to new low levels in the latter part of April, and yields on longer term Treasury bonds declined to the lowest levels since the early part of March, 1937.

There were indications also that the demand for high grade corporation securities had been stimulated to some extent. A large issue of high grade public utility bonds, entirely for refunding purposes, was quickly sold on April 21, and some increase in offerings of other corporation securities of similar grade, largely for the purpose of refunding outstanding securities at the low interest rates now prevailing, appears to be in prospect. No

Money Rates in New York

	Apr. 30, 1937	Mar. 31, 1938	Apr. 28, 1938
Stock Exchange call loans	1	1	1
Stock Exchange 90 day loans	*1¼	*1¼	*1¼
Prime commercial paper—4 to 6 months	1	¾–1	¾–1
Bills—90 days unindorsed	9/16	7/16	7/16
Customers' rates on commercial loans (Average rate of leading banks at middle of month)	1.71	1.58	1.63
Average yield on Treasury notes (3-5 years)	1.49	1.04	0.83
Average yield on Treasury bonds (more than 8 years to maturity or call date)	2.72	2.51	2.34
Average rate on latest Treasury bill sale 91 day issue	....	0.09	0.04
Federal Reserve Bank of New York rediscount rate	1½	1	1
Federal Reserve Bank of New York buying rate for 90 day indorsed bills.	½	½	½

* Nominal

material revival of offerings of new securities with lower ratings to raise new business capital has appeared, however, in view of the current low level of business activity and business profits, and the depressed prices of similar securities now outstanding.

Member Bank Credit

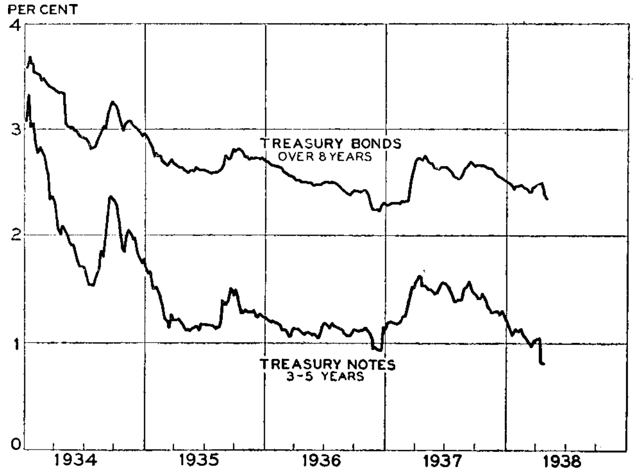
The total volume of loans and investments in weekly reporting member banks declined somewhat further during the past month, although there were diverse changes in different localities and in the various types of earning assets.

In reporting New York City banks total loans and investments increased nearly $100,000,000 in the four weeks ended April 20, as a further decline in loans was more than offset by an increase in investments. Loans to security brokers and dealers were reduced $135,000,000 further during the three weeks ended April 13, to a new low point since the spring of 1933, and commercial loans continued to decline gradually, but there was an increase of $170,000,000 in the investments of the reporting banks, including an increase of $136,000,000 in holdings of Government securities and an increase of $34,000,000 in other investments. In the third week of April, loans to security brokers and dealers showed an increase of $56,000,000, the first substantial increase since before the March Treasury financing period, and investments in Government securities increased $43,000,000 further, but there were small reductions in other investments and in commercial loans.

Weekly reporting member banks in 100 other principal cities throughout the country, however, had a further reduction of $200,000,000 in their total loans and investments in the four weeks ended April 20. Government securities were reduced $78,000,000, other securities showed little change, and loans declined $123,000,000.

Government Securities

Government security prices, which had shown some decline in March, held within rather narrow limits between April 1 and 13, but on the 14th—immediately after the President's message to Congress indicating that large increases in excess bank reserves were in prospect—a rapid advance commenced which carried through the 22nd of the month. During this upward movement, which reflected a strong investment demand on the part of the banks and others and limited offerings, the average price of Treasury bonds of more than 8 year term to call date or maturity rose 1⅞ points to a level nearly 1 point above the previous high for this year and to within about 2 points of the record high level of December, 1936. Expressed in average yields these bonds went from a 2.51 per cent basis to a 2.32 per cent basis, which compares with 2.22 per cent in December, 1936. Reflecting a strong price advance in Treasury notes likewise, the average yield on 3 to 5 year maturities declined 0.23 per cent to 0.81 per cent on April 22, which constitutes a new low level and is 0.11 per cent below the previous low of December, 1936. In the latter part of April, prices both of Treasury bonds and notes reacted slightly from the preceding advances, average yields advancing 0.02 per



Average Yields on Treasury Bonds of More Than 8 Years' Term to Call Date or Maturity, and on Treasury Notes of 3 to 5 Year Maturity

cent in the case of both bonds and notes. The accompanying diagram shows the movement of yields on Treasury bonds and notes since the beginning of 1934.

Rates in the market on outstanding Treasury bills approached a no-yield basis in the second half of April and there was also a reduction in the average rate at which new issues were sold by the Treasury. On the $100,000,000 issues dated April 6 and 13 the rates were 0.139 and 0.146 per cent, respectively, but the next week's issue of $100,000,000 went at 0.061 per cent, and the issue dated April 27, in the reduced amount of $50,000,000, was sold at an average of 0.037 per cent. As weekly maturities were $100,000,000, the reduced offering on April 27 resulted in the retirement of $50,000,000 of Treasury bills.

