MONTHLY REVIEW

Of Credit and Business Conditions

FEDERAL RESERVE BANK OF NEW YORK

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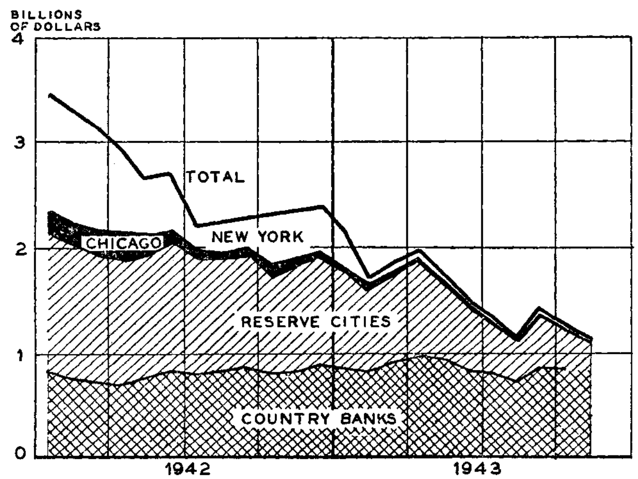
MONEY MARKET IN NOVEMBER

During November excess reserves of all member banks in the country ranged between $1,000,000,000 and $1,100,000,000, the level that prevailed during the latter part of July and the early part of August, 1943 and was reached again toward the end of October. Excess reserves rose on September 15 to a temporary peak of $2,050,000,000, as heavy sales of Government securities during the Third War Loan drive transferred deposits from private accounts, against which reserves are required, to War Loan deposit accounts against which reserves are not now required.

Between October 27 and November 24 member bank reserve balances with the Federal Reserve Banks were drawn down by $636,000,000 as a result of net currency shipments to the banks, for use in meeting customers' requirements for payroll and other purposes; at the same time reserve requirements were enlarged by about $420,000,000, principally through the process of reconversion of deposits from the War Loan accounts to private accounts. The losses of reserve funds and the increases in reserve requirements were met by sales of Government securities, principally bills and certificates of indebtedness, to the Federal Reserve Banks. The Government security portfolios of the Reserve Banks increased $1,073,000,000 between October 27 and November 24, and on the latter date exceeded $10,000,000,000 for the first time.

Excess Reserves of Member Banks, by Classes*



* Monthly averages of daily figures. Data for November, 1943 partly estimated.

A $90,000,000 reduction in out-of-town bank balances held in New York City during November was roughly offset by a continued moderate inflow of commercial and financial funds to the city. During the month, however, the central reserve city banks of New York lost about $440,000,000 reserve funds through Treasury transactions and about $70,000,000 through gold and foreign account operations. In the adjustment of their reserve positions, the New York City banks sold Treasury bills to the Federal Reserve Bank, reduced their holdings of other classes of Government securities, and at times borrowed moderate amounts of funds from the Reserve Bank.

Review of Past Twelve Months

Over the past year the Federal Reserve Banks have added, through net purchases of Government securities, about $5,500,000,000 to the supply of member bank reserve funds. Three general factors have determined the magnitude of the increase in the Reserve Banks' Government security portfolios: heavy losses of member bank reserve funds, principally as a result of the continuing rapid growth in currency circulation; enlarged member bank reserve requirements resulting from Government security purchases by the banks and the derivative expansion in privately held bank deposits; and the degree to which member banks have drawn upon their excess reserves.

The growth in currency circulation over the past year, exceeding $5,000,000,000, has been the dominant factor drawing down member bank reserve balances. An additional loss of $1,150,000,000 has resulted from an accumulation of funds by foreign central banks and governments in the United States. Part of this loss has been reflected in a $660,000,000 decline in the gold stock of this country and part in a $490,000,000 increase in foreign account deposits with the Federal Reserve Banks. The only considerable offset to these factors cutting into member bank reserve balances, aside from the Government security purchases of the Federal Reserve

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Banks, has been a $720,000,000 enlargement of outstanding Treasury currency (chiefly as a result of the putting into circulation, in December and the early part of this year, of roughly $600,000,000 Federal Reserve bank notes and the transfer of liability against these notes to the Treasury; these notes will be retired from circulation as they wear out).

The increase in reserve requirements—despite the exemption from the requirements of $13,000,000,000 on deposit in the War Loan accounts at the present time—has amounted to about $1,100,000,000 over the year. Meanwhile excess reserves of all member banks have dropped from a daily average of $2,360,000,000 in November, 1942, to somewhat less than $1,100,000,000 in November of this year.

Contraction of the excess reserves of the central reserve city banks of New York and Chicago were principally responsible for the over-all reduction of excess reserves during 1941 and 1942. By the end of February of this year, however, the central reserve city banks had virtually exhausted their surplus reserves, and the excess reserves of all member banks, by and large, had become the excess reserves of the member banks in the reserve city and "country" bank classifications. The decline from $1,700,000,000 in February to somewhat less than $1,100,000,000 in November has been principally accounted for by a contraction in excess reserve holdings of reserve city banks. These holdings of reserve city banks were of about the same magnitude as those of the "country" banks in January and February, but they have since declined to less than half the level then prevailing. The country banks' excess reserves, on the other hand, have continued to fluctuate around a general range of $800,000,000 to $900,000,000. As a matter of fact, the excess reserves of the "country" banks have shown no pronounced change since the latter half of 1940, when aggregate excess reserves of the other classes of member banks were reaching extreme peaks.

MEMBER BANK CREDIT

Total loans and investments of the weekly reporting member banks in 101 leading cities declined $2,015,000,000 between October 20 and November 24, following an expansion of $6,800,000,000 associated with the Third War Loan drive and the sale of Government securities to commercial banks immediately after the drive.

