MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Bank, New York *May 1, 1941*

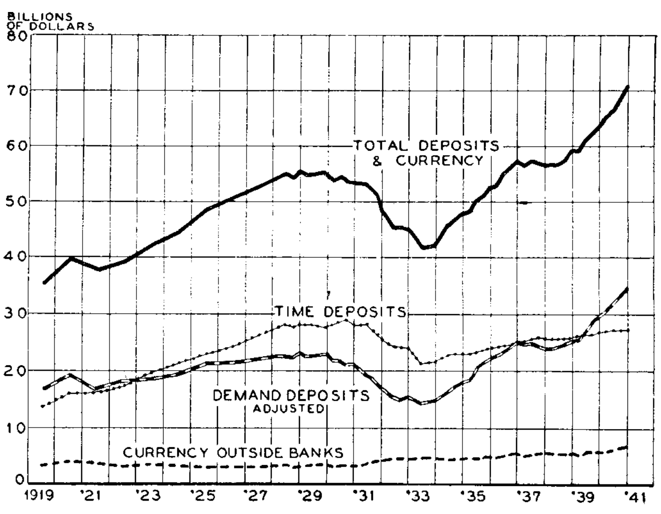
Money Market in April

Interest in the money market during April continued to center on Treasury transactions and upon the further unfolding of the Treasury's fiscal program, both with respect to borrowing and to taxation.

The sale of $644,000,000 of Reconstruction Finance Corporation 7/8 and 1 1/8 per cent notes caused a large inflow of funds into Treasury deposits in the Federal Reserve Banks on April 17 when payment for these notes was due, and a corresponding drain on member bank reserve balances. Excess reserves of the member banks on the following statement date, April 23, were down to $5,760,000,000, the smallest figure since March of last year. Since January 15 of this year when they amounted to $6,900,000,000, or virtually the same as at the peak reached in October, 1940, excess reserves have been reduced by $1,140,000,000. This decrease has taken place despite additions to the gold stock of $416,000,000, and is due principally to a rise of $814,000,000 in Treasury cash and deposits in the Federal Reserve Banks, an increase of $450,000,000 in the amount of money in circulation, and an increase of approximately $230,000,000 in reserves required to be maintained against rising deposits. More than a year ago the volume of excess reserves had reached such high levels that further additions of surplus funds had only a limited effect on interest rates, and conversely the recent absorption of some of the superfluous supply of funds has been equally without effect. It should be pointed out, however, that in the case of the reductions in reserves which have come about as a result of Treasury transactions, it is recognized that part of the losses are probably of a temporary nature and will be offset as the funds are paid out of Treasury deposits in the Reserve Banks in meeting the costs of the ordinary operations of the Government and the defense program.

The Treasury's plans for the issuance of new United States Savings Bonds and Stamps, the sale of which begins May 1, were brought to completion in April with the establishment of arrangements for the sale and issuance of the Series E Defense Savings Bonds by qualified agencies, including member and nonmember commercial banks, savings banks, savings and loan associations and other members of the Federal Home Loan Bank System, as well as Federal Reserve Banks and branches, and post offices, throughout the entire country. The Series F and G Savings Bonds (intended for investors having larger funds at their disposal than the purchasers of Series E bonds) will be issued only by the Federal Reserve Banks and the Treasury, though banks generally may handle applications for their customers. Defense Postal Savings Stamps will be sold by the post offices, but it is expected that many of the issuing agencies for Defense Savings Bonds will purchase supplies of the stamps from their post offices and have them on hand for resale to customers and others.

The establishment of these widespread agencies for the sale of various types of Government savings obligations will facilitate their purchase by individuals, corporations, and investors generally, to the end that all may have an opportunity to aid in the financing of the National defense effort, by lending their dollars to the Government. From the economic standpoint, the financing of the defense program by the sale of Government securities to individuals, corporations, trust accounts, and other non-bank investors rather than by expansion of bank credit, which is involved when commercial banks buy Government securities, has several advantages. In the first place, it will tend to limit further increases in the already redundant money supply of the country. As the accompanying diagram indicates, the total money supply of the country, at $71,000,000,000, is far larger than at any time in the period covered by the chart—since 1919—and, in fact, is larger than at any time in the past. The principal increase in the money supply since 1929 has been in demand deposits, an increase which has resulted from the inflow of funds from abroad, and the deficit financing program of the Government, involving, as it did, large purchases of



Total Deposits and Currency in the United States

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Government securities by the banks. Currency held outside banks and time deposits, the other two components of the money supply, in the broad sense, have also risen in recent years. In addition to providing an outlet for existing idle funds, Savings Bonds will furnish a medium for the investment of new savings as they develop.

Secondly, the utilization of current income and existing idle funds in the direct financing of the Government's defense program will tend to limit the volume of funds which individuals can spend on durable consumers' goods, such as automobiles, refrigerators, and residential housing, the production of which may be difficult to expand further, in the face of the huge requirements of the defense program. Already, the automobile companies have announced a 20 per cent reduction, from 1941 production, in the number of cars to be produced during the 1942 model year, in order to conserve facilities and materials for defense goods production, and one producer has announced that no new models will be introduced for 1943, thus releasing tooling facilities for defense work. With productive facilities, such as the automobile plants, being progressively allocated to defense goods, investment of current income and idle funds in Savings Bonds will tend to alleviate one condition making for higher prices. Furthermore, to the extent that income is used by individuals to purchase Savings Bonds, rather than being currently spent, a backlog of savings will be built up, which can be used to cushion the effect of a recession in business activity at some time in the future. Accumulated savings in this form, available for spending when business activity declines, would have important benefits, both from the viewpoint of the individual and of the economy as a whole.