In the Government guaranteed security division of the market, $200,000,000 of 18 month ¾ per cent Commodity Credit Corporation notes dated May 2 were offered for public subscription on April 25. Of the proceeds of this issue, $60,000,000 will retire Commodity Credit Corporation notes due May 2 which were acceptable in payment for the new notes, and $100,000,000 is reported as to be used to retire loans to the Corporation by the Reconstruction Finance Corporation, leaving $40,000,000 available for new business of the Commodity Credit Corporation.

Commercial Paper and Bills

While an increased volume of business was done in open market commercial paper at ¾ per cent during April, the dealers nevertheless continued to report some transactions in prime names at 1 per cent, so that the prevailing range for the average grade prime 4 to 6 month paper remained at ¾-1 per cent, the same as in the preceding month. Bank investment demand for business notes, which had been active for some time past, gave evidence of further expansion during April, while, on the other hand, the volume of new paper currently acquired by dealers for resale was somewhat smaller than a month previous.

Commercial paper houses reported a total of $296,600,000 of paper outstanding at the end of March as against $292,600,000 at the end of February, or an increase of about 1 per cent; during March of each of the previous three years, however, somewhat larger increases occurred. March, 1938 outstandings were only about 2 per cent higher than a year ago.

During the past month the bill market remained extremely quiet with rates unchanged. A further decrease of $14,000,000 to $293,000,000, the lowest figure of recent years, occurred during March in the total amount of outstanding bills. The March decline, as shown in the accompanying tabulation, resulted from further decreases in the outstanding volume of domestic warehouse, import, and export bills. The reduction from a year ago to the extent of more than 65 per cent represents a shrinkage in import bills.

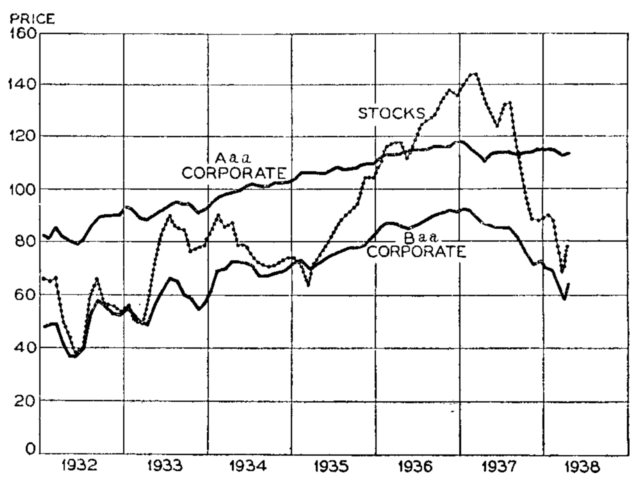
(Millions of dollars)

Type of acceptance	Mar. 31, 1937	Feb. 28, 1938	Mar. 31, 1938
Import	160	96	91
Export	83	78	75
Domestic shipment	12	8	8
Domestic warehouse credit	64	62	55
Dollar exchange	2	2	2
Based on goods stored in or shipped between foreign countries	75	61	62
Total	396	307	293

Security Markets

During the first half of April, the general average of stock prices, in a quiet market, registered an advance of about 20 per cent from the level reached at the end of March which was the lowest since April, 1935. Industrial stocks as a group showed larger percentage recoveries than railroad and public utility shares. On April 16, a strong and active market brought a further rise of about 4 per cent in average prices. In the subsequent part of the month, however, trading again became very dull, and the movement of prices was irregularly downward, with the result that the advance of April 16 was canceled and in fact quotations near the end of April were somewhat lower than at mid-April.

Accompanying the rise in stock prices during the first half of April, prices of corporation bonds below the



Movements of Stock and Bond Prices (Standard Statistics Company price index of 90 stocks and Moody's Investors Service average prices of Aaa and Baa corporate bonds)

highest grades also advanced from the low levels reached at the end of March. This was reflected in a recovery during this period of nearly 4 points in the average price of bonds rated Baa by Moody's Investors Service. Unlike stock prices, however, the Baa bonds continued to show net gains in the second half of the month averaging about $2\frac{1}{4}$ points, so that the total recovery from the March 31 lows was increased to 6 points. For the month as a whole, public utility bonds of Baa grade recovered 8 points, industrial bonds about $6\frac{1}{2}$ points, and railroad bonds of this grade 4 points. While stocks and lower grade bonds were advancing during the first half of April no material change occurred in prices of high grade corporation issues, but after the middle of the month high grade bond prices also advanced, accompanying the rise in Government security prices which followed the announcement of the program for a great increase in excess bank reserves. Between April 14 and the end of the month, the average price of Aaa bonds rose nearly $1\frac{1}{2}$ points, all the major groups of bonds contributing to the advance.

