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MONEY MARKET IN DECEMBER

Despite the seasonal peak of demand for currency and large movements of funds, related chiefly to quarterly income tax collections and other Government receipts and expenditures, the money market remained on an even keel during December. In the Government security market price changes, moderate in extent, reflected year-end portfolio adjustments and preparations of investors for the Fourth War Loan drive opening January 18.

During December the reserve positions of member banks were chiefly influenced by the enlarged currency circulation, Treasury operations (which alternately drew upon and added to bank reserve funds), a temporary rise to a new record peak in Federal Reserve "float", and increased reserve requirements. The combined effect of these forces made it necessary for New York City and other banks to take frequent action to adjust their reserve positions, which was reflected in a large increase in Federal Reserve Banks' holdings of Government securities, and to some extent in borrowings by the banks from the Federal Reserve Banks. Even then there were substantial week-to-week fluctuations in total excess reserves of all member banks.

In the statement week ended December 8, member bank reserve balances were drawn down by a substantial excess of Treasury receipts over expenditures as well as by increased currency circulation, and at the same time reserve requirements showed a considerable rise. Despite $569,000,000 net purchases of Government securities by the Reserve Banks during the week, and a rise of $55,000,000 to a temporary peak of $108,000,000 (the highest since December 1933) in member bank borrowings from the Federal Reserve Banks, excess reserves of all member banks declined $180,000,000 to $920,000,000, the first report date on which excess reserves have dropped below $1,000,000,000 since October 1937. During the following statement week, excess reserves rose temporarily to $1,240,000,000 as member bank reserve positions were eased, chiefly by heavy Treasury expenditures on the fifteenth for meeting quarterly interest payments and the redemption of maturing Treasury notes.

In addition the collection of checks and other documents payable in various parts of the country, through the collection facilities of the Federal Reserve System, was slowed by seasonal congestion of the mails. As the Reserve Banks give credit for collection items according to a time schedule regardless of the time actually required to make the collections, some banks were credited with the proceeds of checks before the banks on which the checks were drawn had the checks charged against them. This excess of credits to banks over actual collections, known as Federal Reserve "float", is usually of substantial proportions but it increased in the second week of December by an amount more than sufficient to offset the demand for currency and the increase in member bank reserve requirements in that week. The same thing occurred in the third week of the month, as the Christmas peak in the mails occurred. Nevertheless, total member bank excess reserves dropped back to the previous low point of $920,000,000, owing to unusually large net receipts by the Treasury which were offset to a considerable extent, but not fully, by Reserve Bank purchases of an additional $538,000,000 of Government securities.

During the final statement week of the month, ended December 29, the Treasury drew down its deposits with the Federal Reserve Banks and reserve requirements declined, more than offsetting the further losses of reserve balances from the final increase of the year in currency circulation and a contraction in outstanding Federal Reserve float as a beginning was made in eliminating the pre-Christmas lag in collections of checks. Excess reserves of all member banks amounted to $1,130,000,000 on December 29.

DO *Your* PART — **BUY WAR BONDS**

★ FOURTH WAR LOAN DRIVE OPENS JANUARY 18 ★

The net increase in currency circulation during December, due largely to Christmas shopping and holiday requirements, was about $550,000,000 as compared with an average rate of increase of $410,000,000 during the first eleven months of the year. The December increase was substantially less than might have been expected in view of the strong upward trend in currency circulation which has persisted for many months, on which was superimposed the seasonal peak of Christmas demand. Possible explanations offered for the relatively moderate demand for currency (in view of recent trends) are earlier Christmas shopping this year, and some use of outstanding currency to pay income taxes.

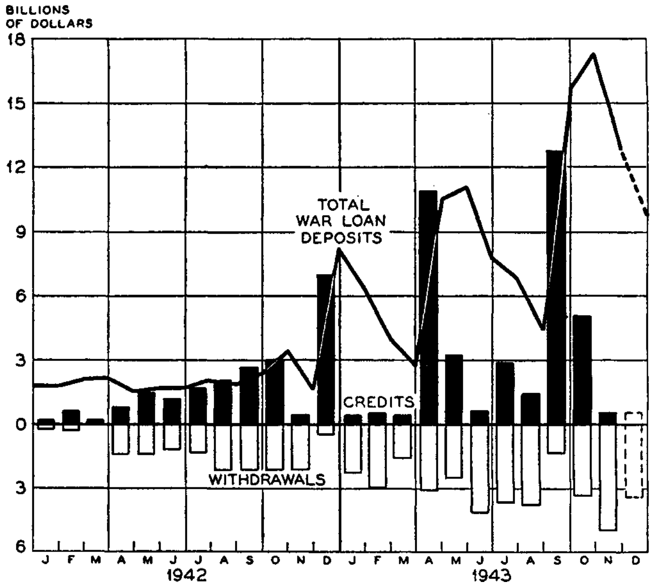
The further growth in reserve requirements during December—about $225,000,000—was smaller than in November and a number of other months earlier in the year, reflecting a diminished need for calls on the War Loan Deposit accounts and consequently a diminished rate of conversion of such deposits (which are exempt from reserve requirements) into private deposit accounts (against which reserve requirements apply).

Treasury Operations During December

During the early part of December, the Treasury built up its deposits with the Federal Reserve Banks by temporarily accelerating its withdrawals from the War Loan accounts on the books of the commercial banks, and on December 8 Treasury deposits with the Reserve Banks reached $686,000,000, $411,000,000 above the level of December 1. These funds, together with $924,000,000 drawn from the War Loan accounts and other receipts during the following week, were employed to meet a $421,000,000 maturity of 1⅛ per cent Treasury notes on December 15, and around $300,000,000 quarterly payments of interest on the public debt due at the same time, as well as current expenditures for war and other purposes. After meeting these expenditures, the Treasury still had $379,000,000 on deposit with the Reserve Banks at the close of business December 15. This marked the first quarterly tax period since March 1942 that the Treasury has not utilized temporary borrowing on special certificates of indebtedness from the Federal Reserve Banks to moderate the effects of its operations on the reserve position of the banks. In March of this year such temporary borrowing reached a maximum of $1,302,000,000, in June $805,000,000, and in September $424,000,000.