Member Bank Credit

A further large increase in total loans and investments of the weekly reporting member banks in 101 cities occurred during the four weeks ended April 23. Commercial loans rose $110,000,000 further in the three weeks ended April 16, thereby extending the rise in such loans during the period since the outbreak of the war to $1,534,000,000, but in the week ended April 23 commercial loans receded $21,000,000, the first weekly decline since last September. Holdings of United States Government direct obligations rose $227,000,000 in the four weeks ended April 23, principally as the net result of an increase of $382,000,000 in Treasury bond holdings, and a decline of $169,000,000 in Treasury note holdings. During this period the $504,000,000 Treasury note issue maturing June 15, 1941, was exchanged, under a Treasury offering, for a new issue of Treasury bonds and to a limited extent for new Treasury notes, and there was an additional $526,000,000 of the new Treasury bonds, which were sold for cash. The reporting banks' holdings of Government guaranteed securities rose $350,000,000, accompanying the issuance of $644,000,000 of Reconstruction Finance Corporation notes during the period.

Adjusted demand deposits of the reporting banks rose $503,000,000 further during the four weeks to reach a new high figure of $23,762,000,000, which is $4,000,000,000 larger than the figure a year ago. In the week in which the Reconstruction Finance Corporation notes were paid for, however, interbank deposits held by the reporting banks decreased $355,000,000, possibly reflecting in part withdrawals of such deposits by correspondent banks to be used for the purchase of the notes.

Money Rates in New York

	Apr. 30, 1940	Mar. 31, 1941	Apr. 30, 1941
Stock Exchange call loans	1	1	1
Stock Exchange 90 day loans	*1¼	*1¼	*1¼
Prime commercial paper 4-6 months	½-⅝	½-⅝	½-⅝
Bills—90 day unindorsed	7/16	7/16	7/16
Average yield on Treasury notes (3-5 years)†	0.44	0.50	0.49
Average yield on Treasury bonds (not callable within 12 years)†	2.24	2.09	2.00
Average rate on latest Treasury bill sale, 91 day issue	0.004	0.065	0.097
Federal Reserve Bank of New York discount rate	1	1	1
Federal Reserve Bank of New York buying rate for 90 day indorsed bills	½	½	½

*Nominal. †"Tax exempt" issues only.

Government Securities

Prices of both tax exempt and taxable Treasury bonds showed further net gains for the month of April as a whole. Between March 28 and April 10 the price average for the longest term tax exempt Treasury bonds declined about ⅝ point. Subsequently, however, prices of tax exempt bonds advanced about 1⅞ points to reach on April 21 a new high for 1941, only ⅝ of a point below the record high of December 10, 1940. The heaviest gains during this advance coincided with the announcement of the Treasury's proposals for new taxes which gave rise to expectations that Government borrowing would not be so large as had previously been anticipated.

The taxable 2½ per cent Treasury bonds of 1952-54 showed a net gain of 1⅞ points for the month of April, and the taxable 2's of 1948-50 advanced about 1¼ points. Spreads between the yields of taxable and tax exempt Treasury bonds of comparable maturity widened to approximately one half of one per cent during the early discussion of the new tax program (April 17-22). However, the spreads later narrowed to about four tenths of a per cent, apparently reflecting the point of view that increases in corporate income taxes would take a form which would tax income from the partially tax exempt Treasury bonds.

During the first half of April the average yield on 3 to 5 year tax exempt Treasury notes rose 0.05 per cent to 0.55 per cent, but in the latter part of the month this gain was canceled. During the course of the month, yields on the taxable ¾ per cent National Defense note issues of 1944 and 1945 declined, on the average, by 0.12 per cent to 0.70 per cent for the 1944 issue and 0.75 per cent on the 1945 issue.

Accepted bids on the five weekly issues of taxable Treasury bills during April were tendered at declining prices. The accepted bids for the issue dated April 2 were awarded at an interest equivalent of 0.055 per cent and those for the issue dated April 30 were awarded at 0.097 per cent. Each of the weekly issues was in the amount of $100,000,000 and each replaced similar maturities.

On April 9, the Treasury, on behalf of the Reconstruction Finance Corporation, offered for subscription at par and accrued interest taxable Reconstruction

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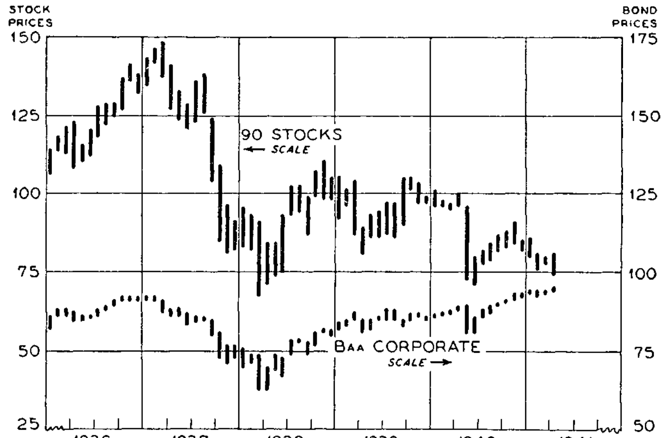
Finance Corporation notes in two series, each in the amount of $300,000,000: 7/8 per cent Series U notes dated April 17, 1941 and maturing October 15, 1942, and 1 1/8 per cent Series V notes dated April 17, 1941 and maturing July 15, 1943. These issues, fully guaranteed by the United States, were heavily oversubscribed. Subscriptions for the Series U notes were allotted 12 per cent, or $319,895,000, and for the Series V notes 9 per cent, or $324,397,000. At the end of the month, the 1 1/8 per cent notes were quoted at 100 7/8 and the 7/8 per cent notes at 100 1/2.

Security Markets

In a limited volume of trading, stock prices declined during April to the lowest level since early June of last year. Encouraging news from the Mediterranean and favorable domestic business prospects were the dominating influences as the month of April opened. The average price of common stocks included in Standard's 90 stock index on April 3 reached a high mark since February 8 but was still some 6 1/2 per cent below the 1941 high. However, accompanying the invasion of Yugoslavia and Greece, and succeeding Allied setbacks, the stock price average declined irregularly until by April 22 the lowest level of last June was approximated, as the accompanying chart indicates. During this recession, share prices dropped about 8 per cent. The slight recovery on April 23 and on following days was apparently technical, since war dispatches on those days and discussion of higher domestic tax rates in Congress were not conducive to firmer stock quotations, and at the end of the month the stock price average dipped again to the April 22 low.