New Financing

New security financing during April continued in very small volume. Corporate issues representing investment in new plant and equipment or additions to working capital amounted only to about $10,000,000, as against an average of $36,000,000 a month during the first quarter of 1938, and $140,000,000 a month during the second quarter of 1937. Refunding operations during the month, consisting largely of the offering of $60,000,000 Consolidated Edison Company of New York debenture $3\frac{1}{2}$'s of 1948, brought the month's total of corporate issues to about $80,000,000. The Consolidated Edison Company debentures, which were marketed at $101\frac{3}{4}$ on April 21, were oversubscribed and quoted at a premium on the date of issue. It was reported that an unusually large proportion of the issue was purchased by commercial banks.

Awards of municipal bond issues totaled only about $40,000,000 in April. The demand for such issues, however, was reported to be very strong, particularly in the latter part of the month.

Balance of Payments of the United States

Preliminary estimates of the United States balance of payments in 1937 recently issued by the Department of Commerce show a reduction in the net amount due foreigners on trade and services as compared with 1936, and a smaller net inflow of capital from abroad. Both of these net results for the year, however, were associated with the decline in business in this country during the latter part of the year; the $261,000,000 excess of merchandise exports over imports during 1937 was the result of the large export surplus in the last four months of the year, which amounted to $373,500,000, and the inflow of capital from abroad in the first nine months had, at $1,304,000,000, exceeded the total inflow for the whole year 1936.

The large inflow of gold during 1937 took place for the most part during the first nine months of the year and was associated with the heavy inflow of capital during that period. The character of the capital inflow was, until March, 1937, similar to that of 1936, in that it was concentrated in purchases of American and foreign securities in this market and only in small measure in short term banking funds, but after the decline in the security markets began in March, the heavy inflow of capital took the form almost entirely of additions to foreign short term banking funds in this country and foreign repurchases of foreign dollar securities. In the fall of the year, when the decline in business and prices in the United States sharply reduced American imports from abroad, foreigners used previously acquired dollar deposits to pay for American excess merchandise exports. This reduction in foreign balances together with additional withdrawals of foreign capital, to some extent reflected fears held abroad that the dollar might be devalued.

United States exports and imports for the year 1937 as a whole were both considerably higher than in the previous year, exports of United States merchandise increasing by 36 per cent, while imports for consumption increased by 24 per cent. The increased exports were primarily concentrated in machinery, vehicles, metals and manufactures, and nonmetallic minerals, while the principal increases in American imports took place in certain raw materials, particularly rubber, wool, and tin.

The maintenance of business activity and income in the United States at a fairly high level during the first three quarters of the year, including the summer tourist season, was accompanied by increased expenditures of American tourists abroad. Income from foreign investments increased slightly on balance, despite higher interest and dividend payments to foreigners who had added substantially to their holdings of American securities in the last two years.

The size of the residual, which amounted to $711,000,000, may have been affected by Stabilization Fund transactions, but as these could not have accounted for more than $200,000,000, the residual is primarily the result of credit items the character of which is not known.

(Net figures in millions of dollars; + indicates amounts payable by foreigners to U. S., and — indicates amounts payable by U. S. to foreigners on specified transactions.)

	1936	1937
I. Current Account		
Merchandise trade	+ 33	+261
Tourist expenditures	—364	—455
Immigrant remittances and charitable contributions	—180	—175
Income from foreign investments	+330	+345
Other current items	+ 21	— 25
Balance on current account	—160	— 49
II. Capital Account		
Short term banking funds	+404	+290
Security transactions	+773	+512
Currency shipments and receipts	+ 22	....
Other reported capital movements	— 12	+ 5
Balance on capital account	+1,187	+807
III. Silver	—174	— 83
IV. Gold shipments and earmarkings	—1,030	—1,386
V. Other transactions and residual	+177	+711

Foreign Exchanges

Despite a heavy persistent demand for dollars to pay for the excess of merchandise exports from the United States over imports, the dollar weakened in the first part of April accompanying news reports of an impending increase in the Government's spending program, and declined further following the President's message to Congress on April 14. From \$4.96½ on April 1 the pound sterling rose as high as \$5.01¼ in the New York market on April 18, but subsequently receded, being quoted in the neighborhood of \$4.98¾ at the month end. The reaction in the latter part of the month was furthered by the publication of the British budget which called for an increase in taxes. The dollar equivalent of the London gold price at the fixing fluctuated in similar fashion to the pound sterling, rising from \$34.77 on April 1 to \$34.91 and then receding to \$34.80 at the month end. This rise occurred while a decline from 140s ½d per ounce to 139s 6d was taking place in the sterling price of gold. Quotations for the Swiss franc and the guilder moved roughly parallel to the pound sterling.

The French franc firmed from \$0.0307¾ on April 1 to \$0.0316¾ on April 18, following the Senate's rejection of Premier Blum's demand for plenary powers, and the granting by the French Parliament of similar powers to Premier Daladier who formed the successor Radical Socialist Cabinet. Rumors of differences of opinion within the cabinet over the appropriate external value of the franc induced a break in the franc to \$0.0302$^{7}/_{16}$ on April 23 from \$0.0314 two days previously, but the denial of any such differences was followed by a recovery to \$0.0312. As the month closed, the franc declined again to \$0.0307½. The belga, which had recovered from the gold export point when the pound advanced in the middle of the month, weakened again on April 28 when the French franc broke anew through the level of 160 francs per pound.