During the week ended December 22, the Treasury had unexpectedly large net receipts, from heavy quarterly income tax collections, supplemented by $439,000,000 withdrawals from War Loan accounts and other receipts, which together were substantially greater than Government expenditures, with the result that Treasury deposits with the Federal Reserve Banks rose $588,000,000 to $967,000,000. During the final statement week of the month, ended December 29, no withdrawals from War Loan accounts in the banks were made and Treasury deposits with the Reserve Banks were drawn down to $764,000,000.

War Loan Deposits in Special Depositaries for Account of Sales of Government Securities, and Credits to and Withdrawals from Such Accounts*



* Compiled from data of U. S. Treasury Department.

War Loan account deposits showed a net reduction of about $3,000,000,000 during December in comparison with $4,510,000,000 during November, the smaller decline in December reflecting the effect of quarterly tax collections. The estimated balance at the end of December, $9,800,000,000, presumably will be reduced somewhat further up to the point when the Fourth War Loan drive, scheduled to open January 18, reaches full momentum. Sales of securities under the Fourth drive, of course, will result in large new credits to the War Loan accounts in the banks, against which the Treasury can draw in subsequent months.

Total quarterly income tax collections during December are estimated at $4,300,000,000, of which about $1,100,000,000 were met by turning in Savings ("tax") notes. Of the total quarterly income tax collections during December, $875,000,000 were collected in the Second Federal Reserve District. As in previous quarterly tax months, the proportion of Savings notes used in meeting the tax liabilities was somewhat greater in this District than in the country as a whole, 28 per cent compared with 25 per cent.

Reserve Position of the New York Banks

As in the case of all member banks, the central reserve New York City banks experienced alternate gains and losses of reserve funds through Treasury operations during December, although for the month as a whole these banks gained a moderate volume of reserves through this channel. On the other hand, there was a net outflow of about $500,000,000 commercial and financial funds from New York City to other parts of the country in December, and enlarged currency circulation absorbed somewhat in excess of $100,000,000 of reserve funds. These losses of reserves were largely met by net sales of Treasury bills and certificates of indebtedness to the Federal Reserve Bank, although a number of the New York banks borrowed temporarily from the Reserve Bank to meet deficiencies in their reserve balances. Borrowings from the Reserve Bank by the New York City institutions rose from $9,000,000 on December 1 to $77,000,000 on the 8th, dropped to $15,000,000 on the 22nd, and increased again to $56,000,000 on the 29th. Ten banks in the city borrowed from the Reserve Bank at one time or another during the month. In the Second District outside New York City, relatively small amounts were borrowed during the course of December by 74 member institutions.

MEMBER BANK CREDIT

For the most part the principal changes in member bank credit during the four-week period, November 24 to December 22, reflected continuations of movements which had been in evidence since the middle of October. On October 20 total loans and investments of the weekly reporting member banks reached a new high level, as a result of market purchases of Government securities by the member banks, expansion of loans to nonbanking investors for purchasing Government securities during the Third War Loan drive, and purchases of new issues of Government securities offered directly to commercial banks after the drive. Since that date the principal changes in bank credit have been (1) a reduction in holdings of Treasury bills and certificates of indebtedness in order to offset losses of reserves and rising reserve requirements, (2) a contraction in the volume of loans for purchasing or carrying Government securities, as dealers and others repaid funds borrowed during the drive, and (3) a decline in the level of total deposits and a shift of deposits from War Loan accounts of the Government to private accounts of individuals and corporations.

Between November 24 and December 22 the reporting member banks in New York City reduced their holdings of Government securities by $497,000,000. Most of this decline was accounted for by the sale of certificates of indebtedness and Treasury bills. Last June, when New York City banks reduced their Government security portfolios considerably in order to offset losses of reserve balances, they relied chiefly on the sale of Treasury bills. During the recent period, however, the sale of certificates of indebtedness also assumed considerable importance. Market sales of bonds, notes, and other obligations were relatively small in the four weeks ended December 22; a decline of $79,000,000 in holdings of Treasury notes resulted mainly from the redemption on December 15 of maturing notes. In the 100 cities outside New York, the reporting member banks reduced their holdings of Government securities by $711,000,000 between November 24 and December 22; three fourths of the decline was accounted for by a net reduction in Treasury bill portfolios. Sales of certificates of indebtedness were somewhat smaller than in New York City, and purchases of Treasury bonds continued.

Total loans of the New York City banks declined $155,000,000 between November 24 and December 22, reflecting principally a further contraction of loans for purchasing or carrying securities. Loans to banks rose to $111,000,000 on December 15, the highest level since December 1938; the following week, however, brought a slight decline. There were indications that these loans represented largely day-to-day lending of reserves between New York City banks; borrowings reported by the same group of banks also showed a considerable increase in the same period. Loans for commercial, industrial, and agricultural purposes showed only a small rise during the four-week period.

Member banks in 100 other centers reported a net contraction of $115,000,000 in the volume of outstanding loans; as in New York City, most of the decrease was accounted for by a decline in loans for purchasing or carrying securities. There was a small increase in loans for commercial, industrial, and agricultural purposes, but all other types of loans declined during the period.

In both New York City and the 100 other cities, the contraction in total loans and investments was reflected in a decline of total deposits. The Treasury withdrew $2,782,000,000 from its deposits with these banks during the four-week period, November 24 to December 22, and other deposits rose only $1,195,000,000.