Prices of domestic corporation bonds moved within a relatively narrow range in April. Medium grade bonds of this type, classified as Baa by Moody's Investors Service, continued their price advance of the previous month and a half to a new record high on April 4. In the ensuing four sessions 5/8 of a point was lost but by the end of the month most of this loss was regained. The firmness shown by the Baa bonds in recent months contrasts strongly with the weakness apparent in stock prices since early November, as can be seen in the chart. The principal reason for this divergence appears to lie in the tax situation. Interest on corporate bonds is a charge against income before deduction of taxes, while dividends on stocks are paid out of net income after deduction of taxes. Thus, the current high corporate taxes and anticipations of still higher rates have reacted against stock prices while prospects of active business and substantial profits before taxes have tended to strengthen prices of medium grade bonds.

The price average of Moody's list of high grade (Aaa) corporate bonds moved within a range of only 3/4 of a point during April and showed no particular trend. Meanwhile, prices of prime municipal bonds (the income from which is not taxable by the Federal Government) moved somewhat higher, continuing the irregular advance in progress since late in February. The volume of bond trading on the New York Stock Exchange during April was at about the same level as in March.



Monthly Range of Prices of Stocks and Medium Grade Bonds (Standard and Poor's Corporation 90 stock index and Moody's Investors Service average price of Baa corporate bonds)

New Financing

Owing chiefly to a sharp decline in corporate financing during April, the total of corporate and municipal new security issues, at $261,000,000, was the smallest for any month since September, 1940. Of the $134,000,000 of new corporate issues, also the smallest monthly amount since September, 1940, less than $40,000,000 represented funds to be used for new capital purposes.

A few sizable corporate offerings were made during the first half of the month and moved satisfactorily but during the latter half the market for new issues was relatively inactive. An unusual feature of the month was the successful public offering of United Gas Improvement Company's entire holdings, 701,000 shares valued at about $29,800,000, of the common stock of the Connecticut Light and Power Company; however, this flotation was not considered to represent new financing and therefore is not included in the totals.

The principal issues included in the new financing totals for April are as follows:

	CORPORATE
$30,000,000	Koppers Company securities consisting of $22,000,000 first mortgage 3 1/2 per cent bonds of 1961, priced at 102 to yield 3.36 per cent and $8,000,000 of 2 per cent serial notes matnring from 1941 to 1947, priced at par; chiefly for refunding purposes
25,000,000	Swift and Company securities consisting of $12,500,000 of 2 3/4 per cent debentures of 1961, priced at 99 1/2 to yield 2.78 per cent and $12,500,000 serial debentures maturing from 1942 to 1951, priced at par to yield 0.35 to 2.05 per cent; for refunding purposes
16,500,000	Republic Steel Corporation 2 per cent serial notes maturing from 1941 to 1948, sold privately; for refunding purposes
	MUNICIPAL
$22,000,000	Consumers Public Power District of Nebraska 2 1/2 per cent to 3 1/2 per cent revenue bonds consisting of $15,000,000 serial bonds maturing from 1942 to 1970, priced to yield 1.00 to 3.50 per cent and $7,000,000 term bonds due in 1971, priced at 100 1/2 to yield 3.47 per cent; for new capital purposes

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Temporary financing, not included in the totals mentioned above, amounted to $116,000,000 and included $48,800,000 of short term obligations of 17 local housing authorities, with maturities ranging from September, 1941 to March, 1942 and sold at rates ranging from 0.33 to 0.45 per cent. In addition, the Federal Intermediate Credit Banks sold $31,000,000 of 0.75 per cent consolidated debentures due in six and twelve months, on a basis of 0.35 and 0.45 per cent, respectively.

Indications are that a number of public utility companies are making plans to float new issues of rather substantial size, either for refunding purposes or to carry out integration provisions imposed by the Securities and Exchange Commission. The following are among those issues reported to be under discussion: $120,000,000 Columbia Gas and Electric Corporation debentures, $95,900,000 Alabama Power Company bonds, $45,000,000 bonds and preferred stock of the New York State Electric and Gas Corporation, $36,500,000 Virginia Public Service Company bonds and debentures, and $20,000,000 of 5 per cent preferred stock of the Louisville Gas and Electric Company. It is reported that the American Telephone and Telegraph Company is considering the issuance of approximately $150,000,000 of new securities of which about $50,000,000 would represent new capital. Forthcoming municipal issues may include $136,000,000 City of Philadelphia and $51,200,000 City of Detroit refunding bonds.

Gold Movements

Imports of gold into the United States during April, aside from one large shipment from South Africa, were in very small volume. Gold held under earmark for foreign account at the Federal Reserve Banks rose about $10,000,000 during April to a new high figure of approximately $1,915,000,000. The gold stock of the United States increased about $140,000,000 during the month, or by about the same amount as in the previous month.

In the five weeks ended April 23, the Department of Commerce reported the receipt of $177,100,000 of gold in the following principal amounts: $132,200,000 from South Africa, $16,800,000 from Canada, $11,000,000 from Australia, $5,200,000 from Colombia, $4,100,000 from the Philippines, $1,200,000 from Mexico, $1,100,000 from Peru, $600,000 from the United Kingdom, and $600,000 from Hong Kong.

Central Bank Rate Change

According to a recently received bulletin of the Central Bank of Bolivia, the Bolivian bank rate was reduced to 6 per cent on November 8, 1940, from the 6½ per cent rate which had ruled since August 9, 1938.