The volume of total loans outstanding contracted sharply, with the greater part of the decrease occurring in New York City banks. Most of the decline in New York reflected the further repayment of loans for purchasing or carrying securities, which had been built up to a higher level during the Third War Loan drive than in either of the two preceding drives. The decrease in loans to brokers and dealers for carrying Government securities amounted to $132,000,000; such loans on November 24 totaled $749,000,000, compared with the peak of $1,073,000,000 on October 6 and with $457,000,000 on August 25. Loans to others for purchasing or carrying securities dropped $203,000,000 further. The total volume of commercial, industrial, and agricultural loans showed only a slight increase during the five weeks ended November 24, in contrast to the sharp rise which had occurred between September 8 and October 20.

For the banks in the 100 cities outside New York, loans for purchasing or carrying securities during the Third War Loan drive did not expand as much as in New York, and the decline following the drive has been much less pronounced. Commercial, industrial, and agricultural loans continued to rise, but the increase of $42,000,000 was only about one fifth as great as in the preceding five weeks' period.

Reporting banks in New York City, between October 20 and November 24, reduced their holdings of Treasury bills by $325,000,000 and certificates of indebtedness by $92,000,000. Treasury bond portfolios of New York City banks were decreased by $214,000,000, which was the year's first considerable decline as a result of market sales. These banks also sold a moderate volume of Treasury notes, guaranteed obligations, and other securities.

Outside New York City the weekly reporting banks in 100 leading cities also reduced their holdings of Government securities during the five weeks' period. The principal contraction occurred in Treasury bill portfolios, which declined $646,000,000 between October 20 and November 24; net sales of certificates of indebtedness, Treasury notes, and guaranteed obligations were relatively small. The demand by these banks for Treasury bonds, on the other hand, continued strong, and holdings were increased by $167,000,000.

In both New York City and the 100 other centers, the decline in loans and investments between October 20 and November 24 was reflected in a decrease in total deposits. Government deposits in the 101 cities were reduced $3,600,000,000 as the Treasury began to spend the funds accumulated in its War Loan account deposits during the drive. Adjusted demand deposits (principally deposits of individuals and business concerns) rose $1,835,000,000.

Changes in Holdings of Government Securities by the Weekly Reporting Member Banks (In millions of dollars)

Week ended	Bills	Certificates	Notes	Bonds	Guaranteed	Total
	New York City					
1943						
Oct. 6	−37	−5	0	+17	+3	−22
Oct. 13	+177	−42	+6	+22	0	+163
Oct. 20	+235	+365*	−4	+254*	−1	+849
Oct. 27	−65	−45	−17	−34	−23	−184
Nov. 3	−133	−22	−16	−39	+1	−209
Nov. 10	−18	−58	−6	−44	+1	−125
Nov. 17	+159	−14	+11	−24	−21	+111
Nov. 24	−268	+47	−13	−73	−19	−326
	100 Other Cities					
1943						
Oct. 6	−112	+54	+8	+76	+1	+27
Oct. 13	+197	+32	+3	+88	0	+320
Oct. 20	+60	+546*	0	+534*	−5	+1135
Oct. 27	−189	+1	+15	+16	−14	−171
Nov. 3	−88	+18	−7	+39	−9	−47
Nov. 10	−210	−22	−12	+30	0	−214
Nov. 17	+4	−13	−8	+29	+2	+14
Nov. 24	−163	−27	−15	+53	−2	−154

* Reflects the allotment to commercial banks of new issues of ⅞ per cent certificates of indebtedness and 2 pe cent Treasury bonds on October 15.

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EXPANSION IN BANK HOLDINGS OF GOVERNMENT SECURITIES

The money supply of the United States—defined as the total of deposits with the banks[1] and currency in circulation—has virtually doubled since the outbreak of the war in 1939; it now approaches $120,000,000,000 in comparison with the prewar level of $60,000,000,000. The highest point reached during the latter part of the decade of the 20's was about $55,000,000,000.

The dominant factor in the wartime expansion of the money supply has been, as is well known, Government security purchases by banks. The commercial banks of the country expanded their holdings from $15,700,000,000 on June 30, 1939 to more than $62,500,000,000 at the end of November of this year. In the same period, meeting the bulk of the increased need by the banks for additional reserve funds through Government security purchases, the Federal Reserve Banks enlarged their holdings from $2,551,000,000 to about $10,400,000,000.

Leaving aside Treasury bills for the moment, the commercial banks have acquired their additional Government security holdings from two sources: allotments made to them on subscriptions which they have entered to new security offerings eligible for bank purchases, and net purchases of already outstanding Government securities in the open market. Up to the end of 1942 allotments of new security offerings to banks were the primary source of the increase in bank holdings of Government securities. As a matter of fact, the banks at times tended to lighten holdings acquired on allotments, through sales to Federal Reserve Banks and other investors, and, for the year 1942 as a whole, market sales somewhat exceeded market purchases.

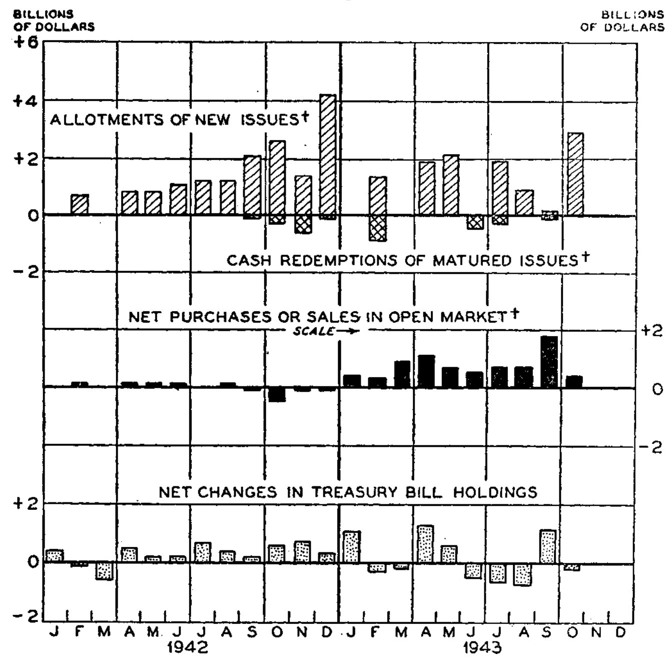
With the successful conclusion of the First War Loan drive and with an increased disposition on the part of banks to employ their reserve funds more fully, a definite tendency for banks to add to their Government security holdings through market purchases appeared in January of this year. The demand was especially strong and persistent for bonds—both the partially tax-exempt issues and the taxable issues eligible for bank purchase—but certificates of indebtedness, and to some extent notes and guaranteed obligations, were also added to bank portfolios through market purchases. These securities were acquired in part from Federal Reserve Banks and from Government security dealers who received allotments in the War Loan drives, but to an even larger extent from insurance companies, savings banks, and other investors who employed this means of adding to their capacities to purchase Government securities in the Second and Third War Loan drives. Some part of the Government securities purchased by the banks appears to have been supplied as a result of the practice of "free-riding". In other words, speculators have obtained allotments of Government securities and later resold them to obtain the profit from the premiums commanded by the new issues after the closing of the books for the receipt of subscriptions.