Changes in Holdings of U. S. Government Securities by Federal Reserve Banks, Direct and Guaranteed (In millions of dollars)

Week ended	Bills	Certificates	Notes	Bonds	Total
1943					
Nov. 3	+154	+ 20	—	+ 11	+185
Nov. 10	+278	+103	—	+ 8	+389
Nov. 17	−111	+ 77	—	+ 1	− 33
Nov. 24	+452	+ 72	+ 5	+ 3	+532
Dec. 1	+ 2	+ 66	+ 12	+ 3	+ 83
Dec. 8	+375	+176	+ 5	+ 13	+569
Dec. 15	− 73	+101	− 34	+ 4	− 2
Dec. 22	+426	+ 87	—	+ 25	+538
Dec. 29	− 81	+134	—	+ 10	+ 63

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

Week ended	Bills	Certificates	Notes	Bonds	Guaranteed	Total
	New York City					
1943						
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
Dec. 1	+112	− 28	− 4	− 6	− 15	+ 59
Dec. 8	−157	− 28	0	− 28	− 20	−233
Dec. 15	+ 3	− 73	− 56	− 10	+ 12	−124
Dec. 22	−121	− 77	− 19	+ 12	+ 6	−199
	100 Other Cities					
1943						
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
Dec. 1	−103	+ 10	− 5	+ 2	+ 1	− 95
Dec. 8	−207	− 79	− 26	+ 26	+ 1	−285
Dec. 15	+ 58	− 28	− 35	+ 40	− 12	+ 23
Dec. 22	−296	− 36	− 14	− 3	− 5	−354

FOURTH WAR LOAN DRIVE

The Fourth War Loan drive covering the period January 18-February 15 will aim at raising at least $14,000,000,000 from investors other than commercial banks. This goal compares with one of $15,000,000,000 set for the September drive, which was oversubscribed by more than $3,300,000,000.

While the over-all goal is $1,000,000,000 less than in the September drive, the goal for individuals has been raised from $5,000,000,000 to $5,500,000,000. The major effort will be directed toward increasing sales to individuals and the State War Finance committees conducting the drive are being strengthened and expanded in an effort to reach as many individual investors as possible. In keeping with this effort is the Treasury's decision to announce, through January 31, only sales to individuals, although subscriptions from others will be accepted during this period. New York State's goal for sales to individuals during the Fourth drive is $911,000,000, compared with the Third drive quota of $796,000,000 and actual sales of $850,000,000.

The Department of Commerce has estimated that net savings of individuals, i.e., income remaining after personal taxes and expenditures for consumer goods and services, will amount to about $36,000,000,000 for the calendar year 1943. Currently, the rate of accumulation of savings is probably even greater. After allowing for the amount that would normally go into insurance and other forms of savings, a large sum still remains in the form of currency and demand deposits which might be used to bid up prices on the limited amount of goods produced for civilian consumption. It is desirable to have a substantial portion of such savings invested in war bonds, in which form they would be less likely to be used in ways that would foster inflationary tendencies.

The securities of the Fourth drive, like those of the preceding drives, are designed to appeal to various types of investors. Except for the 2¼ per cent bond of limited marketability, which replaces the 2 per cent and 1¾ per cent fully marketable bonds of earlier drives, the securities are of the same types as those offered in the preceding campaigns. Savings bonds Series E, F, and G are designed primarily for individuals; Treasury savings notes and ⅞ per cent certificates of indebtedness due February 1, 1945 have the strongest appeal for corporations and others desiring to invest funds on a short term basis; and the 2¼ per cent bonds of 1956-59 and 2½ per cent bonds of 1965-70 supply an investment medium for mutual savings banks, insurance companies, and other large investors interested in long term bonds and relatively high coupon rates.

Although commercial banks will be excluded from the January drive as they were in September, those banks accepting time deposits will be permitted to enter limited subscriptions for Savings bonds of Series F and G, and 2¼ per cent and 2½ per cent bonds. The Treasury has announced that any bank holding savings deposits, as defined in Regulation Q of the Board of Governors of the Federal Reserve System, may subscribe to any or all of the four bonds up to 10 per cent of its savings deposits as of the last call date, or in the amount of $200,000, whichever is less. However, banks may not hold more than $100,000 of Series F and G Savings bonds (Series 1944) combined. It is expected that the major portion of the securities acquired by commercial banks under this program will go to banks outside the large centers. All subscriptions by commercial banks will be considered outside the $14,000,000,000 goal set for the drive.

The Treasury again stresses the importance of entering subscriptions through the banks where funds are located in order to avoid unnecessary transfers of funds. Such transfers of funds involve disturbances to the money market and considerable extra work, while they serve no purpose that the system of allocation does not cover adequately. Credits for sales during the drive will be given to any county or counties requested by the subscriber at the time of subscription. Insurance company subscriptions, however, will be credited only to that county in which the head office is situated. In the absence of a specific request, credit generally will be given to the counties indicated by the addresses on the subscription form.

The Treasury also requests commercial banks not to purchase the certificates and the market not to trade in any of the marketable issues until after termination of the drive on February 15. In an attempt to discourage "free riding", that is, purchases by speculators who hope to resell the securities at a profit after the subscription books on a new issue are closed, banks are asked to refrain from making loans to finance speculative subscriptions. Loans for the purpose of purchasing Government securities for permanent investment, however, are approved, provided they are on a short term or amortization basis.