Foreign Exchanges

Although the volume of trading in the New York exchange market continued to be on a small scale, the past month witnessed a number of new developments, including the extension on April 28 of the United States Treasury's "freezing" regulations to cover all Greek property situated in this country and the elimination of the drachma from the list of those currencies still traded in in New York.

In the early part of the month interest centered in the Canadian dollar, which received considerable strength from market rumors that some arrangement might soon be made to bring the Canadian dollar to par with the United States dollar. As a result, the unofficial discount on Canadian exchange narrowed from 15⅛ per cent on March 29 to 12 3/16 per cent on April 1. Later official information on these rumors resulted in a temporary reaction in the rate, but by April 15 the unofficial discount had further narrowed to 11⅛ per cent, the best rate since November, 1939. The announcement on April 20 of the economic agreement between the United States and Canada together with the approaching seasonal tourist demand for the Canadian dollar probably helped to hold the unofficial discount near this level during the remainder of the month.

The past month's trading in foreign exchange was also featured by a noticeable, though short-lived, reaction in the Swiss franc. After holding firm at around $0.2322 for some time, the dollar rate for the Swiss franc turned downward on April 17 and on the following day reached a low of $0.2316, accompanying offerings from Continental and Far Eastern sources. The fact that this reaction more or less coincided with an increased demand for Argentine exchange in this market suggested the possibility of a movement of funds from Switzerland to Argentina through the medium of the dollar, as direct conversion of Swiss francs into pesos may have been limited by the thinness of the Swiss market for the Argentine peso. On April 21, however, some Continental and South American demand developed for the Swiss franc, with the result that the New York rate soon recovered to $0.2321, or close to the level prevailing before the reaction. The New York free rate for the Argentine peso, on the other hand, subsequently receded to close the month at $0.2350, as against a high of $0.2374 reached on April 16.

After holding around $4.03 since August, 1940, the New York unofficial rate for sterling reacted in mid-April in an extremely thin market to reach a low of $4.00½ on April 18. By the end of the month, however, quotations had returned to $4.03¼. The discount on the Cuban peso against the dollar widened rather substantially to 5⅞ per cent in the early part of the month and although it subsequently narrowed again to end the month at 3⅞ per cent, it nevertheless remained wider than the 3¼ per cent level reached on March 28.

With respect to the Far East, a stabilization agreement between the United States and China, involving the purchase of Chinese yuan by the United States stabilization fund in the amount of 50,000,000 United States dollars, was signed on April 25. At the same time, negotiations were completed for a similar agreement between China and Britain, under which a total of £5,000,000 is provided for currency stabilization in addition to the existing Sino-British fund which was set up in 1939. In the Shanghai market, the currency of the Chungking Government continued to hold steady in terms of both the United States dollar and the pound sterling, closing April at about 5 3/16 cents and 3 3/16 pence, respectively.

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Foreign Trade

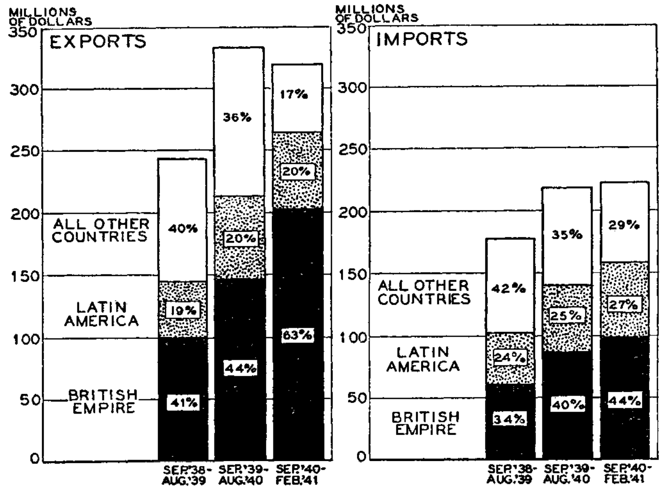
United States foreign merchandise trade during March showed considerable expansion in both exports and imports over the average levels of recent months. Reflecting in some measure shipments made under the lend-lease arrangement, exports of United States merchandise increased to $351,000,000, the largest volume since January, 1940, exceeding the relatively high figure of March, 1940, by $8,000,000. Influenced by accelerated purchases of foreign materials for the defense program, imports for consumption rose to $255,000,000, which was $48,000,000 more than in the comparable month of last year and the largest value for any month in nearly four years. The excess of exports, though somewhat above that of February, was considerably smaller than that of a year ago.

Large gains over a year ago were recorded in March exports of finished manufactures, the value of which was increased to $254,000,000 (or 72 per cent of all exports) from a value of $197,000,000 (or 58 per cent of the total) in March, 1940. The chief factors in this expansion were heavy shipments abroad of war material; the value of exports of aircraft and parts rose to $50,000,000 compared with $20,000,000 in March last year, and shipments of firearms and ammunition increased to $14,000,000, compared with $1,000,000 a year previous. On the other hand, considerable declines from the levels of March, 1940, occurred in exports of copper and a number of other semimanufactured products. Exports of the majority of crude materials and of agricultural commodities generally continued far below those of a year ago. At a value of $29,000,000 shipments abroad of agricultural products comprised only 8 per cent of total exports, and were less than half the value in March, 1940; cotton exports alone declined to $6,000,000 from a value of $26,000,000 a year earlier.

Increases over a year ago occurred in a wide variety of imports during March, and were especially marked in the cases of crude rubber, wool, coffee, sugar, copper, and tin. Imports of diamonds, vegetable oils, and of finished goods taken as a whole, however, were materially reduced from the levels in March, 1940.

Since the outbreak of the present European war this country's foreign merchandise trade has undergone conspicuous changes, as is indicated in the accompanying chart. Shifts in exports from the United States have resulted partly from the progressive cutting off of Continental Europe from outside markets and partly from increased British Empire purchases of materials in this country. With respect to imports into the United States, the expansion since August, 1939, has been concentrated largely in strategic or critical materials for defense purposes.