Apart from the major European currencies, April witnessed a recovery in quotations for three monetary units which had previously shown declines. The Shanghai dollar which had fallen as low as \$0.23½ on March 28 before recovering to \$0.26 on March 31, appreciated further in restricted trading to \$0.27½. The Mexican peso after dropping 22 per cent in March following the abandonment of the peg to the dollar, was quiet and nominally higher on balance, finishing the month at \$0.2410 as compared with \$0.2225 on March 31. The Argentine free peso turned upward to close the month at \$0.2635 compared with \$0.2480 at the end of March. This improvement is partly attributable to new short term borrowing in Europe by the Argentine Treasury and to the announcement of a less liberal policy of granting advance exchange permits to importers.

Canadian exchange persisted at a discount of close to ½ per cent against the dollar, despite the appreciation of the pound sterling. The Indian rupee declined from 18⅛ pence to 17$^{59}/_{64}$ pence in the second half of April, after having remained at the former rate for thirteen months. Yen quotations remained unchanged in terms of sterling during the month, but new and more stringent restrictions were placed on exchange trading in Japan and five gold shipments to the United States were announced during April, following the single shipments announced in February and March.

Gold Movements

After being in the neighborhood of the gold shipping point to New York from the middle of March through the first week of April, the London market price for gold rose to quotations which caused a termination of engagements of gold for export to the United States.

Preliminary figures of gold imports at New York affecting the gold stock during April show receipts of \$24,200,000 from England (representing gold engaged in March and the early part of April), and also \$2,000,000 from India and \$1,900,000 from Belgium. On the West Coast \$23,400,000 was received from Japan, \$1,000,000 from Australia, and \$200,000 from Hong Kong. In addition, there was a gain to the gold stock through the release of \$3,300,000 from foreign earmarked holdings and through receipts of newly mined and scrap gold. As a result, the gold stock was increased by approximately \$75,000,000 during April.

On April 14, a total of \$1,183,000,000 from the inactive gold account and \$209,000,000 of other gold in the Treasury was transferred to the gold certificate fund of the Federal Reserve System, representing the first step in the desterilization of gold previously accumulated in Treasury holdings. The Treasury further announced that it was discontinuing the inactive gold account.

Employment and Payrolls

Continuing the decline which has been in progress since October, the number of workers employed in nonagricultural pursuits throughout the country declined an additional 50,000 in March, according to the Secretary of Labor. Ordinarily, between 200,000 and 300,000 persons return to work at this time of year. Compared with a year ago it it is estimated that there were approximately 2,450,000 fewer people at work on nonagricultural jobs, excluding Works Progress Administration and other emergency projects.

Factory employment in the United States declined slightly during March whereas an increase is usual at this season. Working forces were reduced both in the durable and nondurable goods industries, and employment in the manufacture of durable products was at the lowest level since January, 1935. There was a slight gain in factory payrolls, which indicated some increase in plant operating schedules, but as the rise was less than seasonal this bank's payroll index showed a further decline of approximately 2 per cent. Compared with a year ago, factory employment in March was 19 per cent lower and payrolls were 28 per cent less.

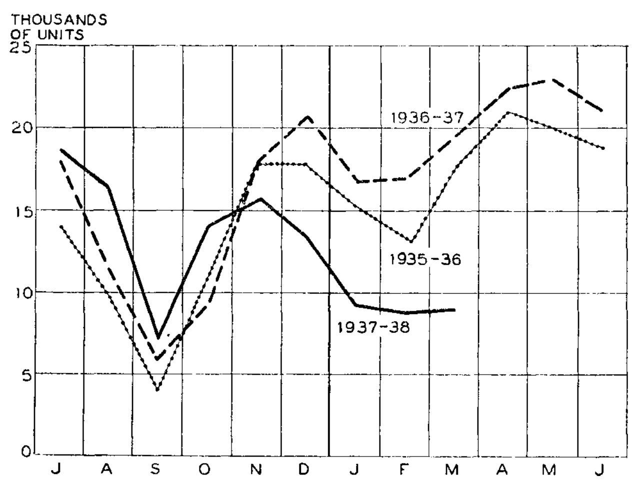
Following small gains reported in February, New York State factory employment and payrolls were little changed in March, although an advance is customary at this time of year. This bank's seasonally adjusted index of employment decreased 2 per cent and the adjusted payrolls index declined 3 per cent. Gains in the number of workers engaged in the manufacture of paper and pulp, textiles, and building materials were offset by net losses in employment in the metal and machinery and clothing industries. Compared with a year ago, a decline of 14 per cent occurred in the number of factory workers employed and a reduction of 18 per cent was shown in aggregate payrolls.

Production and Trade

The relatively low level of business activity which characterized the first quarter of 1938 appears to have continued in April. Activity at steel mills was estimated at 32 to 32½ per cent of capacity during most of the month, as compared with an average rate of 34 per cent in March. Automobile production, while somewhat higher than in the preceding month, failed to rise as much as in other years. Cotton textile mill activity continued at a low level. The generation of electric power declined, and during the first half of April shipments of freight by railway also were lower than in March. On the other hand, bituminous coal output decreased less than usual in the first two weeks. For the four weeks ended April 23, department store sales in this district were about 1 per cent below the corresponding 1937 period, although this comparison is for a period this year which included Easter buying with a period after Easter last year. It is estimated that March and April sales combined will show a decline of about 7 per cent from the corresponding period of 1937.