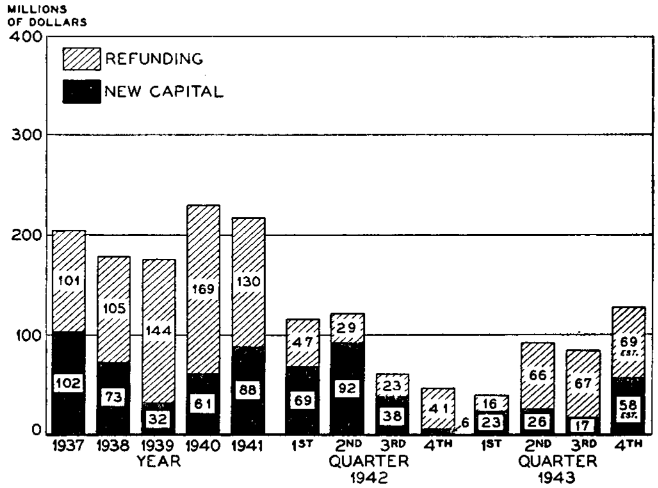
NEW SECURITY ISSUES

The volume of domestic corporate new security issues in 1943 about equaled the 1942 total of $1,037,000,000. Issues in each of the two years, however, were well below those in any year in the 1935-41 period, when annual totals exceeded $2,000,000,000. An increase between 1942 and 1943 in offerings for refunding purposes was offset by a decrease in issues to raise new capital.

While the volume of new corporation security offerings was approximately the same in 1943 and 1942, a rising tendency prevailed during 1943 in comparison with the contracting tendency of the preceding year. As the accompanying chart indicates, the monthly average of new financing by the last quarter of 1943 was at the highest rate in two years. The 1943 volume of issues offered for refunding purposes amounted to approximately $650,000,000 and accounted for nearly two thirds of the year's total; securities issued for new capital purposes declined to about the 1939 total of $383,000,000.

New municipal offerings in the past year continued the decline which has been in progress since 1940 and were the

Monthly Average Volume of Domestic Corporate Security Issues for Refunding and for New Capital*



* Data from *Commercial & Financial Chronicle;* figures for December in the fourth quarter of 1943 estimated by Federal Reserve Bank of New York.

lowest of any year in the period for which the record is available (1919 to date). The decrease between 1942 and 1943 reflected a drop of about 50 per cent in security issues for new capital purposes, to a level below $200,000,000; municipal refunding operations, on the other hand, increased.

SECURITY MARKETS

The Government security market during December was marked by portfolio adjustments for year-end statement and tax purposes, and in anticipation of the Fourth War Loan. At the same time, banks continued to make net sales of Treasury bills and certificates of indebtedness to meet increased reserve requirements and to replenish reserve funds lost through enlarged currency circulation and adverse clearings balances. Bills and certificates sold by the banks were largely absorbed by the Federal Reserve Banks. Selling of other classes of Government securities was predominantly in the partially tax-exempt bonds of short and medium term maturities, while fully taxable short and medium term bonds, and notes, were in moderate demand. There was also some demand for short term certificates, presumably as temporary mediums of investment by nonbanking investors pending the start of the Fourth War Loan drive. Most of the partially tax-exempt Treasury bonds maturing or callable within the next five years showed net advances in yield of 0.02 to 0.04 per cent; on the other hand, yields on taxable bonds maturing or callable up to eight years generally declined about 0.03 per cent. On long term bonds yields were little changed during December.

Stock prices during December recovered well over one-third of the loss occurring in the July-November decline. Railroad, industrial, and utility stocks all shared in the upturn, and Standard and Poor's price index of 90 combined stocks advanced 6 per cent.

Increases in prices of domestic corporate bonds were confined largely to the medium and lower grade railroad issues. Moody's index of Baa bond yields declined from 3.84 per cent at the end of November to 3.80 per cent at the end of the year, while the index of yields on Aaa corporate bonds showed little net change. In the early part of December, yields on municipal bonds, as measured by Standard and Poor's index, continued the rise begun in November, and on December 8 the index reached 2.02 per cent, the highest level since July 7. Declines in the next three weeks, however, lowered the average to 1.98 per cent on December 29.

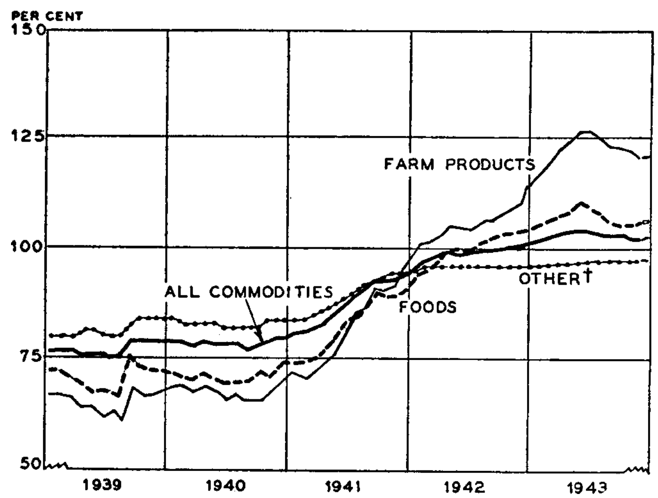
WHOLESALE COMMODITY PRICES

After three years of almost uninterrupted advance, the Bureau of Labor Statistics index of wholesale commodity prices declined slightly in June and July 1943 and thereafter has shown little change from month to month. As indicated in the accompanying chart, the decline resulted from decreases in the indexes for farm products and foods.

For both these groups the indexes rose rapidly after the first quarter of 1941, since many items in each group were not subject to the governmental regulations that controlled wholesale prices of industrial commodities. In June of the past year, governmental orders were issued for reductions in the maximum prices on meats, to be accomplished by means of subsidy payments to processors. The lower prices of meats, together with seasonal decreases in the prices of fresh fruits and vegetables, were reflected in the downward movement of the price indexes for both farm products and foods. Raw cotton prices dropped gradually during the second half of the year.