During the first ten months of this year, we estimate that commercial banks increased their holdings of Government securities (other than Treasury bills) by approximately $19,500,000,000. Net market purchases came to about $8,000,000,000, and allotments of new offerings to about $13,500,000,000; redemptions of maturing issues, or issues called for payment prior to maturity, amounted to approximately $2,000,000,000.

Bank Holdings of Treasury Bills

Generally speaking, market transactions have played a minor part in the changes in Treasury bill holdings by banks over the past year. Banks acquire additional bills mainly by purchases of the new weekly issues, or repurchases of bills previously sold to the Reserve Bank at the established ⅜ per cent buying rate. Holdings are reduced by redemptions of maturing bills and sales to the Reserve Banks under repurchase option. The bill holdings have shown irregular fluctuations from day to day and week to week, reflecting the use by the banks of changes in their holdings of these securities in the adjustment of their reserve positions. During 1942 and the first five months of 1943, bank portfolios of Treasury bills showed a pronounced but irregular rise from $1,050,000,000 at the beginning of 1942 to $7,025,000,000 at the end of May, 1943; since the end of June a moderate net contraction of banks' holdings of bills has occurred.

Changes in Commercial Bank Holdings of U. S. Government Securities*



* Estimated by Federal Reserve Bank of New York. Federal Reserve Banks not included; October, 1943 preliminary.

† Government securities other than Treasury bills.

[1] Exclusive of interbank deposits and less cash items in process of collection.

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WAR FINANCING

During November net public borrowing of the Treasury consisted of funds received from the sale of Savings bonds and notes. The only market offering during the month involved the exchange of certificates maturing December 1 for a new one-year certificate issue. Large scale financing will be resumed in January, with the opening of the Fourth War Loan drive to raise at least $14,000,000,000.

Throughout the present year, sales of Savings bonds in periods excluding the War Loan drives have regularly maintained a rate of $800,000,000 to $900,000,000 monthly, except for a peak of $1,240,000,000 in January when limit purchases of Series F and G bonds and investment of accumulated funds in Series E bonds swelled the total. The high level of sales outside the drives has been due in large part to sales under payroll savings plans, which have been maintained at about $420,000,000 monthly since April. Nearly 27,000,000 persons are participating in these plans and contributing on the average about 9 per cent of their salaries or wages. In addition, regular purchases are being made by individuals outside the payroll savings plans.

During the past twelve months, which include the three War Loan drives, net sales of Savings bonds (after allowing for redemptions) totaled slightly more than $12,500,000,000, compared with about $8,500,000,000 in the previous twelve months' period starting with our entry into the war. The bulk of the increase occurred in net sales of Series E bonds, which amounted to more than $9,000,000,000, compared with slightly less than $5,500,000,000 in the preceding period. Sales of Series F and G bonds ($3,500,000,000) were only slightly larger than those in the earlier period ($3,000,000,000).

In the Second Federal Reserve District, sales of Series E bonds by agencies other than post offices have been relatively stable in non-drive months, amounting to about $80,000,000 to $90,000,000 monthly, with the exception of January, 1943 when sales totaled $112,000,000. Second District sales of Series F and G bonds in months outside the drives have fluctuated somewhat more irregularly than Series E bonds, declining in the months immediately preceding and following the most recent War Loan drive. Series E sales in this District usually account for about 13 per cent of the national total; and sales of Series F and G bonds, for about 20 per cent.

Sales of Tax and Savings notes outside the War Loan drives have consistently approximated $450,000,000 monthly this year, except in August, the month prior to the Third War Loan drive, when sales amounted to only $214,000,000. Allowing for heavy redemptions in payment of taxes, net sales in the calendar year 1943 will probably not exceed $2,500,000,000, compared with slightly more than $3,900,000,000 in 1942. Gross sales in the Second District in the non-drive months generally account for one third of the national total, but are a somewhat smaller proportion during the War Loan drives.

Fourth War Loan Drive

On November 22, Secretary Morgenthau announced that the goal for the Fourth War Loan drive, which will cover the period January 18 to February 15, had been set at $14,000,000,000. The major emphasis throughout the drive, however, will be placed on the quota of $5,500,000,000 for individuals. During the period from January 18 to February 1, only sales to individuals will be reported by the Treasury. Although subscriptions will be accepted from other nonbanking investors during this period, reports of sales to this group will not be made until February 1. All subscriptions for Savings bonds and Savings notes received at the Federal Reserve Banks or the Treasury between January 1 and February 29 will be credited to the drive.

The securities to be offered will consist of:

- Series E Savings bonds
- Series F and G Savings bonds
- Series C Savings notes
- 2½ per cent bonds of 1965-70
- 2¼ per cent bonds of 1956-59
- ⅞ per cent certificates of indebtedness

With the exception of the 2¼ per cent bonds, these securities are similar to those offered in the Second and Third War Loan drives. Another innovation is that commercial banks will be permitted to make limited investments against their time deposits in the 2¼ and 2½ per cent bonds under a formula to be announced later. Except for this limited investment, commercial banks will not be permitted to own the 2¼ per cent bonds until September 15, 1946 and the 2½ per cent bonds until February 1, 1954. All three of the market issues will be dated February 1, 1944. The Treasury has requested that trading in these issues not start until after the close of the drive on February 15.