During the twelve months immediately preceding the war, monthly average exports from the United States amounted to $245,000,000, of which $100,000,000, or 41 per cent, was destined for British Empire countries. During the first war year the monthly average value of United States exports increased to $335,000,000 and of this $148,000,000, or 44 per cent, went to the British Empire. The monthly rate of United States exports during the following six months was reduced



Monthly Average United States Exports and Imports of Merchandise, by Groups of Countries

somewhat—to $320,000,000—but purchases of American products by the British Empire were further increased to a monthly average value of $203,000,000, so that these constituted nearly two thirds of the total for the September, 1940-February, 1941, period. While the dollar volume of United States shipments to Latin America has also expanded since the outbreak of war, the Latin American share of our total exports has remained approximately unchanged, at about 20 per cent. Meanwhile, the proportion of United States exports to all other countries (other than countries of the British Empire and Latin America) declined from 40 per cent of the aggregate in the twelve months before the war to 17 per cent in the first six months of the second war year.

While United States imports have not been characterized by as marked changes as occurred in exports since the beginning of the war, total receipts of foreign products have risen appreciably, from a monthly average prewar value of $178,000,000 to $224,000,000 in the six months ended February of this year. The expansion in imports was concentrated in considerable measure in strategic materials, many of them obtained from British Empire countries, for example, rubber and tin from British Malaya and nickel from Canada. The United States has also increased its purchases from Latin America, to represent 27 per cent of the total in the period from September, 1940, to February, 1941, compared with about 24 per cent in the twelve months preceding the war. These advances reflect among other things larger imports into this country of South American copper, hides, and wool.

Production and Trade

Available statistical data for April indicate some slackening in the rate of business activity after adjustment for usual seasonal changes. A strike reduced automobile production to an appreciable extent, and the range of the effect of the bituminous coal shutdown was extended as the month progressed.

Nearly 90 per cent of the country's bituminous coal

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mining capacity was idle practically to the end of April, when resumption of operations began under the terms of an agreement reached on April 28. At the time when work was resumed a number of industries were feeling the pinch of coal shortages. Owing to actual or imminent shortages of coke, a number of blast furnaces were banked during April and the steel mill operating rate was reduced from an average of 100 per cent of calculated capacity in March to about 94½ per cent at the end of April. The threat of a strike in the steel industry was averted around the middle of the month when major producers granted wage increases of 10 cents an hour. Automobile production was reduced because of a strike which closed plants of the Ford Motor Company for two weeks, and towards the end of the month strikes were threatened at plants of the General Motors Corporation. At the request of the Office of Production Management, the automobile industry agreed to an initial reduction of 20 per cent in its production schedules for the model year beginning next August, in order to release materials and productive capacity for defense needs.

The cotton gray goods market was relatively inactive during most of April, but the mills were said to be still booked far ahead. The stoppage of work at the bituminous coal mines accounted for a sharp reduction in the movement of bulk freight over the railroads, but loadings of merchandise and miscellaneous freight appear to have been well maintained. Incomplete figures indicate that electric power production declined more than usual in April.

In March, this bank's seasonally adjusted index of production and trade was unchanged from the February level of 104 per cent of estimated long term trend. This figure compares with 88 in March, 1940. While activity in most lines covered in the index continued to rise during March, in a number of cases increases failed to equal typical rates of gain between February and March of other years.

Operations in key defense industries, many of them in the producers' durable goods category, continued to mount during March, especially in lines where pressure for increased output is greatest and where productive facilities have been and are being considerably enlarged. Plants producing aircraft, engines, and machine tools reached new peaks of activity, and there were also further gains at shipyards, foundries and machine shops, and plants producing electrical apparatus. On the other hand, production of pig iron, cement, and lumber, while at high levels, failed to increase as much as usual over February, and agricultural implement manufacturers were less active than in February, owing to labor difficulties.

Among industries classified as producers' nondurable, record-breaking rates of operation were attained by cotton and woolen textile mills. Bituminous coal production, in reflection of stocking up prior to the expiration of the wage agreement on March 31, reached the highest level in four years.

Irregular changes occurred in consumers' goods industries, after adjustment for usual seasonal movements. While operations of furniture and radio manufacturing plants were somewhat increased, the expansion in residential building contract awards was smaller than usual between February and March and daily average passenger automobile production fell off slightly instead of advancing as in most other years. A decline of three points in the distribution to consumer index resulted from a much smaller than usual gain in new passenger car sales over the exceptionally high levels of preceding months; in other lines of retail trade activity appears to have been maintained at about the February level, seasonal factors considered.

(Adjusted for seasonal variations and estimated long term trend; series reported in dollars are also adjusted for price changes)

	1940	1941		
	Mar.	Jan.	Feb.	Mar.
Index of Production and Trade	88	103	104*p*	104*p*
Production of:				
Producers' durable goods	77	117	115*p*	114*p*
Producers' nondurable goods	93*r*	106	108*p*	112*p*
Consumers' durable goods	73*r*	89	89*p*	87*p*
Consumers' nondurable goods	95	99	99*p*	100*p*
Primary distribution	82	95	97*p*	99*p*
Distribution to consumer	93	104	108*p*	105*p*
Industrial Production				
Steel	73	127	119	118
Automobiles	90	101	115	106
Bituminous coal	86*r*	92	99	120*p*
Crude petroleum	95	87	86	85*p*
Electric power	97	106	107*p*	109*p*
Cotton consumption	102	127	132	136
Wool consumption	94	150*r*	159*p*	186*p*
Shoes	97*r*	120	116*p*	114*p*
Meat packing	103	96	100	108*p*
Tobacco products	88	94	97	99
Manufacturing Employment				
Employment	93	106	107	107*p*
Man-hours of employment	87	105	106	107*p*
Construction				
Residential building contracts	42	55	64	47
Nonresidential building and engineering contracts	46	69	68	94
Primary Distribution				
Ry. freight car loadings, mdse. and misc.	81	100	100	99
Ry. freight car loadings, other	80*r*	88	90	100
Exports	101	95	98	104*p*
Imports	70	81	84	90*p*
Distribution to Consumer				
Department store sales (U. S.)	87	100	103	102
Grocery chain store sales	98*r*	100	100	101*p*
Variety chain store sales	100	102	107	105
Mail order house sales	93	101	105	104
New passenger car sales	86	125	142	113
*Velocity of Deposits**				
Velocity of demand deposits, outside New York City (1919-25 average = 100)	59	57	57	60
Velocity of demand deposits, New York City (1919-25 average = 100)	27*r*	23	24	25
*Cost of Living and Wages**				
Cost of living (1935-39 average = 100)	103	105	105	105*p*
Wage rates (1926 average = 100)	113	116	116	117*p*

