MONTHLY REVIEW

Of Credit and Business Conditions

FEDERAL RESERVE BANK OF NEW YORK

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MONEY MARKET IN APRIL

As a result of the Treasury Department's deferment, from March 15 to April 15, of the deadline for filing estimated income tax returns against 1944 incomes, more than $1,500,000,000 of income tax collections were shifted from March into April. These funds, together with other tax receipts and the unusually large volume of Treasury deposits with the Federal Reserve Banks which had been accumulated toward the end of March, met roughly half of the Government's expenditures during April. The balance of the Treasury's cash requirements were met by withdrawals of $4,300,000,000 from War Loan deposit accounts with commercial banks. There still remained in these accounts, at the end of April, about $10,500,000,000, mainly representing unexpended proceeds of the Fourth War Loan. These funds will be available to meet the excess of expenditures over tax receipts until proceeds from the Fifth War Loan, scheduled for June 12-July 8, begin to come in.

Member Bank Reserve Positions

During April the central reserve New York City banks gained a considerable volume of reserves through an inflow of funds from other sections of the country; deposit balances of out-of-town banks with their New York correspondents were increased about $50,000,000, and at the same time there was a $350,000,000 influx of other commercial and financial funds. Reserves gained through these channels, however, were roughly offset by a rise in required reserves and losses of reserve balances from increased currency circulation, gold and foreign account operations, and net Treasury receipts. Reflecting a rough balancing of gains and losses to their reserve positions, the Government security holdings of the New York City banks showed little net change for the month.

Excess reserves of all member banks, which had temporarily dipped to about $600,000,000 on March 29, fluctuated for the most part between $900,000,000 and $1,000,000,000 during most of April, but again dropped down to around $600,000,000 on April 26. The principal influences tending to enlarge the volume of excess reserves over the four weeks ended April 26 were a net reduction in Treasury deposits with the Federal Reserve Banks, from $753,000,000 on March 29 to $373,000,000 on April 26, and an increase of $701,000,000 in Federal Reserve Bank holdings of Government securities, principally accounted for by net purchases of Treasury bills. These factors were roughly offset by a rise of $500,000,000 in reserve requirements and losses of $360,000,000 in reserve balances through enlarged currency circulation and $235,000,000 through gold and foreign account operations.

Growth of Member Bank Deposits

In the April 1 issue of this Review, it was pointed out that member bank reserve requirements over the past year have been rising at a somewhat slower rate than their deposits subject to reserve requirements. For example, between May 1943 and February 1944—two months which are more or less comparable from the standpoint of the timing of the War Loan drives—total net demand plus time deposits of all member banks rose 10.4 per cent while reserve requirements were enlarged 8.7 per cent. This difference is explained by the geographic distribution of the expansion in net demand deposits and the relatively faster increase in time deposits than in demand deposits. The accompanying chart, showing the relative growth in member bank deposits in New York, Chicago, reserve city and "country" banks, provides a basis for further analysis of the rise in deposits and reserve requirements.

As the chart illustrates, the most rapid growth in demand deposits has occurred at "country" banks, whose reserve requirements against net demand deposits are 14 per cent, compared with 20 per cent for reserve city and central reserve city member banks. As a matter of fact, taking account of the wave-like fluctuations associated with the periodic War Loan drives and measuring from one post-drive low point to the next, net demand deposits with the central reserve city banks of New York and Chicago have risen very little, while those of the reserve city banks have expanded only about half as fast, in percentage terms, as those of the "country" banks.

For more than a year the rate of increase in time deposits, against which reserve requirements are only 6 per cent (as compared with 14 and 20 per cent against net demand deposits), has been perceptibly greater than the over-all rise in net demand deposits, thus tending somewhat to check the growth of reserve requirements in relationship to the expansion in total deposits. All classes of member banks have experienced

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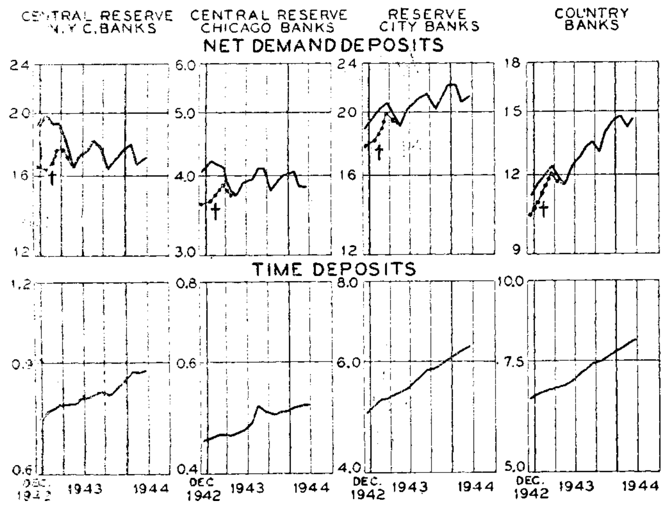
Net Demand Deposits and Time Deposits of All Member Banks, by Reserve Classification of Banks, December 1942-March 1944*
(Monthly averages of daily figures. In billions of dollars.)



* From *Federal Reserve Bulletin.* Plotted on ratio scale to show proportionate changes.
† Adjusted to exclude War Loan account deposits.

substantial increases in their time deposits since the beginning of 1943, in contrast to 1942 when these deposits increased less than 3 per cent.

MEMBER BANK CREDIT

Both loans and investments of the weekly reporting member banks in 101 cities showed a further net decline during the four-week period from March 22 through April 19. Although Government security holdings of the New York City banks increased 117 million dollars, the rise was not sufficient to offset a net decline in the holdings of member banks in 100 cities outside New York. This decline amounted to 336 million dollars, the decrease being due almost entirely to the sale of Treasury bills to the Reserve Banks. Small net sales of certificates of indebtedness and Treasury notes were about offset by purchases of Treasury bonds and guaranteed issues. In New York City, the increase resulted from purchases of Treasury bills (107 million dollars) and certificates of indebtedness (135 million dollars), which exceeded sales of Treasury notes, bonds, and guaranteed obligations.