During March the general level of production and trade was little changed from February. Steel ingot production advanced seasonally; cotton textile mills were slightly more active; shoe production was up more than in other years; and machine tool orders and the manufacture of tobacco products gained contraseasonally. On the other hand, automobile assemblies failed to show the usual rise, the generation of electric power and output of bituminous coal declined seasonally, and a sharp reduction was shown in the rate of copper production.

Even after adjustment for the later date of Easter this year and other seasonal factors, March sales of department stores and sales of chain stores, other than grocery, compared unfavorably with the February levels, but mail order house and grocery chain sales were higher. Registrations of new passenger cars showed the smallest increase over February in the past four years. Merchandise and miscellaneous freight car loadings advanced seasonally during March, and shipments of bulk commodities declined about as usual.



Daily Average Production of Passenger Automobiles and Trucks

The average daily rate of automobile production since July, 1935 is shown in the accompanying diagram. From July to October, 1937, production substantially exceeded that of the corresponding months of 1935 and 1936, but since last October assemblies have been at much lower levels than in either of the two preceding years. Production in March, 1938 was 55 per cent below a year ago and 49 per cent less than in 1936.

(Adjusted for seasonal variations, for estimated long term trend, and where necessary for price changes)

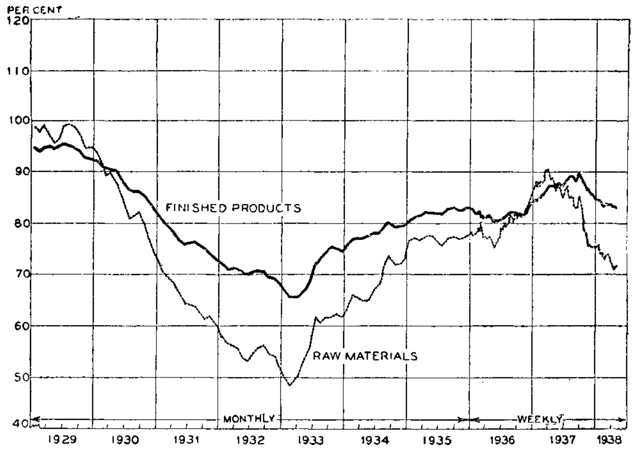
	1937	1938		
	Mar.	Jan.	Feb.	Mar.
Industrial Production				
Steel	103	38	38	39
Copper	104	77	70	64*p*
Passenger cars	99	47	46	42*p*
Motor trucks	107*r*	78	72	55*p*
Bituminous coal	123	66	64	64*p*
Crude petroleum	97	96	92	93*p*
Electric power	94	85	85*p*	84*p*
Cotton consumption	117	71	73	75
Wool consumption	137	49	56	
Shoes	130	95	98*p*	103*p*
Meat packing	91	89	82	84
Tobacco products	92	87	88	92
Cement	78	50	46	53
Machine tool orders*	175	115	70	88
Employment				
Employment, manufacturing, U. S.	102	85	84	83*p*
Employee hours, manufacturing, U. S.	96	66	66	66*p*
Construction				
Residential building contracts	34	21	23	28
Nonresidential building and engineering contracts	46	65	37	45
Primary Distribution				
Car loadings, merchandise and misc.	93*r*	74	74	73
Car loadings, other	94	72	64	63
Exports	78	91	90	87*p*
Imports	109	64	64	64*p*
Distribution to Consumer				
Department store sales, U. S.	93	86	83	80
Department store sales, 2nd District *r*	85	81	78	78
Chain grocery sales	97	103	100	102*p*
Other chain store sales	95	93	89	85*p*
Mail order house sales	104	87	87	89
New passenger car registrations	104	60	60	56*p*
Money Payments				
Bank debits, outside New York City	70	58	57	59*p*
Bank debits, New York City	40	35	31	35*p*
Velocity of demand deposits, outside New York City**	73	65	62	62
Velocity of demand deposits, New York City**	48	42	36	38
General price level#	163*r*	155	154	152*p*
Cost of living#	150	150	148	148*p*
Composite index of wages†	104	111	111	110*p*

p Preliminary. *r* Revised *Not adjusted for price changes.
**1919-1925 average = 100 per cent. #1913 average = 100; not adjusted for trend.
†1926 average = 100; not adjusted for trend.

Commodity Prices

Although considerable irregularity was evident in individual commodity markets during April, the general average of actively traded commodities continued to tend somewhat lower during most of the month, and Moody's Investors Service index showed a net decline of about 2 per cent, reaching near the end of April the lowest level since June, 1934.

With the winter wheat crop approaching the critical growing stage, changes in weather conditions were the chief factor influencing wheat prices during the month. Reflecting primarily further reports of favorable growing conditions, the cash quotation for the Number 1



Wholesale Prices of Raw Materials and Finished Products (Bureau of Labor Statistics indexes; 1926 average = 100 per cent)

grade at Minneapolis declined an additional 4⅛ cents during April to $1.00⅞ a bushel, the lowest since June, 1935. The Government winter wheat estimate, based upon conditions prevailing on April 1 and released on April 11, placed this season's crop at 725,700,000 bushels, or about 100,000,000 bushels above the forecast made last December and about 40,000,000 bushels above the actual 1937 harvest.