Prices of industrial commodities, that is commodities other than farm products and foods, advanced a little in each month of 1943, but the net increase for the year—as in 1942—was very small. Between August 1939 and December 1943, prices of industrial commodities rose 22 per cent, food prices 58 per cent, and prices of farm products 99 per cent.

Indexes of Wholesale Commodity Prices*
(1926 average=100 per cent)



* Data of U. S. Bureau of Labor Statistics; December 1943 estimated from weekly figures.

† Other than farm products and foods.

EMPLOYMENT AND PAYROLLS

Factory employment in New York State (as measured by the index of the State Department of Labor), after increasing sharply between mid-1940 and the end of 1942, changed very little from month to month during most of 1943. The narrow fluctuations in total factory employment, however, conceal diverse movements among the various industries and among the several industrial areas of the State.

The accompanying chart shows clearly the changes that took place during 1943 in New York City and in industrial areas of Upstate New York. Factories manufacturing war materials in the Syracuse district continued to add to their numbers of workers, and employment in that area advanced at a rate which was about half that in the final quarter of 1942. In the Poughkeepsie area, also, expansion in war industries resulted in some further increase of total factory employment. Employment in the Rochester and Binghamton districts tended to advance during the year, although the changes that occurred were relatively small.

Areas in which fairly definite downturns took place included Buffalo and Albany, the two districts that had made the greatest percentage gains in employment between 1939 and 1942. In Buffalo the high month for employment was July; the losses that occurred thereafter reflected decreases at iron and steel plants and at transportation equipment factories. In Albany, the decline which began in the first half of the year resulted from lowered employment in the metals, machinery, and textile industries. Decreases in these industries also brought a decline, after the middle of the year, in employment in the Utica district.

Employment in New York City in 1943 fluctuated less widely than in earlier years. Declines at establishments manufacturing consumers' nondurable goods were offset by increases in war industries, particularly in shipbuilding.

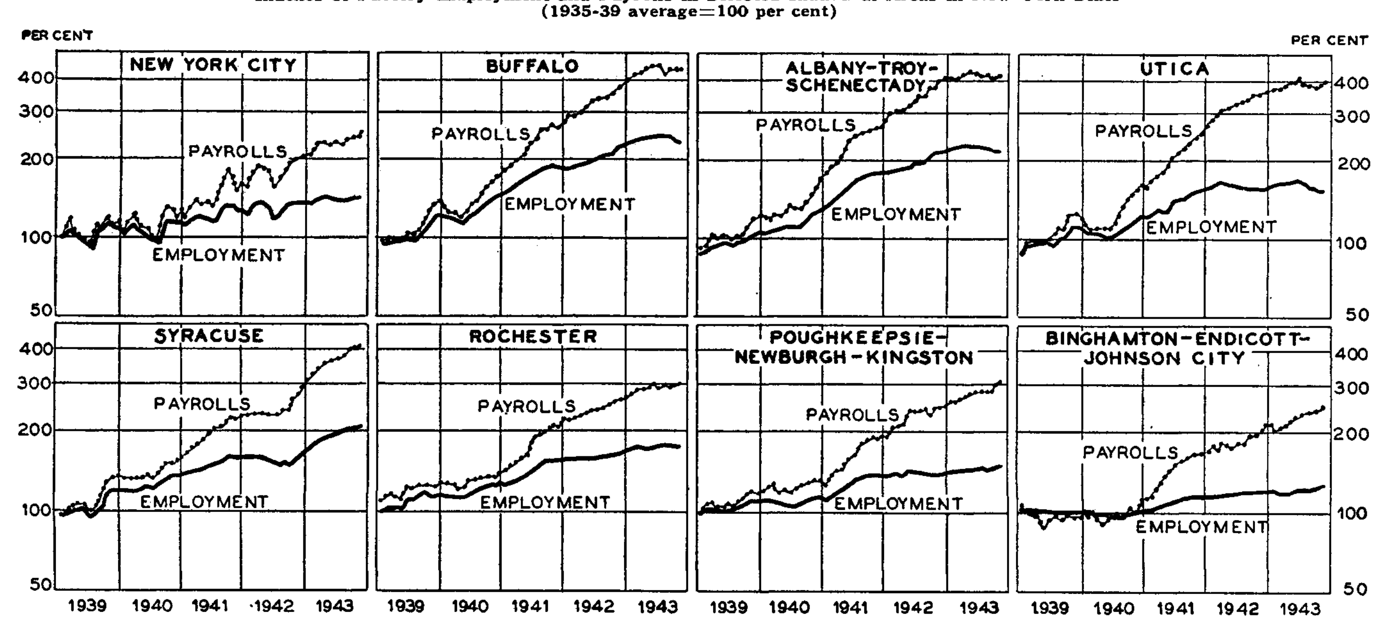
Factory payrolls in New York State as a whole continued to rise last year, despite the tendency for employment to become comparatively stable. In November 1943 (the latest month for which data are available) the State Labor Department's index of payrolls was 20 per cent above that in November 1942. The greatest increase occurred in the Syracuse area, but marked advances took place also in New York City, the Poughkeepsie area, and the Binghamton district.

PRODUCTION AND TRADE

Preliminary data for December indicate moderate recessions in some lines of activity from the high levels of October and November. A decline in steel production reflected both cutbacks in programs of some industries manufacturing war materials and a brief suspension of work by employees of several companies, following expiration of union contracts. Output of crude petroleum was slightly smaller than in November, and carloadings of railway freight in the first three weeks of December declined about 5 per cent. On the other hand, with the settlement in November of the wage dispute in the coal industry, output of bituminous coal rose substantially and remained at a high level in the weeks ended December 4 and 11. Seasonally corrected electric power production has changed little from week to week, and final December figures will probably be about the same as those for November.