As in previous drives, the request is made that all subscriptions by corporations and firms be entered and paid for through the banking institutions where funds are located, so as to prevent disturbance to the money market. The Treasury is also requesting the cooperation of all banking institutions in declining to make speculative loans for the purchase of Government securities. Loans to facilitate permanent investment in Government securities are encouraged provided such loans are made in accord with the joint statement issued by the National and State Bank Supervisory Authorities on November 23, 1942.

SECURITY MARKETS

During November, the Government security market was characterized by firmness in issues maturing or callable within about four years, and small price declines in intermediate and long term bonds, particularly tax-exempt bonds. Trading was most active in the various certificate of indebtedness issues and the new 2 per cent Treasury bonds of 1951-53. Selling of

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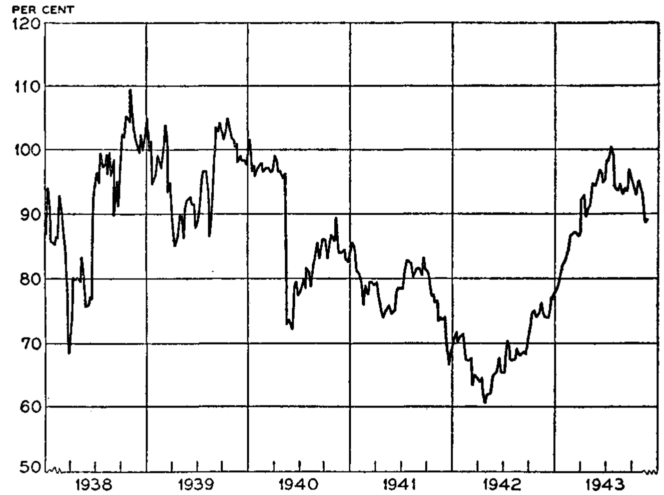
Standard and Poor's Price Index of 90 Stocks
(*1926 average = 100 per cent*)



the 2 per cent bonds appears to have originated principally with speculative subscribers; these securities were absorbed by banks and by other investors shifting from tax-exempt intermediate and long term bonds. The average yield on long term tax-exempt bonds advanced from 1.82 per cent at the beginning of the month to 1.86 per cent on November 17, and remained steady thereafter. Long term taxable bond yields, on the other hand, advanced only from 2.31 to 2.33 per cent.

Increased activity on the New York Stock Exchange during November was accompanied by a decline in stock prices similar to that which occurred in July. The November decline took place during the first half of the month, reflecting favorable war news and rumors of an early peace with Germany. The largest daily decrease, 3 per cent, occurred on November 8 when the volume of trading on the Stock Exchange exceeded 2,300,000 shares. By November 17, prices were at the lowest level since early last spring. Following a brief recovery, stock prices declined further and at the month end Standard and Poor's index of 90 stocks was about 13 per cent below the July, 1943 high point. The greatest percentage declines since July have occurred in railroad issues.

Prices of corporation bonds also fell during November, with the decline most marked among the higher grade bonds, particularly the industrials. Moody's index of Aaa bond yields reached its highest point since last June, as the index rose from 2.69 per cent on October 30 to 2.73 per cent in late November. The index of Baa bond yields stood at 3.84 per cent at the end of November compared with 3.82 per cent a month earlier. Municipal bond yields also rose during November. From a record low of 1.86 per cent on the third, Standard and Poor's index of municipal bond yields increased steadily to 1.95 per cent on November 24.

PRODUCTION AND TRADE

Total industrial production changed only slightly between September and October in spite of the fact that several industries reached new peaks in volume of output. Steel mill operations exceeded 100 per cent of calculated capacity throughout October, and production averaged 251,200 net tons daily, compared with the previous month's daily average of 249,600 tons. Output of crude petroleum continued to increase despite serious shortages of manpower in the industry and a decline in the rate of development of new wells. Contrary to the usual seasonal movement, electric power production was higher in October than in September.

Coal mining was affected by work stoppages, which began about the middle of October; by November 1, virtually all the mines were shut down. Production of bituminous coal was reduced from a daily average of 2,017,000 net tons in September to 1,875,000 net tons in October.

Increased output in war industries was reflected in the War Production Board's index of munitions, which registered the largest percentage gain of any month since July. The greatest expansion took place in production of ammunition, aircraft, and communication and electronic equipment; only one major munitions group showed a decline—the combat and motor vehicles group.

The value of contracts awarded for all major types of construction was slightly higher in October than in September, but considerably lower than in October, 1942. For the first ten months of this year contracts were almost 59 per cent below those of the corresponding months a year ago. Nonresidential building experienced the most severe declines because of the curtailment of factory construction as the war expansion program approached its conclusion.

October as usual was a month of heavy freight traffic for the railroads. Grain was shipped from the Northwest to meet a feed shortage in the South and Northeast. Car loadings of

	1942	1943		
	Oct.	Aug.	Sept.	Oct.
*Indexes of Production and Trade** (100 = estimated long term trend)				
Index of Production and Trade	123	126	125*p*	126*p*
Production	131	133	133*p*	133*p*
Producers' goods—total	168	166	166*p*	166*p*
Producers' durable goods	202	195	195*p*	194*p*
Producers' nondurable goods	128	133	133*p*	133*p*
Consumers' goods—total	86	89	87*p*	89*p*
Consumers' durable goods	37	26	25*p*	25*p*
Consumers' nondurable goods	103	110	108*p*	110*p*
Durable goods—total	154	145	145*p*	144*p*
Nondurable goods—total	113	119	119*p*	120*p*
Primary distribution	139	161	157*p*	158*p*
Distribution to consumer	91	84	81*p*	84*p*
Miscellaneous services	143	177	175*p*	173*p*
Cost of Living, Bureau of Labor Statistics (100 = 1935-39 average)	119	123	124	124*p*
Wage Rates (100 = 1926 average)	144	154	157*p*	
*Velocity of Demand Deposits** (100 = 1935-39 average)				
New York City	60	68	88	74
Outside New York City	81	77	94	81

* Adjusted for seasonal variation. *p* Preliminary.