Member banks in both New York and 100 other cities reported a decline in total loans foı the four-week period, due in part to the continued liquidation of loans made during the Fourth War Loan drive for purchasing or carrying Government securities, and in part to a decrease in commercial, industrial, and agricultural loans. On April 19, loans on Government securities to brokers and dealers by the reporting banks were 138 million dollars less than on January 5, before the increase in dealers' borrowing in connection with the Fourth War Loan, but loans on such securities to other borrowers remained 95 million dollars higher than on January 5.

In the nine weeks since the close of the Fourth War Loan drive, adjusted demand deposits of the New York City banks have been rebuilt about as rapidly as they were in the nine-week period following the Third War Loan drive. In the 100 other centers, however, such deposits have expanded only 1.5 billion dollars since the Fourth drive, compared with an increase of 2.4 billion dollars after the Third.

SECURITY MARKETS

Activity in the Government security market during April was characterized largely by portfolio adjustments, in some cases in anticipation of the Fifth War Loan drive scheduled to open June 12. The announcement on April 3 of the securities to be sold during the Fifth War Loan drive was well received by the market and resulted in an improved demand for certificates of indebtedness, notes, and taxable bonds. In the following week, the firmer tone was broadened to include partially tax-exempt bonds, yields on which had tended to rise somewhat in March. During the latter part of April, however, yields on tax-exempt bonds again rose, and the demand for taxable bonds contracted.

Interest in Treasury bonds centered chiefly in the taxable issues callable within six years, in the 2¼ per cent bonds of 1956-59 sold during the Fourth drive, and in the intermediate partially tax-exempt issues, and yields on these bonds showed net declines during April. On the other hand, yields on many of the longer term taxable and tax-exempt bonds were unchanged or showed increases for the month.

Demand for taxable Treasury notes and certificates of indebtedness resulted in lower yields, while yields on tax-exempt notes tended to rise. Certificates due April 1, 1945, which were exchanged for a maturing issue on April 1, were selling to yield 0.79 per cent by the end of the month; the certificates due May 1, 1945, to be issued in exchange for another maturing issue on May 1, were also selling to yield 0.79 per cent, when issued.

The volume of trading on the New York Stock Exchange was light during April, and Standard and Poor's 90-stock price index showed a slight net decline for the month. At the end of April, the index was about 4 per cent below the 1944 high, attained around the middle of March.

Corporation bond prices rose slightly during April, in a quiet market. Gains were registered by industrial and railroad bonds, especially the medium and lower grade issues, although there was some recession toward the end of the month. Moody's index of Baa bond yields declined from 3.70 per cent on March 31 to 3.66 per cent on April 29, establishing a new low for the index for the fourth successive month; the index of Aaa bond yields declined from 2.74 per cent to 2.73 per cent. Standard and Poor's index of municipal bond yields rose from 1.83 per cent on March 29 to 1.88 per cent on April 26. This marks the first month since December that the index has registered an advance.

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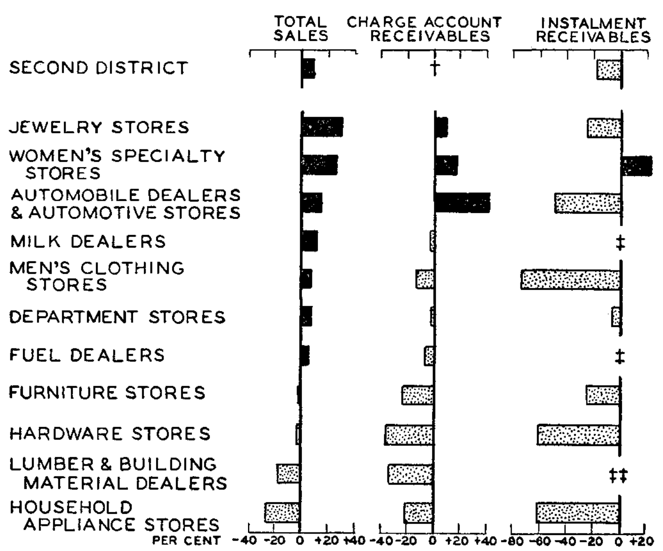
RETAIL CREDIT SURVEY FOR 1943

This bank, as part of a Federal Reserve System project, recently completed a survey for 1943 of retail credit sales and accounts receivable in the Second Federal Reserve District.[1] Between 250 and 300 retail merchants in the District participated in the survey and made available comparative figures for 1942 and 1943 on cash and credit sales and a number of balance sheet items.

As indicated in the chart below (Chart I), total sales volumes expanded between 1942 and 1943 for most retail lines in the District. The largest increases were experienced by jewelry stores (29 per cent) and women's specialty shops (25 per cent), reflecting increased demands, advanced prices, and the shifting of consumer purchases to higher-grade merchandise. Sales of automobile dealers and automotive supply stores rose 14 per cent, following a sharp decline in 1942; the increase probably stemmed in considerable part from enlarged maintenance expenditures on cars and from sales of non-automotive classes of merchandise which had been taken on by merchants in this field. On the other hand, for household appliance stores, and lumber and building material dealers, where production cuts and restrictions on supplies had been imposed later and more gradually than in the case of automobiles, sales volumes dropped 28 and 18 per cent, respectively. Sales of many hardware and furniture stores also declined in 1943, while department store sales were 7 per cent greater than a year earlier.