Early in December the War Production Board announced that goals for total war output in 1944 would be 17 per cent above 1943 production. Cutbacks are scheduled for some industries, notably in small arms ammunition and the construction of war plants, but these changes will be more than offset by

Indexes of Factory Employment and Payrolls in Selected Industrial Areas in New York State*
(1935-39 average=100 per cent)



* Data of New York State Department of Labor. Plotted on ratio scale to show proportionate changes.

the large increases planned in output of trucks, aircraft, and artillery ammunition. To attain the 1944 goal, industry must operate at a rate only slightly higher than that prevailing during the fourth quarter of 1943.

Production in 1943 for two of the major war industries attained record levels. Steel production has been estimated at 89,000,000 net tons for the year. Although not greatly above the output of 1942, it was 44 per cent above that of 1929 and nearly 80 per cent larger than in 1917.

A notable achievement during 1943 was the completion of steel merchant ships at American shipyards. Nearly 18,000,000 deadweight tons were produced, more than double the amount for 1942 and three and one half times greater than the tonnage for 1919. (See accompanying chart.)

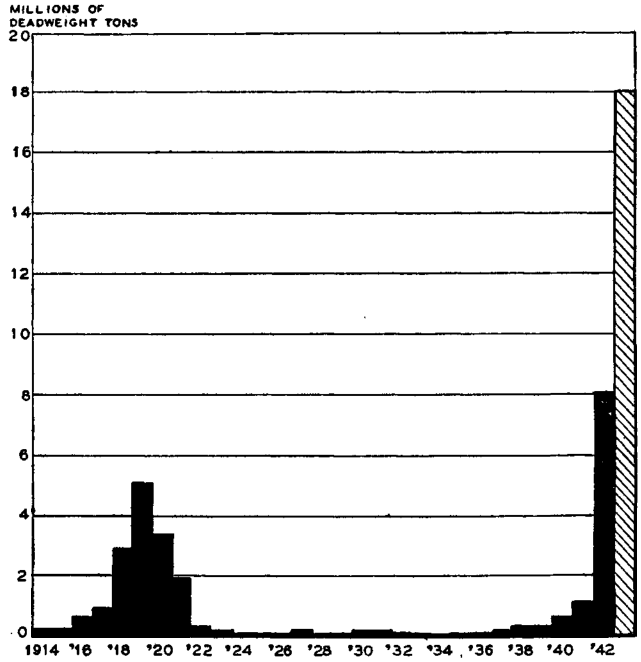
Production and Trade in November

The volume of industrial production, adjusted for seasonal variation, in November differed little from that in October, despite declines in the output of some industries. Work stoppages in the coal mines at the beginning of the month resulted in curtailed output of bituminous and anthracite coal and, to a lesser extent, in restricted coke production. The rate of operations at steel mills, which had exceeded 100 per cent throughout October, averaged 98.4 per cent in November, and daily average production dropped below the high level of October. A decline occurred also in the dollar volume of construction contracts awarded. The War Production Board's index of munitions, however, indicates that several important war industries showed substantial increases in output. Gains of 6 per cent in both the aircraft and the communication equipment industries, together with an advance of 4 per cent in shipbuilding and of 3 per cent in the manufacture of guns, brought the index to the highest level yet attained (665 per cent of the November 1941 average). In several consumers' nondurable goods industries, activity expanded sharply during November, and pronounced gains for the month occurred in retail trade, chiefly as a result of the early Christmas shopping.

	1942	1943		
	Nov.	Sept.	Oct.	Nov.
*Indexes of Production and Trade** (100 = estimated long term trend) Index of Production and Trade	125	124	126p	127p
Production	134	132	133p	134p
Producers' goods—total	171	167	167p	166p
Producers' durable goods	206	195	196p	196p
Producers' nondurable goods	131	135	134p	133p
Consumers' goods—total	88	87	87p	89p
Consumers' durable goods	38	25	25p	25p
Consumers' nondurable goods	105	107	107p	110p
Durable goods—total	157	145	146p	146p
Nondurable goods—total	116	119	118p	119p
Primary distribution	141	157	158p	156p
Distribution to consumer	93	81	84p	88p
Miscellaneous services	153	172	170p	174p
Cost of Living, Bureau of Labor Statistics (100 = 1935-39 average)	120	124	124	124p
Wage Rates (100 = 1926 average)	145	157	157p	
*Velocity of Demand Deposits** (100 = 1935-39 average) New York City	62	88	74	70
Outside New York City	82	94	81	76

*Adjusted for seasonal variation. *p* Preliminary.

Steel Merchant Ships Over 2,000 Gross Tons Completed by U. S. Shipyards*



* Data from *Marine Engineering and Shipping Review;* figures for 1943 estimated by Federal Reserve Bank of New York on basis of data for first eleven months.

FURNITURE STORE TRADE

Furniture store sales in the Second Federal Reserve District during November were 2 per cent higher than in October and 10 per cent above November 1942, but 4 per cent lower than in November 1941. For the year through November, sales were 1 per cent above those in the corresponding 1942 period but 10 per cent below January-November 1941. New York City's sales for the first eleven months of 1943 were 7 per cent greater than a year earlier; this record was the best of any of the five largest cities covered by the survey. Syracuse was next in line with a gain of 2 per cent; Rochester reported no change; a decline of 6 per cent was shown for Buffalo; while Newark sales were down 18 per cent.

Furniture store stocks declined during November for the third consecutive month. At the November rate of sales, stocks at the close of the month represented 3.3 months' supply, compared with 5.3 months' supply one year earlier.