A rather large decline was shown during the past month in the average price of hogs, which on April 26 reached a low of $8.05 a hundredweight, and after a subsequent recovery to $8.11, remained 69 cents below the quotation at the end of March, and $1.66 below the high point reached in early March. Losses for the month also occurred in the prices of sugar and hides, but little net change was shown in the spot price of corn.

The cash quotation for cotton reached a low of 8.44 cents a pound on April 7, but rose to 9.03 cents on April 18. The subsequent movement was irregularly lower, but spot cotton ended the month at 8.81 cents, or 12 points above the end of March quotation. A gain of 8 cents raised the price of raw silk to $1.65½ a pound, and net increases also occurred in the prices of crude rubber and steers.

In the metals group, the price of scrap steel at Pittsburgh was lowered $1.75 during April to $11.75 a ton, and the price at Chicago closed the month at $11.25, or 50 cents below a month ago; both these prices represent new lows since the summer of 1935. With the exception of the prices of tin and zinc, which declined somewhat, prices of the principal nonferrous metals showed no net change during the past month.

The Bureau of Labor Statistics indexes of prices of raw materials and finished products on a 1926 base are shown in the accompanying diagram, which compares the movements of these two groups since 1929. At the low point of 1933 the raw materials index stood about 25 per cent below that of finished products. During the subsequent advance, a much greater recovery occurred in the raw materials group, so that by September, 1936 both indexes stood at about the same level relative to the 1926 average and by April, 1937 raw material prices had risen slightly above finished goods prices. Between April, 1937 and the middle of April this year the raw materials group declined about 20 per cent to the lowest level since July, 1934. A slightly firmer tendency, however, has been evident in the latter part of the month. The index of finished products continued to advance through September of last year, and since that time has declined about 7 per cent to the level of November, 1936. The net result has been a decline of about 10 per cent in the composite Bureau of Labor Statistics index from the April, 1937 high, as compared with a drop of about 40 per cent in the more sensitive Moody's Investors Service index, which is based on 15 actively traded raw commodities.

Foreign Trade

Exports of merchandise from this country during March were valued at $276,000,000, and imports at $173,000,000, both amounts being slightly larger than in the preceding short month. Exports showed an increase of 7 per cent over a year ago, while imports were 44 per cent smaller, continuing the tendency evident since last summer which has resulted in substantial export balances.

Agricultural exports as a whole were 17 per cent larger in value than in March, 1937, and nonagricultural exports were 4 per cent larger. Shipments of crude foodstuffs, chiefly grains, continued to show large gains over a year ago, while exports of crude materials declined somewhat, owing primarily to a large decrease in Japanese imports of American cotton. Among the nonagricultural exports finished manufactures increased 10 per cent over March, 1937, while exports of semimanufactured products showed a decline of 13 per cent. The demand from foreign countries for American agricultural and industrial machinery and motor trucks remained large compared with a year ago, while their takings of semifinished iron and steel products and of passenger automobiles were substantially reduced, reversing the tendency in recent months.

All the major economic groups of imports, and most of the leading individual commodities, shared during March in the decline from a year ago in the value of total imports. Receipts of foreign grains and wool declined to small fractions of the corresponding volume in March, 1937. Decreases in the value of imports of hides and skins, tin, nickel, flaxseed, burlaps, sugar, and newsprint paper, ranged, in the order named, from 80 to 32 per cent, and the quantities of these imports showed substantial reductions. Receipts of crude rubber, coffee, and silk, although slightly larger in volume than a year ago, declined in value, owing to lower prices for these commodities. Unmanufactured tobacco, copper, and crude petroleum were the only important imports that showed increases in quantity and value over March, 1937.

Building

During March there was a considerable upturn from the low February level in the value of building and engineering contracts awarded in the New York and Northern New Jersey area. The daily average of all such contracts was more than double the rate for the preceding month, and excepting commercial and factory building and public utility construction, each of the major categories registered sizable advances over February as is indicated in the following table.

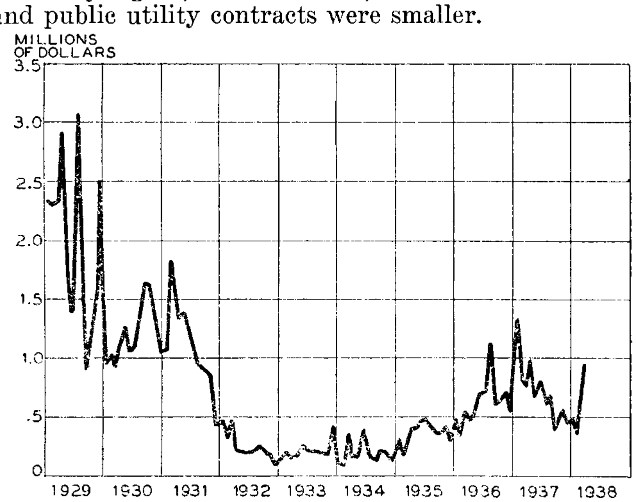
Percentage Change in Average Daily Contracts

	N.Y. and Northern N.J.		37 States	
	March, 1938 compared with Feb., 1938	March, 1938 compared with March, 1937	March, 1938 compared with Feb., 1938	March, 1938 compared with March, 1937
Building				
Residential	+165	+ 22	+ 62	— 12
Commercial and factory	+ 4	— 46	+ 63	— 31
Public purpose*	+129	+ 81	+ 39	+ 41
All building	+118	+ 19	+ 54	— 7
Engineering				
Public works	+179	+113	+ 58	+ 50
Public utilities	— 24	— 77	+ 69	— 45
All engineering	+128	+ 26	+ 60	+ 15
All construction	+120	+ 21	+ 55	— 2

*Includes educational, hospital, public, religious and memorial, and social and recreational building.