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livestock increased sharply as the seasonal movement of cattle and hogs to eastern markets got under way.

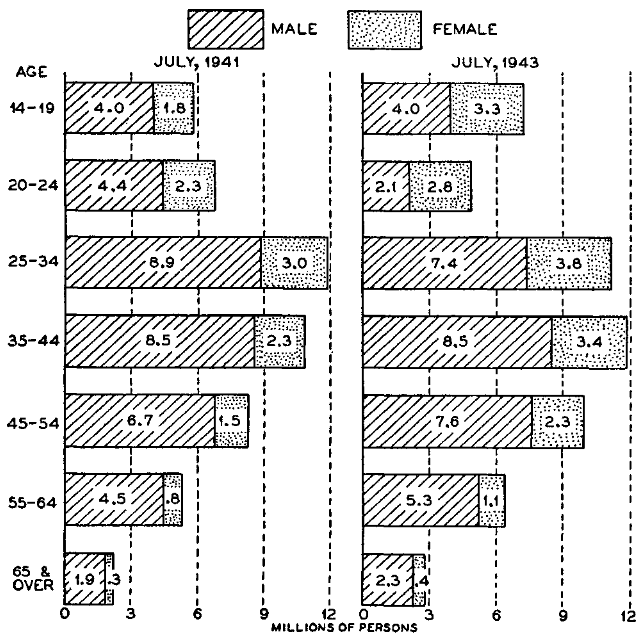
A marked expansion occurred in retail trade as a result of the emphasis this year on early Christmas shopping. Department store sales, after adjustment for seasonal changes, increased 6 per cent between September and October; and nearly as large a gain was evident for sales of variety chains. Mail order house sales failed to show a substantially larger than seasonal advance.

EMPLOYMENT AND PAYROLLS

Total employment in New York State factories in October was a little lower than in September, chiefly because of seasonal declines in canneries and in some branches of the apparel industry. As shown in the accompanying table, advances in New York City and in the Upstate areas of Poughkeepsie, Syracuse, and Binghamton were more than offset by declines in Albany, Utica, Rochester, and Buffalo. A large part of the increase in New York City was due to expansion in the shipbuilding and communication equipment industries; likewise, the increase in the three Upstate areas reflected further gains in employment at war plants. Factory payrolls for the State continued, during October, the advance that has been practically uninterrupted since 1940.

For the entire country, employment in manufacturing industries as a whole increased a little, with most of the durable and nondurable goods industries showing improvement; in fact, the only major decline occurred in the food group, reflecting the seasonal decline in the canning industry.

Employment in the United States, by Age Groups and Sex*



* From Bureau of the Census, U. S. Department of Commerce, *The Labor Force Bulletin*, June 17, 1943, pp. 11, 12, and September 30, 1943, pp. 11, 12.

Percentage Changes in Factory Employment and Payrolls, New York State*

Industrial area	Employment		Payrolls	
	Sept. 1943 to Oct. 1943	Oct. 1942 to Oct. 1943	Sept. 1943 to Oct. 1943	Oct. 1942 to Oct. 1943
Kingston-Newburgh-Poughkeepsie	+2.6	+ 6.3	+6.6	+23.0
Syracuse	+1.5	+36.3	+1.1	+52.8
Binghamton-Endicott-Johnson City	+1.0	+ 5.8	+1.8	+23.4
New York City	+0.6	+ 5.6	+2.1	+24.9
Buffalo	—0.1	+ 5.9	+1.1	+16.5
Rochester	—0.7	+ 7.8	+2.2	+18.5
Utica	—2.7	— 2.5	+1.9	+11.6
Albany-Schenectady-Troy	—3.2	+ 2.2	+0.8	+ 7.6
New York State	—0.1	+ 5.9	+1.6	+20.7

* Data of New York State Department of Labor. Figures cover wage earners only.

The total number of persons employed in the United States is estimated, by the Department of Commerce, at 51,900,000 for October; the number unemployed declined to a new low of 700,000 persons. Labor shortages became increasingly important, and the number of acute shortage areas, as classified by the War Manpower Commission, was increased from 71 to 77. To relieve the labor shortage, one million more women workers will be needed according to estimates of the Commission. During 1942 the increase in the number of women employed was rapid, and further increases have occurred this year. In the first ten months of 1943, women comprised 30.6 per cent of the total number of persons employed, compared with 25.9 per cent for the corresponding period a year ago.

To meet the unprecedented manpower demands of the war, new sources of labor have been utilized. These sources include women, young persons of school age, and men heretofore considered too old to continue in or return to employment. Changes that have occurred, during the past two years, in the numbers of workers, by age groups and sex, are indicated on the accompanying chart.[1]

The number of men employed declined from 38,900,000 in July, 1941 to 37,200,000 in July, 1943, while the number of women rose from 12,000,000 to 17,100,000. All age groups showed a rise in the number of women employed, with the greatest percentage increases occurring in the 14-19 and 45-54 age groups. For men, the groups that showed increases were those for ages 45 and over; employment in the two groups most affected by military service—the 20-24 and the 25-34 groups—declined considerably.

The various changes resulted in a shift in the order of rank of the different groups. In July, 1941, the 25-34 age group ranked first, so far as the number employed was concerned, whereas in July, 1943, the 35-44 age group held first place. The 20-24 age group dropped from fourth to sixth place in the two-year interval.

[1] July comparisons are shown on the chart since the latest month for which data by age groups are available is July, 1943. The proportion of men and women showed no change between July and October, 1943, and it may be assumed that the age distribution, also, would show little variation.

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DEPARTMENT STORE TRADE

During the first three weeks of November, department store sales in this District were 13 per cent greater than in the corresponding 1942 period. On the basis of the three weeks' figures, department store sales for the month of November are estimated to have been approximately 10 per cent higher than in October, after allowance for the usual seasonal increase. The adjusted index was the second highest on record, being exceeded only in February of this year. Early Christmas shopping probably accounted for at least part of the unusual increase in November.