p Preliminary *r* Revised * Not adjusted for trend

Building

During the first three months of 1941 the total value of construction contract awards in the 37 States covered by the F. W. Dodge Corporation reports reached the largest first quarter total since 1930, 58 per cent above the figure for the corresponding months of 1940. Government contracts for defense construction accounted for slightly less than one half of this gain over the first quarter of last year.

While awards for both residential building and heavy

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engineering projects during the first quarter of the current year were more than one-third greater than in the corresponding period of last year, the most substantial increase was in the field of factory building, awards for which were more than four times as great as in the first quarter of 1940. The volume of factory building awards in the first three months of this year was the largest for any quarter since the Dodge records became available in 1925 and exceeded that in the first quarter of 1929 by 48 per cent. Of total contracts awarded by the Government in connection with the defense construction program during the first quarter this year, 28 per cent was for plant construction and expansion, as compared with 23 per cent for public works, and 15 per cent for residential building.

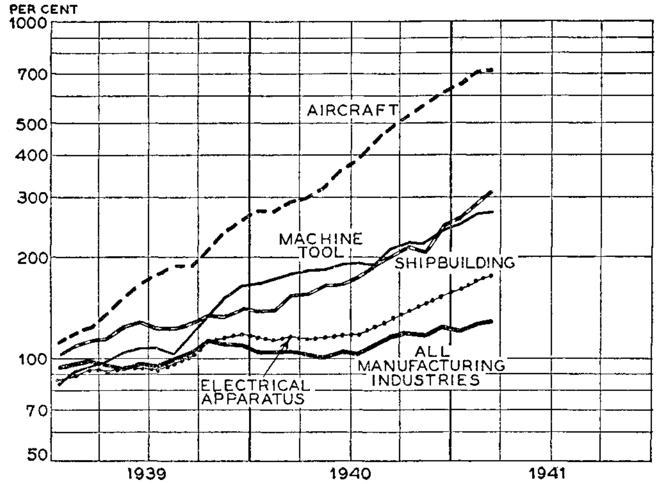
While the total value of construction contracts awarded in 37 States showed a large increase during the first quarter of 1941 compared with the same quarter of 1940, in New York and Northern New Jersey there was little change between the two periods. The fact that only about 1 per cent of all Government defense construction awards during the first quarter of the current year was for projects in this district accounts primarily for the less favorable comparison. Awards for residential building were 9 per cent higher than in the 1940 quarter, while heavy engineering projects were off 10 per cent. The only large increase in this district was for manufacturing building, which was more than double the volume in the first quarter of 1940.

Employment and Payrolls

During March factory employment in New York State rose 2½ per cent and payrolls increased 5 per cent. These gains were shared generally by plants throughout the State and were not restricted to firms with defense orders; every major industrial group and industrial area of the State showed increases in working forces. Particularly large gains in employment were shown in the firearms, shipbuilding, airplane, and machinery industries. Compared with a year ago, working forces were 20 per cent higher and payrolls were 33 per cent greater. Average weekly earnings of wage-earners employed by reporting firms rose during March to $31.32, about 11 per cent above March, 1940, and the highest figure ever reported by the State Department of Labor. Increases in both working hours and wage rates contributed to this rise.

Total nonagricultural employment in the United States as a whole increased by almost 300,000 persons during March, reaching a total of 37,200,000 according to the revised estimates of the Bureau of Labor Statistics. During the twelve months ended with March, nonagricultural employment rose about 2,400,000. In the same period there was an increase of almost 900,000 in military and naval personnel, not included in the figures for nonagricultural employment.

Over one half of the gain in nonagricultural employment during March was accounted for by a further increase in working forces at manufacturing establishments. Factory employment rose 2 per cent and payrolls 3 per cent, both gains being larger than usual for this time of year. Employment increases were numerous



Man-Hours of Employment in Certain Industries Producing Defense Goods, and in All Manufacturing Industries (1935-39 average=100 per cent; data derived from Bureau of Labor Statistics figures)

among nondurable goods industries although durable goods lines generally continued to show larger gains. Durable goods industries stimulated by defense orders—particularly foundries and machine shops, electrical apparatus, shipbuilding, and aircraft—continued to take on additional workers in substantial numbers. Employment in the agricultural implements industry decreased considerably because of strikes. Compared with March, 1940, total factory working forces were 15 per cent larger and payrolls 31 per cent greater.

The accompanying diagram showing man-hours worked in certain industries reflects the effect of the continued stimulation of the National defense program on the production of aircraft, ships, machine tools, and electrical apparatus, compared with manufacturing as a whole. These increases in man-hours of employment represent not only greatly enlarged working forces but also longer working hours. Latest reports of the Bureau of Labor Statistics indicate that in all manufacturing industries combined working hours averaged 40 hours per week, and in the defense industries shown the average is considerably higher, workers in machine tool plants, for example, averaging approximately 52 hours per week. While man-hours worked in all manufacturing have increased about 40 per cent in the period shown, in the electrical industry the figure for man-hours has more than doubled since January, 1939, in shipbuilding and the manufacture of machine tools it has tripled, and at aircraft factories man-hours of employment were 6½ times as great as in January, 1939.