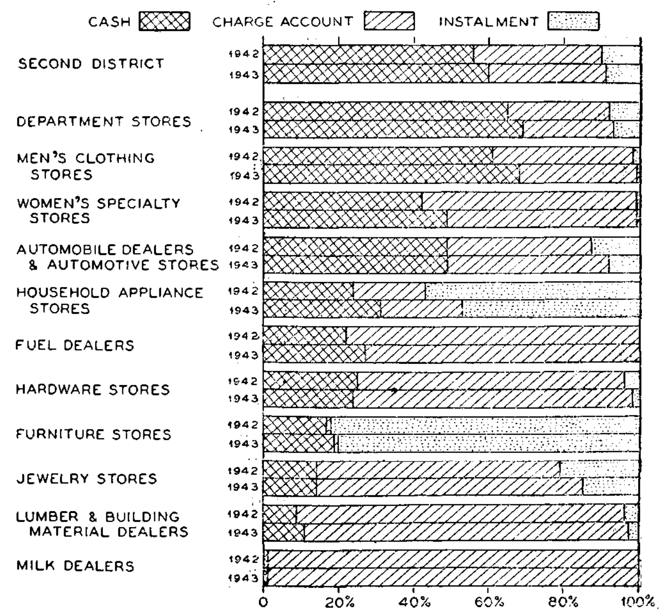
[1] The annual Retail Credit Survey, formerly conducted by the Bureau of Foreign and Domestic Commerce of the Department of Commerce, was transferred to the Federal Reserve System in 1942 as part of a program of centralizing the collection and analysis of consumer credit statistics. An analysis of the results of the first Survey conducted by the Federal Reserve System, that for 1942, was published by the Board of Governors in July 1943.

Chart I
Percentage Changes, 1942 to 1943, in Sales and Accounts Receivable, for Stores Covered in the Retail Credit Survey, by Type of Business, Second Federal Reserve District*



* Sales figures are based on annual totals; accounts receivable, on end of year data.
† No change.
‡ No instalment sales.
‡‡ Percentage withheld to avoid disclosure of operations of individual dealers.

Chart II
Percentage Distribution of Sales, 1942 and 1943, by Type of Sale, for Various Classes of Stores Covered in the Retail Credit Survey, Second Federal Reserve District



The proportion of credit sales to total sales, which had dropped sharply in 1942, decreased further in most lines last year (Chart II). The chief influences behind the relative contraction in credit sales have been restrictions on the production of many classes of consumer goods, especially the more durable types sold extensively on credit; consumer credit regulations, first imposed in the autumn of 1941; and enlarged individual incomes. Both charge account and instalment credit sales have been affected by these influences.

Changes between December 31, 1942 and December 31, 1943 in accounts receivable reflect differences in sales experience in various lines, shifts (mostly reductions) in the proportions of credit business, and changes (generally increases) in rates of collections against receivables. As indicated in Chart I, women's specialty shops showed considerable increases in receivables as well as in sales, but the increases in receivables were less marked than in the case of sales. Instalment accounts outstanding of jewelry stores and of the automotive group declined, but charge accounts increased, indicating a shift from the instalment to the charge account type of credit business. For department stores and the other groups experiencing sales growth of less than 10 per cent, receivables generally declined. Where 1943 sales fell below 1942 levels receivables also dropped—in every case more than sales.

The data supplied by the stores covered in the survey indi-

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cate that the largest increases in retail sales, between 1942 and 1943, occurred in Binghamton, Buffalo, and Syracuse. Two cities, Bridgeport and Newark, showed small decreases. The rise in New York City was roughly comparable to the increase for the remainder of the Federal Reserve District taken as a whole. Instalment credit receivables declined in each of the 11 cities covered—the decreases ranging from 13 per cent in New York to 51 per cent in Elmira. Charge account receivables, on the other hand, rose in 4 cities and declined in the remaining 7.

Current Assets and Liabilities

In the light of the important changes that are occurring in balance sheet positions of business over the war period, figures on additional current asset items (supplementing the data which have been collected regularly on receivables) and on current liabilities were collected for the first time in conjunction with the Retail Credit Survey for 1943.

For the reporting retailers in the Second Federal Reserve District, current liabilities generally increased during 1943—apparently the result of an enlargement in tax reserves which more than counterbalanced reductions in borrowing from banks. Current assets rose even more than current liabilities, through growth in resources held to meet tax liabilities, accumulations of undisbursed depreciation funds, and retention of earnings in the business. The entire gain in current assets went into cash on hand and in banks, and into marketable security holdings; in addition, there was some conversion of accounts receivable and inventories into these liquid forms.

Changes of this kind in the balance sheet positions of retail merchants are symptomatic of changes which have been occurring in the balance sheet positions of individuals and of business generally over the war period—especially the rapid accumulation of liquid assets, in the shape of currency, bank deposits, and Government securities; the using up of physical assets; and the reduction of indebtedness. In these developments there is the making both for a firm credit basis in the postwar period and for needs to make capital outlays.

Sales and Current Assets and Liabilities, 1942 and 1943, for Stores Covered in the Retail Credit Survey, Second Federal Reserve District*

	In millions of dollars		Percentage change, 1942 to 1943
	1942	1943	
	Sales		
Total sales†	702.9	757.4	+ 8
Cash	*392.2*	*453.4*	*+16*
Charge account	*237.1*	*234.7*	*− 1*
Instalment	*73.6*	*69.3*	*− 6*
	Current assets and liabilities		
Total accounts receivable†	85.6	79.1	− 8
Charge account	*47.7*	*47.9*	*0*
Instalment	*37.9*	*31.2*	*−18*
Cash on hand and in banks‡	35.8	50.8	+42
Marketable securities‡	24.4	35.2	+44
Inventories, at cost‡	75.5	71.9	− 5
Notes payable to banks‡	5.6	4.3	−23
Other current liabilities‡	46.1	50.7	+10

* Sales figures are annual totals; other figures are end of year data.
† Based on reports for 274 stores.
‡ Based on reports for 214 stores.