Sales of women's wear have continued to play an important part in the maintenance of a high level in total department store trade. Approximately two fifths of total department store sales in the first ten months of this year were in the women's and misses' wear group. Among the individual departments within the group, both the infants' wear, and the neckwear and scarf departments showed increases of about 30 per cent; sales of coats and suits, dresses, sportswear, lingerie, furs, gloves, and handbags rose approximately 20 per cent; and millinery sales advanced more than 10 per cent. No appreciable gains for the year were reported for shoes, hosiery, or corsets and brassieres. Sales of men's wear departments, which represented approximately one tenth of total sales, were only slightly greater than a year ago. Other departments, in addition to those in the women's wear group, which showed substantial increases over a year ago include jewelry, luggage, and yard goods.

Department and Apparel Store Sales and Stocks, Second Federal Reserve District, Percentage Change from the Preceding Year

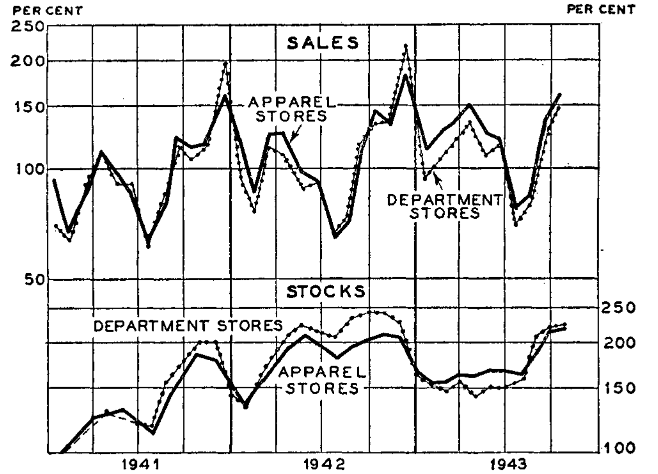
Locality	Net sales Oct. 1943	Net sales Jan. through Oct. 1943	Stocks on hand Oct. 31, 1943
Department stores, Second District....	+ 1	+ 5	—17
New York City..................	+ 2	+ 7	—20
Northern New Jersey.............	— 4	— 2	—22
Newark.........................	— 4	— 2	—24
Westchester and Fairfield Counties..	—10	— 3	—15
Bridgeport.....................	—14	— 6	—18
Lower Hudson River Valley........	+ 3	+ 5	0
Poughkeepsie..................	+ 4	+ 7	—
Upper Hudson River Valley........	— 9	— 2	— 1
Albany........................	— 9	— 5	—
Schenectady...................	— 8	+ 3	+ 2
Central New York State...........	+ 8	+11	— 8
Mohawk River Valley............	+ 3	+11	—17
Utica........................	+10	+12	—
Syracuse......................	+10	+10	— 2
Northern New York State..........	— 7	+ 2	—
Southern New York State..........	+ 1	+10	+ 2
Binghamton....................	+ 6	+15	—
Elmira........................	— 6	— 3	—
Western New York State...........	— 1	+ 9	— 7
Buffalo.......................	— 2	+10	— 2
Niagara Falls..................	+12	+28	— 3
Rochester.....................	+ 2	+ 6	—14
Apparel stores (chiefly New York City)	+15	+20	+ 4

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

Item	1942 Oct.	1943 Aug.	1943 Sept.	1943 Oct.
Sales (average daily), unadjusted.........	130	95	126r	137
Sales (average daily), seasonally adjusted..	115	126	118	121
Stocks, unadjusted.....................	160r	123	128	131
Stocks, seasonally adjusted..............	148r	127	123	119

r Revised.

Indexes of Sales and of Stocks on Hand for Apparel Stores and for Women's and Men's Clothing Departments of Department Stores, Second Federal Reserve District*



* Compiled by Federal Reserve Bank of New York. For sales, monthly average sales in 1941=100 per cent; for stocks on hand, January 31, 1941=100 per cent. Data for stocks of department stores unavailable for February, March, and May, 1941. Plotted on ratio scale to show proportionate changes.

Department store stocks at the close of October increased less than seasonally for the second consecutive month. The adjusted index was 6 per cent below this year's high point reached on August 31, but 20 per cent above the low figure of last April. Compared with the all-time high for July, 1942, stocks were down 30 per cent. Among the individual departments, changes in stocks have varied widely during the past year. With the principal exceptions of jewelry and wines and liquors, the increases in inventory have been concentrated in the women's ready-to-wear departments. Sharp declines have occurred in men's wear, home furnishings, sporting goods, luggage, and toilet articles.

As indicated in the accompanying chart, sales and stocks of apparel stores follow closely the fluctuations of the combined sales of women's and men's wear departments in department stores. In the case of sales, the apparel stores so far this year have made the better showing; their sales were 20 per cent above the first ten months of 1942 and 34 per cent above 1941. Corresponding figures for women's and men's wear in department stores were 13 per cent and 24 per cent, respectively.

Stocks in apparel stores last year did not increase so sharply as department store stocks of women's and men's wear; and the decline that began toward the close of 1942 was not so great. After July of this year apparel store stocks increased sharply and they reached a new high level at the end of October; department store stocks of women's and men's wear, although showing a substantial increase between July and October, were 8 per cent below their peak reached in September, 1942. In both apparel and department stores, stocks on hand at the close of October represented approximately 3 months' supply at the current rate of sales.