Commodity Prices

Price advances in wholesale commodity markets were less pronounced in April than in March, owing in considerable measure to the depressing effect of war news. The rise in raw industrial prices shown in the two preceding months was arrested. The Bureau of Labor Statistics comprehensive weekly index of wholesale prices rose at a somewhat slower rate than in March to reach, on April 19, a new high since November, 1937.

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During the first part of the month advances were concentrated in foodstuffs, which reflected the Senate's addition of $450,000,000 to the Agricultural Appropriations bill passed by the House and the announcement of a Surplus Marketing Administration program to purchase livestock, poultry, and dairy products until the quotations for these commodities are raised to specified levels. Subsequent rejection by the House of the Senate's addition to the appropriations bill, however, was followed by a downward price reaction.

The average price of hogs in Chicago advanced to $8.81 a hundredweight on April 10, the highest level since September, 1939, and at $8.48 on April 30 showed a net gain of 80 cents for the month as a whole. A rise also occurred in lard and cottonseed oil prices. About the middle of the month, cash corn and wheat quotations reached new highs for the last eleven months but later declined. Spring wheat at Minneapolis closed the month at 92⅝ cents a bushel, little changed from the level prevailing at the end of March. The Department of Agriculture announced that up to the middle of April 20,000,000 bushels of wheat under the 1940 loan had been repossessed but that 257,000,000 bushels still remained under seal. Rates of parity payments to farmers who plant within their 1941 acreage allotments were announced on April 17 by the Department of Agriculture. The rate for wheat is 10 cents a bushel; for corn, 5 cents a bushel; and for cotton, 1.38 cents a pound. In addition, cooperating farmers will receive payments for soil conservation.

Prices of textile fibers showed mixed changes during April. Average quotations for cotton in ten Southern markets rose 24 points to 11.35 cents a pound, the highest level since 1937. Wool prices showed little change while raw silk in New York, following the movement in primary markets, showed a net decline of 14 cents to $2.81 a pound. There was a downward reaction of nine points to 3.31 cents a pound in sugar, while rubber quotations rose 1 cent to 23⅞ cents a pound, the highest level since May, 1940.

As a result of the establishment of the Office of Price Administration and Civilian Supply on April 11, price stabilization, the control of prices, and the protection of consumer interests will for the most part be centered in one agency. Price control and priority measures adopted during April by this or other Government agencies were concentrated largely upon minerals. Price ceilings were established for iron and steel, and iron and steel scrap, while bituminous coal prices were pegged at levels prevailing on March 28, and nickel steel became the seventh item to be placed under an industry-wide priority system. Producers of lead and farm machinery were requested not to raise their prices. The allocation to a defense pool of 17 per cent of zinc output was ordered for May, as compared with 5 per cent in April, and a tin conservation program was developed which may effect a 15 per cent reduction in the amount of tin used by can manufacturers. April allocations of copper from the stock pile of the Metals Reserve Company were placed at 55,000 tons. This Government agency bought over 20,000 tons of copper sold to France before the capitulation, but not delivered.

Department Store Trade

For the four weeks ended April 26, sales of the reporting department stores in this District were about 20 per cent higher than in the corresponding weeks of 1940, which period, however, was entirely after Easter. Nevertheless, the daily rate of sales for this portion of April appears to have increased more than usual over the March level, the changing date of Easter and other seasonal factors considered.

Total March sales of the reporting department stores were about 5 per cent higher than in March, 1940, and advanced about as expected over the February average. March sales of housefurnishings, including linens and domestics, were again substantially higher than a year ago, while large declines were reported in various lines of women's ready-to-wear accessories and men's and boys' wear, doubtless reflecting the later Easter trade this year.

Retail stocks of merchandise on hand in the department stores at the end of March were 6 per cent higher than a year ago, and this bank's seasonally adjusted index of department store stocks in this District advanced one point further to 86 per cent of the 1923-25 monthly average.

Department stores	Percentage changes from a year ago		
	Net sales		Stock on hand end of month
	Mar. 1941	Jan. through Mar. 1941	Mar. 1941
New York City (includes Brooklyn)	+ 2	+ 5	+ 7
Northern New Jersey	+ 6	+ 7	+ 8
Newark	+ 4	+ 6	+ 8
Westchester and Fairfield Counties	+11	+11	+15
Bridgeport	+17	+15	+14
Lower Hudson River Valley	− 1	+ 4	− 3
Poughkeepsie	+ 2	+ 7	—
Upper Hudson River Valley	+14	+13	+ 2
Albany	+11	+ 8	—
Central New York State	+19	+17	+ 9
Mohawk River Valley	+28	+24	+10
Syracuse	+17	+16	+ 9
Northern New York State	—	—	—
Southern New York State	+23	+17	0
Binghamton	+21	+16	—
Elmira	+45	+37	—
Western New York State	+18	+13	+ 3
Buffalo	+26	+19	+ 4
Niagara Falls	− 4	− 1	+ 9
Rochester	+12	+ 9	+ 2
All department stores	+ 5	+ 7	+ 6
Apparel stores	+ 1	+ 2	0

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

	1940	1941		
	Mar.	Jan.	Feb.	Mar.
Sales (average daily), unadjusted	81r	78	79	84
Sales (average daily), seasonally adjusted	88r	99	97	98
Stocks, unadjusted	81r	73	80	87
Stocks, seasonally adjusted	81r	81	85	86