Limitations of the Data

In making use of the results of the Retail Credit Survey, it must be borne in mind that the figures are based entirely upon the records of credit-granting stores, and for this reason the proportions of cash sales tend to be understated and biases may arise from divergent trends between credit-granting stores and stores operating solely on a cash basis. Generally speaking, the coverages of larger department, women's apparel, and furniture stores are the most satisfactory; department stores embraced in the survey are estimated to account for about 70 per cent of total department store sales in the Second Federal Reserve District, the furniture store coverage is estimated at 25 per cent, and the women's apparel store coverage at 20-25 per cent. For the other classes of stores, the compilations are based upon small samples. While the results in these cases appear to be reasonable and to fit into a general pattern, they are necessarily subject to considerable margins of error.

THE WORKING POPULATION OF NEW YORK CITY

An analysis of the working population of New York City provides a useful background for an understanding of the problems that will arise in relation to postwar adjustments and developments. A survey of the long term changes in the occupational structure of the City's resident population, revealing the major shifts that have occurred over a period of years, and a detailed study of the occupational distribution before the economy was affected by the war, afford particularly effective means for determining the broad economic basis of the City's livelihood. While many aspects of the economic life of the City have been affected by wartime developments, these developments have been less important than in other large industrial centers of the country so that radical changes in the occupational structure of the City after the war are not presently in prospect.

Long Term Trends

The accompanying table, based on Census data, reveals clearly the major shifts that have occurred since 1890 in New York City's resident working population. In order to obtain comparable data for the fifty year period, the 1940 classifications published by the Census were regrouped to conform to the tabulations of the earlier years. Over the fifty years, the proportion engaged in transportation, communications, and trade (including banking, brokerage, and other financial activi-

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Percentage Distribution of New York City Residents Gainfully Occupied, 1890-1940*

Group	1890	1900	1910	1920	1930	1940
Manufacturing and mechanical industries	39.2	37.6	40.6	37.6	32.0	28.6
Transportation, communication, and trade	29.2	32.0	24.7	25.0	26.7	33.6
Clerical occupations	26.2	24.0	10.9	15.9	16.8	17.0
Domestic and personal services			15.5	12.1	14.1	9.9
Professional services	4.9	5.7	5.9	6.7	8.0	8.1
Government			1.9	2.4	2.2	2.6
Agriculture and mining	0.5	0.7	0.5	0.3	0.2	0.2

* Based on data from U. S. Bureau of the Census, Census of the United States, 1890-1940, *Population*. Data of the 1940 Census were reclassified to conform to the tabulations of the previous censuses.

ties) increased without interruption, and in 1940 this group was the largest of all the occupational groups. Clerical employment, the third largest group, increased substantially from 1910 through 1940, while the percentage for the domestic and personal service group dropped irregularly and in 1940 was more than one-third lower than in 1910. A decrease in the percentage of residents of New York City who are employed in a particular industry does not necessarily mean that the industry is declining. For example, a decreasing percentage of bank employees recorded by the Census of Population can mean either that fewer jobs are available in that industry, that employment in banks has grown less rapidly than total employment, or that the number of bank employees who have taken up residence in suburban counties has increased.

No data on the *total* working population including commuters, as contrasted with the occupations of the resident population analyzed in the table, are available. On the basis of incomplete data it might be estimated that on or about April 1, 1940 between 3,200,000 and 3,300,000 persons were gainfully employed in New York City, compared with about 2,800,000 gainfully employed residents.

Occupational Structure of Resident Population in 1940

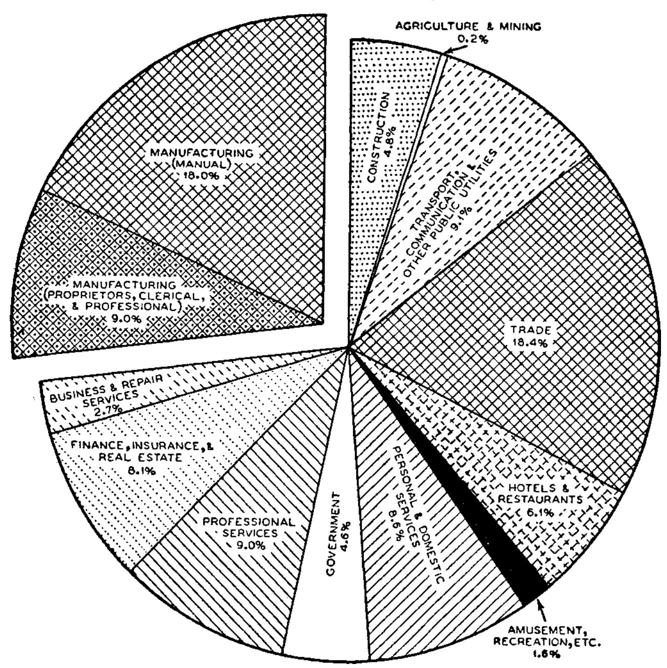
The distribution, by industry, of the 2,839,000 residents of New York City who were employed on April 1, 1940 is shown on the accompanying chart. The percentage distributions shown on the chart are based on classifications from the 1940 Census and are somewhat different from those presented in the table. The major difference is that the 1940 Census allocated clerical workers to the industries in which they were employed, whereas previous Censuses classified in one group the clerical workers of all industries.