Although accounts receivable have increased slightly since the close of August, they were on November 30 more than 50 per cent below those at the end of December 1941, the month when the fairly steady decline which lasted through August

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

Locality	Percentage change from the preceding year: Net sales, Nov. 1943	Net sales, Jan.-Nov. 1943	Stocks on hand, Nov. 30, 1943	Accounts receivable, Nov. 30, 1943	Collections Nov. 1943
New York City	+14	+ 7	−30	−24	0
Northern New Jersey	+ 7	−12	−38	−32	−13
Newark	−20	−18	−49	−29	−24
Westchester-Fairfield	+18	− 2	—	−12	+12
Hudson River Valley	− 4	−13	—	−35	−20
Central New York State	− 2	− 3	−29	−29	−17
Syracuse	0	+ 2	—	−28	−11
Northern New York State	− 2	+ 8	−37	−41	—
Southern New York State	−13	−18	−38	−39	−31
Elmira	−13	−21	−38	−39	−31
Western New York State	+ 2	− 3	−30	−28	−14
Buffalo	− 1	− 6	−31	−26	−12
Rochester	+ 8	0	−26	−30	−13
Total outside New York City	+ 3	− 7	−33	−30	−15
Total Second District	+10	+ 1	−31	−26	− 5

Item	Total District Nov. 1942	Total District Nov. 1943	New York City Nov. 1942	New York City Nov. 1943	Outside New York City Nov. 1942	Outside New York City Nov. 1943
Credit sales as per cent of total sales	82.6	82.7	83.3	83.7	80.9	80.1
Stocks on hand, end of month, as ratio to month's sales	5.3	3.3	5.2	3.2	5.5	3.6
Collections, exclusive of down payments, as per cent of receivables, first of month	13.0	15.3	12.6	14.6	14.1	17.1

1943 set in. Collections in November against accounts outstanding at the close of October amounted to 15 per cent.

DEPARTMENT STORE TRADE

Department store sales in the Second Federal Reserve District during December, judging from sales for the four weeks ended December 25, about equaled the record high volume for December reached in 1942. In November, gift buying was reported to have been unusually active, and sales figures for that month, attaining a new high for November, were 17 per cent above those in November 1942. That somewhat more than the usual amount of early Christmas shopping took place in November 1943 is indicated by the fact that December of 1943 accounted for 57 per cent of the combined two months' sales total compared with 61 per cent for December 1942 and a range of 60 to 62 per cent for the nineteen years, 1924 through 1942. When November and December are considered together, however, the combined sales for the two months attained a new peak for the Christmas trade. Christmas sales appear to have been greatest in the higher priced lines, with the luxury items showing substantial gains. Sales in the Second District in 1943 were the highest of any year on record and 34 per cent above those in 1939, a substantial part of the increase in the four-year period resulting from price advances.

For the six major cities in the Second District, changes since 1939 have varied markedly. Buffalo has shown the greatest increase; sales rose 52 per cent between 1939 and 1942, and a further advance of about 10 per cent occurred in 1943. Syracuse, Rochester, and New York City likewise reported improvement in each of the four years, but for none of these three cities has the increase for the entire period been so great as that for Buffalo. Sales in Bridgeport, which had shown the largest increase (57 per cent) from 1939 to 1942, declined about 5 per cent in 1943. Newark sales in 1943 dropped slightly below those in 1942, and the gain since 1939 has been less than that for any one of the other major cities in the District.

Revision of Indexes of Department Store Sales Second Federal Reserve District

The indexes of department store sales for the Second Federal Reserve District have been revised from 1919 to date, in accordance with a national program of the Federal Reserve System. The revised figures reflect primarily the inclusion of additional stores and recomputed seasonal adjustment factors, and they are expressed as percentages of average daily sales in 1935-39, the base period now used for many national and regional business indexes. Monthly indexes for the entire period covered may be secured from this bank upon request. Work is now in progress on the revision of the index of department store stocks for the Second Federal Reserve District, and the revised figures will be made available in the near future.

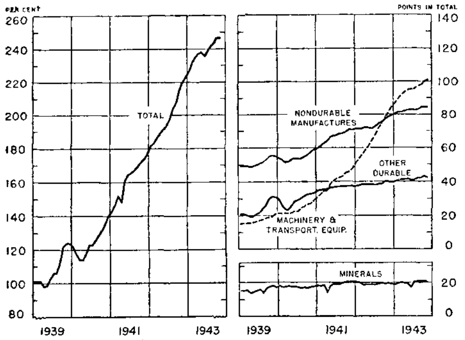
Department and Apparel Store Sales and Stocks, Second Federal Reserve District, Percentage Change from the Preceding Year

Locality	Net sales, Nov. 1943	Net sales, Jan. through Nov. 1943	Stocks on hand Nov. 30, 1943
Department stores, Second District	+17	+ 7	−13
New York City	+20	+ 8	−15
Northern New Jersey	+10	− 1	−18
Newark	+11	0	−20
Westchester and Fairfield Counties	+ 9	− 2	− 8
Bridgeport	+ 6	− 5	−11
Lower Hudson River Valley	+24	+ 7	− 2
Poughkeepsie	+29	+ 9	—
Upper Hudson River Valley	+ 8	− 1	− 4
Albany	+ 9	− 4	—
Schenectady	+ 7	+ 4	− 3
Central New York State	+25	+12	− 7
Mohawk River Valley	+23	+13	−18
Utica	+30	+14	—
Syracuse	+27	+12	− 1
Northern New York State	+11	+ 3	—
Southern New York State	+20	+11	0
Binghamton	+23	+15	—
Elmira	+13	− 1	—
Western New York State	+15	+10	− 7
Buffalo	+18	+11	− 5
Niagara Falls	+17	+27	− 1
Rochester	+13	+ 7	−11
Apparel stores (chiefly New York City)	+30	+21	+ 7