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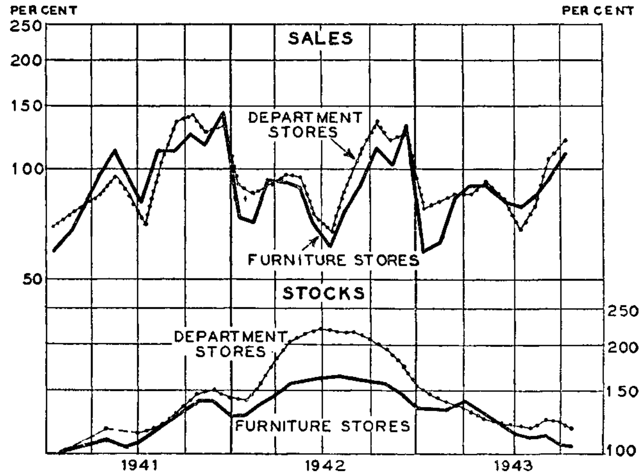
FURNITURE STORE TRADE

Sales of reporting furniture stores in the Second Federal Reserve District during October were 3 per cent below the corresponding month last year and 11 per cent below October, 1941. For the first ten months of this year, changes from 1942 for the five largest cities of the District ranged from an increase of 6 per cent for New York City to a decline of 18 per cent for Newark. (See accompanying table.) For the District as a whole, sales were unchanged from those in January-October, 1942.

Department store sales of homefurnishings, in contrast, declined 6 per cent between the first ten months of 1942 and of 1943. When comparisons are made with the corresponding period of 1941, however, department store sales made the better showing (a decline of 6 per cent, compared with a decrease of 11 per cent for furniture stores). The seasonal patterns of sales for the two groups of stores are somewhat different. As indicated on the accompanying chart, October was the peak month in both 1941 and 1942 for homefurnishing sales of department stores, whereas furniture store sales were the greatest in December of both years.

For department stores, sales of the individual departments within the homefurnishing group during the first ten months of this year have varied from an increase of about 10 per cent over the similar 1942 period to a decline of 65 per cent. The 10 per cent increase was shown in sales of draperies, curtains and upholstery fabrics, floor coverings and rugs, pictures and mirrors, and lamps. China and glassware sales, on the other hand, decreased a little; sales of furniture, beds, and mattresses declined about 5 per cent; housewares (pots, pans, toasters, etc.), 10 per cent; musical instruments, 25 per cent; and major electric appliances about 65 per cent.

Indexes of Sales and of Stocks on Hand for Furniture Stores and for Homefurnishing Departments of Department Stores, Second Federal Reserve District*



* Compiled by Federal Reserve Bank of New York. For sales, monthly average sales in 1941=100 per cent; for stocks on hand, January 31, 1941=100 per cent. Data for stocks of department stores unavailable for February, March, and May, 1941. Plotted on ratio scale to show proportionate changes.

Furniture store stocks at the close of October were 36 per cent below the high point reached on July 31, 1942, and stocks of homefurnishing departments were 46 per cent below their 1942 high level. In the first half of 1942, furniture store stocks did not increase so rapidly as stocks of homefurnishings in department stores, and their subsequent decline has not been so great. Stocks of furniture stores are now at the level prevailing during the first six months of 1941, and they represent about 3½ months' supply at the current rate of sales.

During 1941 and the first four months of 1942, furniture stores in this District reported that about 88 per cent of their sales were made on credit. Reflecting principally increased individual incomes and consumer credit regulations, this percentage declined to 80 at the close of last December. The proportion increased to 84½ per cent in April of this year, and averaged close to 83 per cent in the following six months.

Accounts receivable, which showed very little change from month to month during 1941, declined at a fairly steady rate from December, 1941 through August of this year; the decline amounted to more than 50 per cent. Receivables in September remained unchanged from the August figure, but during October an increase of 2½ per cent occurred. Collections in October against accounts outstanding at the close of the preceding month amounted to 15 per cent. The collection ratio began to move upward at the close of 1941, when 10 per cent of accounts receivable were being collected, and the advance continued through May of this year; since then no significant change has appeared.

**Furniture Store Sales, Stocks, Receivables, and Collections
Second Federal Reserve District**

Locality	Percentage change from the preceding year				
	Net sales		Stocks on hand	Accounts receivable	Collections Oct. 1943
	Oct. 1943	Jan.-Oct. 1943	Oct. 31, 1943		
New York City	+ 4	+ 6	—32	—26	—13
Northern New Jersey	—12	—14	—34	—35	—22
Newark	—18	—18	—46	—31	—29
Westchester-Fairfield	+ 6	— 3	—	—12	+ 5
Hudson River Valley	—26	—14	—	—34	—27
Central New York State	—17	— 3	—29	—29	—26
Syracuse	—14	+ 2	—	—28	—20
Northern New York State	—15	+ 9	—36	—42	—
Southern New York State	—27	—18	—41	—42	—21
Elmira	—27	—22	—41	—42	—21
Western New York State	—20	— 3	—34	—30	—24
Buffalo	—24	— 7	—39	—28	—27
Rochester	—15	— 1	—24	—32	—15
Total outside New York City	—16	— 8	—34	—32	—23
Total Second District	— 3	0	—32	—28	—17

Item	Total District		New York City		Outside New York City	
	Oct. 1942	Oct. 1943	Oct. 1942	Oct. 1943	Oct. 1942	Oct. 1943
Credit sales as per cent of total sales	83.0	83.0	82.5	83.5	84.0	81.7
Stocks on hand, end of month, as ratio to month's sales	5.0	3.5	5.0	3.3	5.0	4.0
Collections, exclusive of down payments, as per cent of receivables, first of month	14.1	15.1	13.4	14.4	15.6	16.6

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FEDERAL RESERVE BANK OF NEW YORK
MONTHLY REVIEW, DECEMBER 1, 1943

General Business and Financial Conditions in the United States

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

INDUSTRIAL activity was maintained in record volume in October and the early part of November. Value of department store sales continued at an exceptionally high level.

Industrial Production

The total volume of industrial production continued to increase slightly in October and the Board's seasonally adjusted index was at 245 per cent of the 1935-39 average, as compared with 240 in July and 227 in January. War production in the machinery and transportation equipment industries showed a further rise, reflecting largely a new high level of production of aircraft, aircraft engines, and parts. The total number of planes accepted during the month was 8,362, or 11 per cent more than the average in the third quarter. Deliveries of cargo vessels from merchant shipyards continued at an annual rate of 20,000,000 deadweight tons.