The predominance of occupations not directly connected with the production of commodities and usually designated as service functions characterizes the economic structure of this City. In 1940 less than one third of the City's residents were engaged in production (manufacturing, mining, construction, and agriculture), compared with 37.3 per cent in all other urban areas of the country. Those engaged in manufacturing proper represented 27.0 per cent, and of this number only two thirds were factory operatives. The remaining one third held clerical or similar jobs connected with manufacturing, which is an unusually high proportion. This is due to the fact that administrative offices of many concerns, which have manufacturing plants located throughout the United States, are in New York City. Trade absorbed nearly the same percentage of the total working population as in other cities, while the proportion of employed residents engaged in finance, insurance, and real estate was almost twice as high as elsewhere. With the exception of domestic service, employment in the various service industries was relatively larger in New York City than in other urban areas.

Principal Sources of Employment

In 1940 New York City's 2,300,000 private wage and salary earners were employed in as many as 300,000 different establishments of which only about 75,000 had more than 4 employees. The number of workers per establishment averaged less than 8. This small number was due partly to the predominance of trade and service industries, and partly to the prevalence of small manufacturing establishments. The number of jobs offered by the large public utility companies and railroads was greater than employment in the largest units of the manufacturing industry. The City-owned rapid transit system employed in 1940 about the same number of people as the combined manufacturing establishments of the City with 1,000 or more employees. Establishments with large unit employment could also be found among banks, insurance com-

Distribution of Employed Residents of New York City, by Industries, as of April 1, 1940*



* Based on data from U. S. Bureau of the Census, Census of the United States, 1940, *Population*.

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panies, administrative offices of corporations, department stores, hotels, and hospitals.

Outlook

A rather reasonable assumption is that after the postwar period of reconversion and readjustment the pattern of employment in New York City may be much the same as in the years before the war. It does not appear likely that the trends which have been operating since the beginning of the century will be reversed. New York City will probably remain the financial and wholesaling center of the country. The activity of thousands of manufacturing, mining, and trade establishments throughout the United States will be directed from administrative offices located in the City. New York's importance in the nation's publishing and advertising business may be expected to continue. Its manufacturing industries will probably continue to show less wide fluctuations than those of the country generally. When war production is discontinued, the City will no doubt again employ twice as many people at desks and sales counters as in factories. New York City's prosperity will again depend more on economic conditions in the country at large than on the volume of production of its own manufacturing establishments.

BUSINESS ACTIVITY IN RECENT MONTHS

Activity in many industries manufacturing war materials has been somewhat lower in the past few months than in the final quarter of 1943. Change-overs in production from one type of war goods to another, and difficulties in securing an adequate supply of manpower in some areas, have prevented many industries from maintaining the high rate of output reached late last year. In a few cases, cutbacks in the munitions program have brought about reductions in output of a particular commodity; in such cases, however, critical materials and facilities released by cutbacks are being shifted to other types of war goods, in so far as possible. Production for civilian use continues to be restricted, although the restrictions have been relaxed for a few items such as electric irons, typewriters, tires, farm machinery, and railroad equipment.

The Federal Reserve index of industrial production (seasonally adjusted) was 243 per cent of the 1935-39 average in January, 244 in February, and 242 in March, compared with last fall's high figure of 247. Among the individual industries in which production decreased in the first quarter were the chemical and transportation equipment industries. Cutbacks in the manufacture of small arms ammunition and explosives were primarily responsible for the decline in chemical production. Reduced activity in shipbuilding, as commercial yards converted from Liberty ships to Victory or other type vessels, and a decrease in the production of heavy trucks, caused the decline in transportation equipment industries. Output of lumber and of cement also was smaller than in the final quarter of last year. Production of most minerals and metals, however, increased during the first quarter of 1944. Daily average coal production was 11 per cent greater than in the preceding three months, when mine operations were hindered by strikes. Steel production rose about 2 per cent, and other metals, such as pig iron, copper, lead, and zinc, also registered gains.

Department store sales for the country as a whole increased about 7 per cent during the quarter, after adjustment for seasonal changes; sales in March were large as a result of the early date of Easter and because of expanded consumer buying in anticipation of an increase in Federal excise taxes on April 1. Sales of variety chains rose about 5 per cent during the quarter, grocery chains 3 per cent, and mail order house sales approximately 9 per cent.

Despite the falling off in industrial activity in the first three months of 1944, income payments to individuals were estimated at an annual rate of 154 billion dollars, compared with 148 billion dollars in the preceding quarter.

Preliminary data for the first three weeks of April indicate that electric power production was down one per cent from the March level; except for a brief decline last December, the seasonally adjusted index of electric power output had advanced steadily during the two years since March 1942. Some reduction in bituminous coal production is also indicated for the first half of April. Steel production for the month is estimated at an all time high of about 254,000 tons daily, with operations during the last week of the month reaching 100 per cent of the industry's estimated capacity. Sales of department stores declined following the March buying rush.

Indexes of Business

Index	1943	1944		
	Mar.	Jan.	Feb.	Mar.
Industrial production*, 1935–39 = 100 (*Board of Governors, Federal Reserve System*)	235	243	244	242p
Munitions output, Nov. 1941 = 100 (*War Production Board*)	518	647	643	660p
Electric power output*, 1935–39 = 100 (*Federal Reserve Bank of New York*)	181	200	201	202p
Ton-miles of railway freight*, 1935–39 = 100 (*Federal Reserve Bank of New York*)	226	235	237p	
Sales of all retail stores*, 1935–39 = 100 (*Department of Commerce*)	161	178	177p	
Factory employment				
United States, 1939 = 100 (*Bureau of Labor Statistics*)	168	167	166	164p
New York State, 1935–39 = 100 (*New York State Dept. of Labor*)	161	158	157	155p
Factory payrolls				
United States, 1939 = 100 (*Bureau of Labor Statistics*)	305	328	328p	
New York State, 1935–39 = 100 (*New York State Dept. of Labor*)	286	300	300	299p
Income payments*, 1935–39 = 100 (*Department of Commerce*)	206	226	230p	
Wage rates, 1926 = 100 (*Federal Reserve Bank of New York*)	149	160	160p	
Cost of living, 1935–39 = 100 (*Bureau of Labor Statistics*)	123	124	124	124p
Velocity of demand deposits*, 1935–39 = 100 (*Federal Reserve Bank of New York*)				
New York City	63r	74	88	79
Outside New York City	78	81	87	82