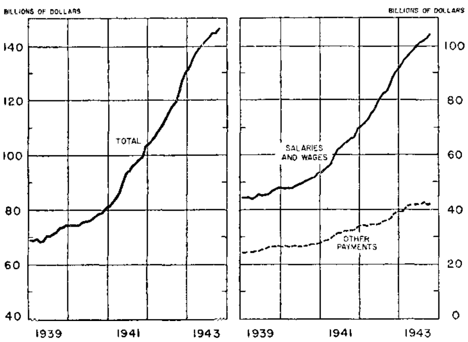
Indexes of Department Store Sales and Stocks, Second Federal Reserve District

Item	1942 Nov.	1943 Sept.	1943 Oct.	1943 Nov.
1935-39 average = 100				
Sales (average daily), unadjusted*	161	140	156	181
Sales (average daily), seasonally adjusted*	132	131	136	148
1923-25 average = 100				
Stocks, unadjusted	152r	128	131	132
Stocks, seasonally adjusted	135r	123	119	115

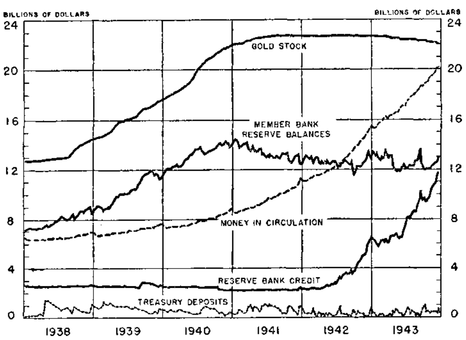
* Indexes revised from 1919 to date; available upon request.
r Revised.



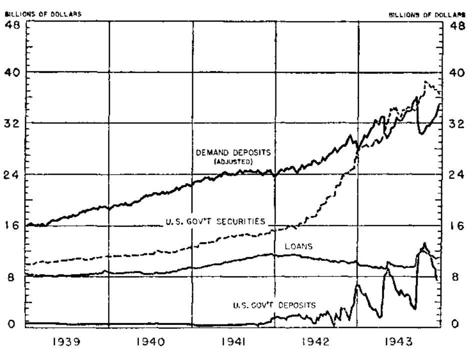
Index of Physical Volume of Industrial Production, Adjusted for Seasonal Variation, 1935-39 Average=100 Per Cent. (Groups shown are expressed in terms of points in the total index.)



Income Payments to Individuals, Based on Department of Commerce Estimates. Wages and Salaries Include Military Pay. Monthly Figures Raised to Annual Rates.



Member Bank Reserves and Related Items. (Latest figures are for December 15.)



Member Banks in Leading Cities. Demand Deposits (Adjusted) Exclude U. S. Government and Interbank Deposits and Collection Items. Government Securities Include Direct and Guaranteed Issues. (Latest figures are for December 15.)

General Business and Financial Conditions in the United States

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

INDUSTRIAL activity was maintained at a high level in November and the early part of December. Value of retail sales during the Christmas buying season has been larger than last year's record sales.

Industrial Production

Industrial production in November was at 247 per cent of the 1935-39 average, the same as in October and 2 points higher than in September according to the Board's seasonally adjusted index. Further increases in munitions production in November were offset in the total index by smaller output of coal and steel.

The reduction in steel output from the high October rate was small and reflected partly a decline in war orders for some types of steel products. Activity in the machinery and transportation equipment industries continued to rise in November. The Board's machinery index, which had been stable from April to August, advanced 5 per cent in the past 3 months as a result of increases in output of electrical equipment and other machinery, which includes aircraft engines.

Total output of nondurable goods in November continued at the level of recent months. Activity in woolen mills showed little change as increased production of civilian fabrics, resulting from the lifting of restrictions on the use of wool, offset reduced output of military fabrics. Production of manufactured food products continued at a high level. Federally inspected meat production in November was one-fourth larger than a year ago. Newsprint consumption in November declined to a level 15 per cent below the same month last year. Output in the rubber products and petroleum refining industries continued to increase.

Coal production increased sharply in the latter part of November, but for the month as a whole bituminous coal output was down 9 per cent from October and anthracite 19 per cent. In the early part of December output of bituminous coal was at the highest rate in many years.

Distribution

Notwithstanding a reduced selection of merchandise, department store sales in November were about 10 per cent greater than the large volume of sales in November 1942, and in the first three weeks of December sales were about the same as a year ago. Value of department store stocks at the end of October was reported to be 9 per cent smaller than a year ago and it is estimated that, contrary to the usual seasonal movement, stocks declined in November.

Freight carloadings were maintained in large volume in November and in the first half of December. Loadings of coal during the four weeks ended December 11 were at the highest rate in many years, following a sharp drop in the first half of November. Shipments of grain and livestock were in unusually large volume for this time of year.

Commodity Prices

Grain prices continued to advance from mid-November to mid-December and reached levels more than one-fourth higher than a year ago. Wholesale prices of other farm and food products showed little change, while prices of various industrial commodities, including coal, were increased somewhat.

The cost of living, which had increased 0.4 per cent in October, declined 0.2 per cent in November, according to the Bureau of Labor Statistics index.

Bank Credit

Excess reserves at all member banks fluctuated around one billion dollars in November and December, maintaining an average level slightly below that which prevailed during the previous month. During the five weeks ended December 22, reserve funds were absorbed by a preholiday rise in money in circulation of about 800 million dollars, and required reserves continued to increase as Treasury expenditures transferred funds from Government accounts to private deposits. Needed reserves were supplied to member banks through an increase of 1.7 billion dollars in Government security holdings at the Reserve Banks. Additions to Treasury bill holdings accounted for the larger part of the increase, but certificate holdings also rose substantially.

During November and the first half of December, loans and investments at reporting member banks in 101 leading cities declined by around 2½ billion dollars, after increasing by 6¼ billion in September and October. Holdings of all types of Government securities decreased. Bill holdings, mainly because of sales to the Reserve Banks, showed the largest decline. Loans for purchasing or carrying securities continued to decline over the period.