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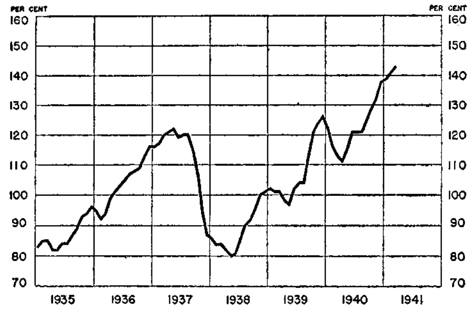
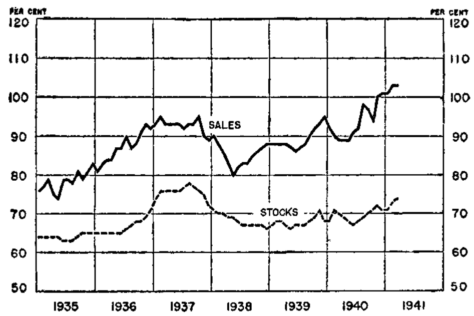
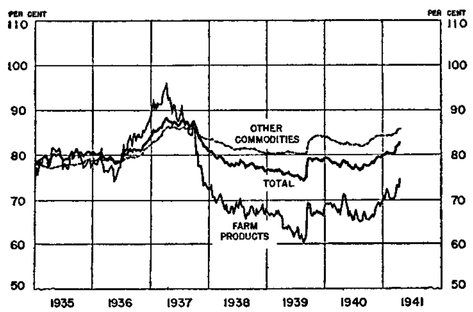


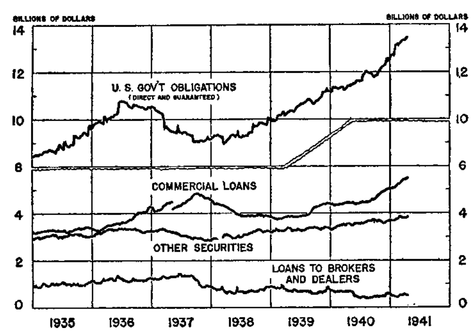
Index of Physical Volume of Industrial Production, Adjusted for Seasonal Variation (1935-1939 average=100 per cent)



Indexes of Value of Department Store Sales and Stocks, Adjusted for Seasonal Variation (1923-1925 average=100 per cent)



Indexes of Wholesale Prices Compiled by United States Bureau of Labor Statistics (1926 average=100 per cent)



Wednesday Figures for Reporting Member Banks in 101 Leading Cities (Latest figures are for April 9)

Business Conditions in the United States

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

INDUSTRIAL activity increased further in March but declined somewhat in the first half of April owing to temporary reductions in output of bituminous coal and automobiles. Wholesale prices of many commodities advanced considerably and the Government took steps to limit price advances of some additional industrial materials.

Production

Volume of industrial output continued to increase in March and the Board's seasonally adjusted index rose from 141 to 143 per cent of the 1935-39 average. Activity increased further in most durable goods industries, particularly in those producing machinery, aircraft, ships, and armament. Steel production increased to about 100 per cent of rated capacity.

Automobile production, which usually increases considerably in March, showed little change from the high rate reached in February. In the first half of April output was reduced considerably owing to a shutdown at plants of the Ford Motor Company during an industrial dispute which was settled about the middle of the month. Retail sales of new and used cars advanced to new peak levels in March and dealers' stocks at the beginning of April amounted to about a month's supply at the current rate of sales. Output of lumber, which had been sustained at unusually high levels during the winter months, rose less than seasonally.

Activity in the textile and shoe industries increased further in March. Cotton consumption rose to a record level of 854,000 bales and there was also an increase in rayon deliveries. At wool textile mills activity was sustained at the peak rate reached in February, not showing the usual large seasonal decline, and in the chemical and rubber industries further advances were reported.

Bituminous coal production rose considerably, while output of crude petroleum was maintained in March at about the rate that had prevailed in the four preceding months. In the first half of April coal production declined sharply, however, as most mines were closed pending conclusion of contract negotiations between mine operators and the miners' union. Production of nonferrous metals continued in large volume in March and deliveries of refined copper showed a sharp rise as domestic production was supplemented by supplies received from South America.

Construction contract awards rose sharply in March and were larger than in any month since the middle of 1930, according to the F. W. Dodge Corporation data. The rise was chiefly in awards for publicly financed work, which had been reduced considerably in January and February, and in private nonresidential projects, particularly factory construction. Awards for private residential building, which had been unusually large during the winter months, showed less than the customary seasonal rise in March.

Distribution

In March distribution of commodities to consumers was sustained at the high level reached in February. Sales at mail order houses and department stores increased seasonally and variety store sales showed more than the usual seasonal rise.

Freight car loadings increased by about the usual seasonal amount. Loadings of coal and grain rose considerably, while shipments of miscellaneous freight, which in previous months had risen steadily, on a seasonally adjusted basis, showed a smaller increase than is usual at this time of year.

Commodity Prices

Prices of basic commodities continued to advance sharply from the middle of March to the middle of April. There were substantial increases in prices of domestic foodstuffs and further advances in burlap, cotton, rubber, and lead. Increases were also reported in wholesale prices of a number of manufactured products and the general index of the Bureau of Labor Statistics rose two points to 83 per cent of the 1926 average.

Informal action was taken by the Government to discourage price increases of some additional industrial materials and maximum price schedules were established for steel, bituminous coal, secondary and scrap aluminum and zinc, and iron and steel scrap. Sharp reductions in prices of some kinds of nonferrous metal scrap resulted. Announcement of an expanded Federal purchase program for hog, dairy, and poultry products was followed by price increases for these and related products.

Bank Credit

Total loans and investments at reporting member banks in 101 cities increased during March and the first two weeks of April. Commercial loans continued to rise substantially, and holdings of United States Government securities increased further, reflecting purchases of new Treasury offerings.

United States Government Security Prices

Prices of United States Government securities declined irregularly from March 15 to April 9 but subsequently rose slightly. The 1960-65 bonds showed a net loss of about ¾ of 1 point on April 15, following a rise of about 3¼ points in the previous month. The yield on this issue on April 15 was 2.14 per cent, compared with 2.03 per cent at the all-time peak in prices on December 10, and 2.30 per cent at the recent low in prices on February 15.

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