Total contracts in the New York area for March were 21 per cent higher than a year ago, the most pronounced gain occurring in awards for public works, but residential contracts were also 22 per cent higher, reflecting large contracts for apartment houses in New York City and vicinity. The course of residential building activity in the Second Federal Reserve District since 1929 is indicated in the accompanying diagram which shows the average daily value of residential contracts in each month after adjustment for usual seasonal movements. From the extremely low level of the period from 1932 through 1934, residential building in this district showed a decided recovery in 1935 and 1936, but the subsequent decline extending through February, 1938 reduced activity to about the level of the early part of 1936.

For the 37 States covered by the complete F. W. Dodge Corporation report, the total of contracts in March was 55 per cent higher than in February on a daily average basis, with all the major classifications sharing in the increase. Compared with a year ago, total contracts were virtually unchanged; awards for public works projects and for buildings designed for public purposes were substantially higher, but residential, commercial and factory, and public utility contracts were smaller.



Average Daily Value of Residential Building Contracts Awarded in Second Federal Reserve District, Adjusted for Seasonal Variation (Based on F. W. Dodge Corporation data)

Data for the first half of April indicate a decrease of 8 per cent from March in the rate of contract awards in the 37 States, whereas there is ordinarily an increase in this period. Compared with the corresponding period of 1937, total contracts were 17 per cent lower, as declines in residential and nonresidential building were only partially offset by an increase in contracts for heavy engineering projects.

Department Store Trade

Total sales of the reporting department stores in this district for the four weeks ended April 23, were about 1 per cent lower than the corresponding 1937 period. This comparison, however, covers a period this year which includes Easter buying and a period last year entirely after Easter.

In March total sales of the reporting department stores in this district were about 12 per cent lower than last year, owing in part to the fact that Easter business in 1937 was done in March. The influence of the early Easter trade last year was reflected also in March sales of leading apparel stores in this district, which were 17 per cent below March, 1937.

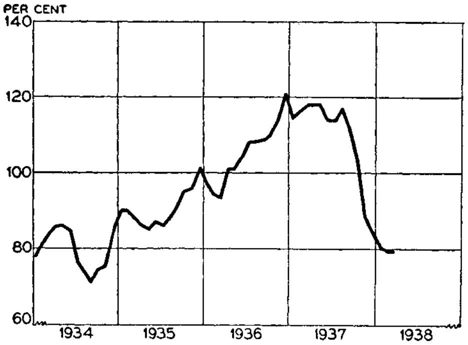
Stocks of merchandise on hand in the department stores, at retail valuation, were 10 per cent lower at the end of March, 1938 than at the end of March, 1937, with most of the principal departments showing sizable declines; apparel store stocks were 5½ per cent lower than a year ago. Collections of accounts outstanding continued to be slower than a year ago.

Locality	Percentage change March, 1938 compared with March, 1937		Per cent of accounts outstanding February 28 collected in March	
	Net sales	Stock on hand end of month	1937	1938
New York	—12.3	—10.0	49.8	48.4
Buffalo	—11.8	— 3.0	51.2	48.3
Rochester	— 0.9	— 3.3	53.8	52.8
Syracuse	— 5.8	— 1.8	42.4	40.4
Northern New Jersey	—12.5	—18.4	43.4	42.8
Bridgeport	—19.3	— 7.9	40.8	37.6
Elsewhere	—13.3	— 2.2	34.4	32.8
Northern New York State	— 4.7	......	....	....
Southern New York State	—21.8	......	....	....
Central New York State	—13.9	......	....	....
Hudson River Valley District	— 9.1	......	....	....
Capital District	— 5.6	......	....	....
Westchester and Stamford	—18.8	......	....	....
Niagara Falls	—17.5	......	....	....
All department stores	—11.8	— 9.9	47.4	46.1
Apparel stores	—17.1	— 5.5	42.0	40.9

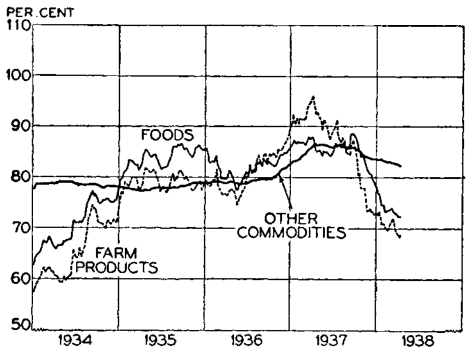
Department Store Sales and Stocks, Second Federal Reserve District (1923-25 average = 100)