* Adjusted for seasonal variation. p Preliminary. r Revised

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WAR SUPPLY AND FACILITY CONTRACTS, SECOND FEDERAL RESERVE DISTRICT

Reports of the War Production Board reveal the part that Second Federal Reserve District industries are playing in the war program. War supply and facility contract awards within the District, as reported to the War Production Board between June 1940 and the early months of 1944, amounted to about 27.8 billion dollars—about 15 per cent of total awards in the United States. Supply contracts, consisting of aircraft, ships, ordnance, and other war products, amounted to 25.7 billion dollars, or 93 per cent of all Second District contracts; the remainder were facility contracts for industrial and military projects.

The proportion of total supply contracts let in the District through February 1944 to supply contracts awarded throughout the nation during the same period was 17 per cent. This figure closely approaches the prewar proportion (18 per cent) of the value of products of manufacturing industries in the District to the value of products of manufacturing industries in the continental United States, as reported in the 1939 Census of Manufactures. The value of supply contracts placed in the Second District, from the launching of the national defense program in June 1940 up to the early part of 1944, was two and one-half times the value of the manufacturing products of the District in 1939.

Reflecting to a considerable extent the influence of strategic considerations in the location of new plants, camps, and other military installations, the Second Federal Reserve District's share of facility contract awards has been much smaller than its share of supply contracts—only 9 per cent of the national total in the case of awards for new industrial facilities and 4 per cent in the case of military facilities. Facility contract awards for the country as a whole were of considerable importance during the early stages of the war program, but with the facilities part of the war program very largely completed by the end of 1942, facility awards over the past year have been minor.

Of the District's eleven major industrial areas in which war supply and facility contracts are concentrated, Newark-Jersey City, New York City, and Buffalo are the areas that received the largest share of war work. Their proportion of total contracts awarded in the Second District amounted to 33 per cent, 19 per cent, and 12 per cent, respectively. The distribution of war contracts among various areas in the Second District is shown in the accompanying table. The aircraft contracts placed in the Newark-Jersey City, Buffalo, and Nassau areas made up 85 per cent of all aircraft contracts let in the District. Four areas combined (New York City, Newark-Jersey City, Albany-Schenectady-Troy, and Bridgeport) accounted for about 70 per cent of the ordnance contracts, while more than 80 per cent of all contracts for ships in the District were placed in the Newark-Jersey City and New York City areas. The table also reveals the relative importance of the different types of contracts within each area.

The proportion of supply contracts received by certain areas in the District was far in excess of the share of those areas in the 1939 total value of products of manufacture for the District. Thus the Nassau County area, which had accounted for only 0.2 per cent of the District's 1939 value of products, received 9 per cent of the supply contracts, reflecting the expansion of aircraft production in that area. Likewise, the proportion of supply contracts awarded in the Albany-Schenectady-Troy and Bridgeport areas was substantially larger than the share of each area in the 1939 total value of products. On the other hand, New York City's share of war supply contracts was 19 per cent in contrast to its 42 per cent share in the District's 1939 value of products.

Value of Major War Supply and Facility Contracts, United States and Second Federal Reserve District*
(In millions of dollars)

Area		Supply contracts (Cumulative from June 1940 through February 1944)					Facility contracts (Cumulative from June 1940 through January 1944)		
	Total†	Total†	Aircraft	Ships	Ordnance	All other	Total†	Industrial	Military
Total United States‡	186,159	156,523	49,349	25,138	35,332	46,704	29,636	15,947	13,689
Second Federal Reserve District	27,784	25,740	9,129	2,390	5,538	8,683	2,044	1,480	564
Albany-Schenectady-Troy	1,924	1,849	86	83	765	916	75	43	32
Binghamton	434	406	250	1	62	93	28	28	—
Bridgeport	1,738	1,689	759	23	650	256	49	49	§
Buffalo	3,406	3,120	2,247	107	304	462	286	282	4
Dover	138	123	§	1	50	73	15	10	5
Nassau	2,433	2,314	2,165	16	30	102	120	111	9
New York City	5,225	4,818	187	571	1,593	2,467	407	317	90
Newark-Jersey City	9.067	8,588	3,391	1,392	935	2,869	480	379	101
Rochester	933	897	3	28	449	417	36	36	—
Syracuse	632	558	7	73	222	256	74	58	16
Utica	300	238	§	1	129	107	62	22	41
Remainder of Second District	1,553	1,141	34	93	348	666	412	146	266

* Compiled from War Production Board, *Summary of War Supply and Facility Contracts, By State and Industrial Area, Cumulative through February 1944* (March 27 1944). The counties included in the various industrial areas (all of which are in New York State unless otherwise specified) are as follows: 1. *Albany-Schenectady-Troy area:* Albany, Rensselaer, Schenectady. 2. *Binghamton area:* Broome. 3. *Bridgeport (Connecticut) area:* Fairfield. 4. *Buffalo area:* Erie, Niagara. 5. *Dover (New Jersey) area:* Morris. 6. *Nassau area:* Nassau. 7. *New York City area:* Bronx, Kings, New York, Queens, Richmond, Westchester. 8. *Newark-Jersey City (New Jersey) area:* Bergen, Essex, Hudson, Middlesex, Passaic, Union. 9. *Rochester area:* Monroe. 10. *Syracuse area:* Cayuga, Onondaga. 11. *Utica area:* Oneida.
† Because of rounding, the totals do not agree in all cases with the sum of individual items.
‡ Includes also off continent contracts.
§ Less than $500,000.