Steel mills operated during October at the highest monthly rate during the war period. Production of nonferrous metals also continued to rise. Announcement of permission to use aluminum in additional types of war products and some essential industrial products followed rapidly increasing output of this metal. Lumber production declined somewhat more than usual at this season and the prospective supply situation remains critical notwithstanding reduced demand for lumber for building purposes. Output of stone, clay, and glass products as a whole showed little change and was at about the level of a year ago. Cement production in October was down 40 per cent from last year but production of other stone, clay, and glass products, like glass containers and asbestos and abrasive products, was considerably higher than last year.

Output of most nondurable goods showed little change from September to October. Food manufacturing as a whole continued in large volume, allowing for seasonal changes, although butter and cheese production declined. Output of butter was 11 per cent below last year in October and declined further in the early part of November. Meatpacking, however, was at an exceptionally high level in October and continued to increase sharply in the first three weeks of November. There was also a rise in production of wheat flour and other manufactured foods in October. Output of textile and leather products remained at the somewhat reduced rate of recent months, while production of rubber products and industrial chemicals increased. Coal production declined 6 per cent in October and dropped sharply further during the first week of November, but increased in the middle of November.

The value of construction contracts awarded in October, according to reports of the F. W. Dodge Corporation, continued at the low level of other recent months. Total awards this year have been 60 per cent smaller than in the corresponding period of 1942, when they were at the highest level of the war period.

Distribution

Department store sales in October and the first half of November were 10 per cent larger in dollar volume than in the same period last year, and, allowing for seasonal changes, sales were somewhat higher than in the third quarter of this year. Total consumer expenditures for commodities and services in the third quarter were at about the peak level prevailing in the first half of this year and were substantially larger than a year ago.

Carloadings of railway freight in October were slightly less than in September, reflecting chiefly declines in shipments of coal and ore. Loadings of grain increased sharply to a level 20 per cent greater than in October, 1942, and livestock shipments were the highest in recent years.

Commodity Prices

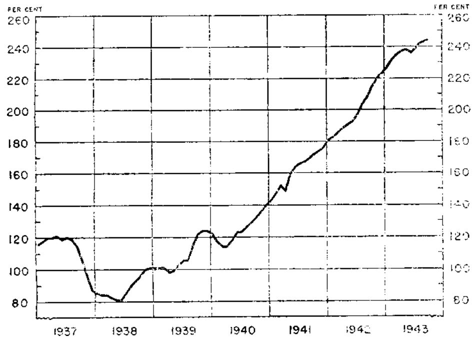
Grain prices advanced in the early part of November, while prices of livestock declined as livestock marketings expanded sharply. Prices of certain industrial raw materials, such as cotton, wool, and nonferrous metal scrap, have also declined somewhat since the middle of October reflecting larger supplies and uncertainties as to the extent of demands for these materials in war production.

The total cost of living which had declined 1.4 per cent during the summer, according to the Bureau of Labor Statistics, rose 0.8 per cent from mid-August to mid-October. There were increases in prices of food, clothing, and a number of miscellaneous items.

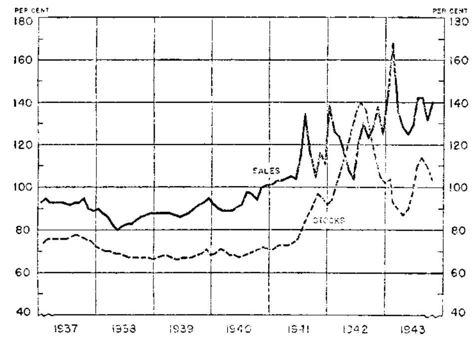
Bank Credit

The average level of excess reserves at all member banks was around 1.1 billion dollars in mid-November reflecting some decline from the comparable October period. During the four weeks ended November 17 reserve funds were supplied to member banks by an increase of over 900 million dollars in the Government security portfolio of the Reserve Banks; increased holdings consisted largely of bills purchased under option and in part of certificates. The effect of these security purchases on excess reserves was more than offset, however, by a currency demand of 540 million dollars and a continued increase in required reserves as Treasury disbursements transferred funds from reserve-exempt war loan accounts to private deposits.

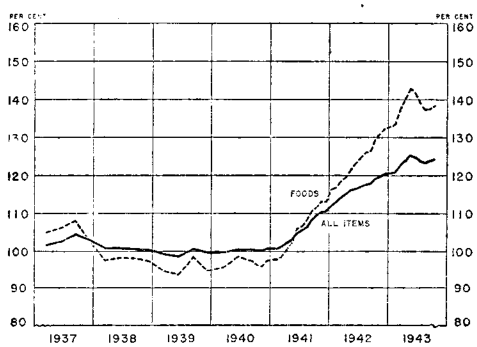
Following substantial bank purchases of special Treasury offerings in mid-October, Government security holdings at reporting member banks in 101 leading cities declined somewhat over the following month. The principal decrease was in holdings of bills at banks outside New York. Commercial loans, while decreasing during the past two weeks, showed a net gain for the four week period, while loans on securities, which rose to a high level during the Third War Loan Drive, declined substantially.



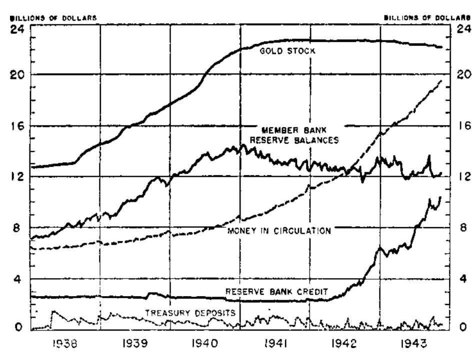
Index of Physical Volume of Industrial Production, Adjusted for Seasonal Variation (1935-39 average=100 per cent)



Indexes of Value of Department Store Sales and Stocks, Adjusted for Seasonal Variation (1923-25 average=100 per cent)



Indexes of the Cost of Living as Compiled by Bureau of Labor Statistics (1935-39 average=100 per cent)



Member Bank Reserves and Related Items (Latest figures are for November 17)

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