	1937	1938		
	March	January	February	March
Sales, unadjusted *r*	85	74	74	77
Sales, seasonally adjusted *r*	94	94	91	90
Stocks, unadjusted	91	73	76	80
Stocks, seasonally adjusted	91	80	81	80

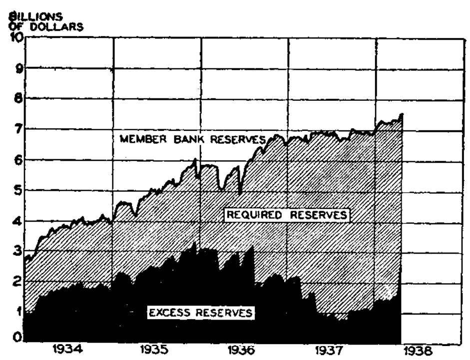
r Revised



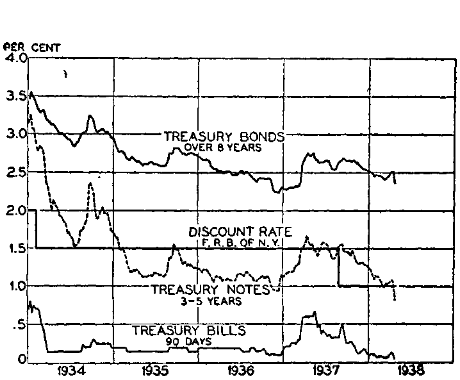
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation (1923-25 average = 100 per cent)



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



Wednesday Figures of Total Member Bank Reserve Balances at Federal Reserve Banks, with Estimates of Required and Excess Reserves



Money Rates in New York

Business Conditions in the United States

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

In March and the first three weeks of April industrial activity continued at about the same rate as in January and February. Distribution of commodities to consumers showed less than the usual seasonal increase and wholesale commodity prices declined further.

Production

Volume of industrial production showed little change from February to March and the Board's index, which is adjusted for the number of working days and for usual seasonal variations, remained at 79 per cent of the 1923-1925 average. In the steel industry, output of ingots averaged 33 per cent of capacity in March and continued at about this level in the first three weeks of April. Shipments of finished steel in March, as in other recent months, were at a somewhat higher rate than output. Automobile production, which usually expands sharply at this time of the year, showed little change from the low level of January and February, and output of tires and plate glass likewise remained at a low rate. In the lumber and cement industries there were considerable increases in output in March. At cotton and silk textile mills and shoe factories activity rose somewhat, while production at woolen mills declined following a rise in February. Declines were reported also for meat packing and sugar refining. At mines, where production decreased generally in February, output of bituminous coal and nonferrous metals continued to decline in March, while production of anthracite and crude petroleum increased somewhat.

Value of construction contracts awarded showed a considerable increase in March, according to figures of the F. W. Dodge Corporation. Awards for residential work, which had advanced moderately in February, increased sharply in March but were still 12 per cent less than in March, 1937. Contracts for other private work also increased in March, but remained considerably smaller than a year ago. The value of public projects showed an increase and was higher than last year.

Employment

Factory employment declined somewhat and payrolls showed little change from the middle of February to the middle of March, although increases are usual at this season. The number employed in the machinery industries decreased considerably further and at woolen mills there was also a substantial decline, while most other manufacturing industries showed moderate declines or little change. Employment on the railroads and in the public utilities declined somewhat further in March, while in other nonmanufacturing lines there was little change in the number employed.

Distribution

Sales at variety stores and by mail order houses increased seasonally in March, while sales at department stores showed less than the usual rise. The Board's seasonally adjusted index of department store sales declined from 88 in February to 86 in March and figures for the first three weeks of April indicate some further decline. Freight car loadings showed little change from February to March, although a rise is usual at this time of the year. Shipments of coal declined substantially and miscellaneous loadings increased by less than the usual seasonal amount.

Commodity Prices

Wholesale commodity prices generally declined from the middle of March to the third week of April. There were further decreases in prices of a number of raw and semifinished industrial commodities, and prices of some leading agricultural products also declined, reflecting in part seasonal influences. In the middle of April prices of some industrial materials advanced slightly from the lows reached earlier in the month.

Bank Credit

During March and the first three weeks of April, total loans at reporting member banks in 101 leading cities declined further, reflecting a substantial reduction in loans to brokers and dealers in securities and also declines in commercial loans. Holdings of investments showed little net change, declining in March and increasing in April.

As a part of the Government's program for encouragement of business recovery, the Board of Governors reduced reserve requirements of member banks by about $750,000,000, effective April 16, and excess reserves correspondingly increased. As a part of the same program the Treasury discontinued the inactive gold account and deposited about $1,400,000,000 of gold certificates with the Federal Reserve Banks. Additions to excess reserves from this source will occur as the Treasury draws upon these deposits to meet current expenditures and the retirement of Treasury bills.

Money Rates and Bond Yields

Yields on Treasury bonds declined from a level of 2.50 per cent in the first half of April to 2.32 per cent on April 22. The average yield on 3-5 year Treasury notes declined to a new low of 0.81 per cent, which compares with the previous low of 0.92 per cent in December, 1936. The rate on three month Treasury bills declined to virtually a no-yield basis. Other short term open market money rates remained unchanged in the first three weeks of April.