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EMPLOYMENT AND PAYROLLS

During March total employment in nonagricultural establishments declined to 36.9 million persons, compared with 37.1 million in February, and 38.1 million in March 1943. A decrease, between February and March, of about 225,000 workers in manufacturing industries, together with small reductions in construction and mining, more than offset increases in other industry divisions (Government, trade, finance, service, and transportation and public utilities). Cutbacks in the munitions program continue to be the main factor affecting employment in plants manufacturing small arms ammunition, explosives, and machine tools. Reductions have occurred also in plants producing aircraft, aircraft engines, and ships. For manufacturing industries as a whole, the number of workers employed has been declining since last November. Agricultural employment advanced less than is usual between March 1 and April 1, and the total number of workers on farms on April 1 was 2.5 per cent less than a year earlier. The West-South-Central region reported the largest decrease from last year, due to unseasonable weather and scarcity of labor.

The number of wage earners employed in New York State factories was 1 per cent lower in March than in February, according to the State Department of Labor; the decrease from the peak attained last November has amounted to 3.7 per cent. Cancellation of contracts and tightening up of military deferments were reported as responsible for the over-all decline in war industries during March. The only industry group to show a substantial percentage increase was lumber and timber basic products, but the apparel group showed a small net gain. Each reporting area in the State indicated that its total number of factory employees was smaller than in February, the declines ranging from 0.1 per cent for Buffalo to 3.0 per cent for Utica. For several areas, including Albany-Schenectady-Troy, Utica, Rochester, and Buffalo, there has been a steady drop since the summer of 1943. Payrolls reported to the State Department changed only slightly between February and March; the index stood at 298.5 per cent of the 1935-39 average, a figure 0.4 per cent below February but 4.4 per cent above March 1943. Average weekly earnings were $47.59 in March, compared with $44.08 a year ago.

DEPARTMENT STORE TRADE

Department store sales in the Second Federal Reserve District during March and April exceeded by approximately 10 per cent sales during the corresponding two months of 1943. The increase was due almost entirely to higher sales in March; April sales differed little from those a year earlier. The large purchases in March resulted in part from the earlier Easter trade this year, but more largely from anticipation of the increased excise tax on certain commodities, effective April 1; the "beat-the-tax" buying gained momentum particularly in the final week of the month. The March seasonally adjusted index of department store sales exceeded by 3 per cent the previous record figure attained in February 1943. The April index, however, was more than 10 per cent below the March peak, and approximately the same as in January and February of this year.

March sales for the seven departments affected by the higher taxes were 80 per cent greater than in March 1943; sales of all other departments rose only 15 per cent. The largest gain (141 per cent) was reported for the fur department, followed by increases of 88 per cent for handbags, 84 per cent for liquor, and 73 per cent for jewelry. Sales of silverware, and also of toilet articles, were up 62 per cent, and of luggage 30 per cent. In spite of these substantial increases in sales, stocks of handbags, toilet articles, and jewelry at the close of March were about 25 per cent greater than a year earlier; liquor stocks were up almost 5 per cent. Silverware, luggage, and furs, on the other hand, decreased approximately 10 per cent.

Outstanding orders of department stores again declined during March, and were the lowest since April 1943. Such orders are now about four-fifths the dollar volume of stocks on hand; the proportion was about one third in 1940, before shortages, actual or anticipated, led to a rapid rise in outstanding purchase commitments.

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

Locality	Net Sales		Stocks on hand Mar. 31, 1944
	March 1944	Jan. through March 1944	
Department stores, Second District	+21	+ 7	+12
New York City	+23	+ 9	+14
Northern New Jersey	+16	+ 1	+ 4
Newark	+15	− 1	+ 4
Westchester and Fairfield Counties	+ 7	− 4	+ 3
Bridgeport	+ 4	− 8	− 4
Lower Hudson River Valley	+26	+19	+15
Poughkeepsie	+23	+17	—
Upper Hudson River Valley	+15	+ 4	+ 1
Albany	+18	+10	—
Schenectady	+11	− 2	+ 4
Central New York State	+20	+10	+19
Mohawk River Valley	+11	+ 1	+ 3
Utica	+12	+ 3	—
Syracuse	+24	+14	+28
Northern New York State	+17	+10	—
Southern New York State	+17	+ 3	+22
Binghamton	+20	+ 3	—
Elmira	+16	+ 5	—
Western New York State	+18	+ 6	+10
Buffalo	+24	+ 8	+ 9
Niagara Falls	+13	− 1	+ 7
Rochester	+11	+ 4	+12
Apparel stores (chiefly New York City)	+25	+ 7	+26

Indexes of Department Store Sales and Stocks Second Federal Reserve District

Item	1943	1944		
	Mar.	Jan.	Feb.	Mar.
1935-39 average = 100				
Sales (average daily), unadjusted	115	112	114	138
Sales (average daily), seasonally adjusted	137	141	141	157
1923-25 average = 100				
Stocks, unadjusted	107	109	119	121
Stocks, seasonally adjusted	106	119	125	120

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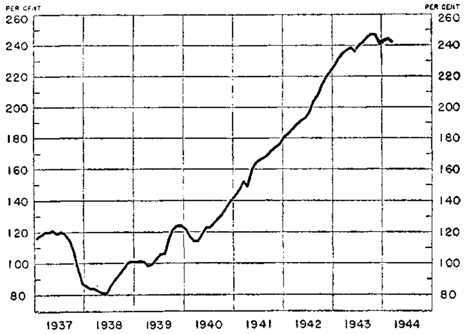
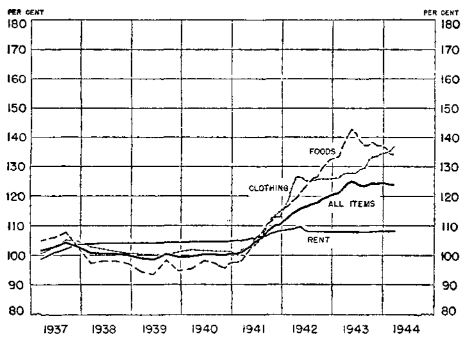
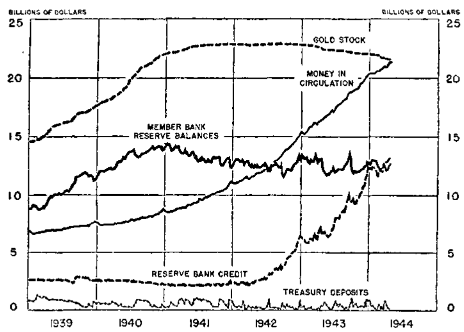


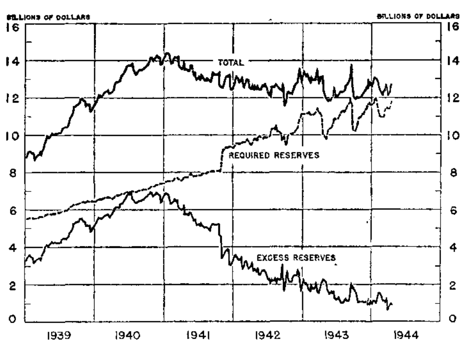
Index of Physical Volume of Industrial Production, Adjusted for Seasonal Variation (1935-39 average=100 per cent)



Indexes of the Cost of Living as Compiled by Bureau of Labor Statistics. Last Month in Each Calendar Quarter through September 1940, Monthly Thereafter (1935-39 average=100 per cent)



Member Bank Reserves and Related Items (Latest figures are for April 19)



Member Bank Reserves. Breakdown between Required and Excess Reserves Partly Estimated (Latest figures are for April 19)

General Business and Financial Conditions in the United States

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

INDUSTRIAL activity declined slightly in March. Retail sales were maintained at an exceptionally high level and commodity prices were relatively stable.

Industrial Production

Output of manufactures and minerals was slightly smaller in March than in the previous two months and the Board's index of total industrial production declined 2 points to 242 per cent of the 1935-39 average.

Steel production advanced somewhat further in March and the first three weeks of April. Output of lumber was maintained at the level of the first two months of the year and production in the first quarter is indicated to be 3 per cent larger than in the first quarter of 1943.

The number of aircraft delivered increased about 4 per cent above the level of the preceding 4 months to a new high of 9,118 planes. Deliveries of merchant ships continued to rise from the low January rate and in March were at approximately the level of a year ago. Output of other products in the machinery and transportation equipment industries declined somewhat in March.

Output of nondurable manufactures, as measured by the Board's index, declined about 1 per cent in March. This decline was due largely to the continued drop in small arms ammunition production. Manufactured food production was 11 per cent greater than in March of last year.

Coal production declined 6 per cent in March from the exceptionally high rate in February owing partly to the return to a six-day work week in anthracite mines and partly to a continuation of manpower shortages in both hard and soft coal mines. Output of crude petroleum and metals was maintained in large volume.

The value of construction contracts awarded in March, according to reports of the F. W. Dodge Corporation, was slightly greater than in January and February, but was still lower than in any corresponding month since 1935.

Distribution

Department store sales increased more than seasonally in March and continued at a high level in the first half of April. Sales in March were about 18 per cent larger than in the corresponding month last year, reflecting in part the earlier date of Easter this year and the heavy buying of jewelry, cosmetics, furs, and other items before higher tax rates became effective on April 1.

Freight carloadings declined slightly in March from the high level of earlier months, owing chiefly to a drop in the movement of coal and grain products. Total loadings were maintained in the first half of April.

Commodity Prices

The general level of wholesale commodity prices advanced slightly from the middle of March to the middle of April. Federal maximum prices for cement, lumber, and various other industrial commodities were increased.

Retail food prices showed little change from February to March, while retail prices of most other commodities continued to advance slightly.

Bank Credit

Continued growth in currency and the transfers from Treasury War Loan deposits to deposits subject to reserve requirements resulted in a decline in excess reserves of member banks and in substantial purchases of Government securities by the Reserve Banks during March and the first three weeks of April. Owing to special factors, excess reserves declined to a low point of 600 million dollars at the end of March but increased in April and on April 19 were about 900 million dollars, somewhat less than had generally been held in recent months.

Federal Reserve Bank holdings of U. S. Government securities were at a new high level of 12.7 billion dollars on April 19, after increasing by half a billion in the preceding four weeks. Most of the growth was in holdings of Treasury bills.

Reporting member banks in 101 leading cities reduced their holdings of Treasury bills by 325 million dollars in the four weeks ended April 12, while holdings of other Government securities showed little change. The greater part of the decline in bill holdings in the four-week period occurred at banks outside New York and Chicago, but there were wide fluctuations within the period reflecting transactions at Chicago banks associated with the April 1 personal property tax assessment date in Illinois. Loans for purchasing or carrying Government securities continued to decline, as repayments were made on funds advanced during the Fourth War Loan Drive; these loans to brokers and dealers have fallen by 450 million dollars since the end of the drive and are now less than at any time in recent months; loans to others, which rose by 600 million during the drive have subsequently declined by 400 million. Commercial loans declined by 210 million over the month.

Adjusted demand deposits, which declined somewhat in the latter half of March, increased during the first half of April, bringing the total outstanding to about a billion less than the level prior to the opening of the drive. Government deposits at these same banks fell by 1.5 billion dollars during the four weeks ended April 12.

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