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MONEY MARKET IN MARCH

Income tax payments and other Treasury transactions have been the major influence on day-to-day money market developments during the past month. In view of the expected large volume of tax receipts following the March 15 tax date, the Treasury adjusted its other operations with a view to minimizing the effects on the reserve positions of the banks. Withdrawals of funds from War Loan deposit accounts in the banks were suspended between March 15 and March 26 so as to soften the effects on bank reserves of the heavy tax collections.

As it turned out, however, the reserve position of member banks on the whole was eased, rather than tightened, during the period of heaviest income tax collections, as the actual clearing of tax checks proceeded more slowly than might have been anticipated on the basis of past experience and Government expenditures increased. As a result, Treasury deposits in the Reserve Banks were drawn down from 460 million dollars at the end of February to less than 100 million dollars on March 21, and excess reserves of all member banks increased from around 900 million dollars to about 1,100 million dollars, despite some further increase in the volume of currency in circulation and further increases in member bank reserve requirements.

Up to the last few days of the month, income tax collections in March were slightly below those of the comparable period a year ago, apparently owing at least in part to the unprecedented number of tax returns which the Collectors of Internal Revenue had to handle. Many taxpayers had to file three separate returns in March this year: the final report on 1944 income, accompanied by final payments (or claims for refunds); the final payment of the "unforgiven" tax on 1942 (or 1943) income; and the declaration of estimated tax for 1945, accompanied by first quarter payments of taxes due in excess of the amount to be withheld at the source. The only offsetting factor was that some taxpayers had filed, in January of this year, their final reports of 1944 incomes, accompanied by final payments of taxes due. Results of the quarterly payments remained in doubt at the end of the month, as it appeared that the processing of many tax returns filed in March would be carried over into April.

Government disbursements in March were unusually large, since they included payments of approximately 550 million dollars of interest on the public debt, and also cash redemptions of about 265 million dollars of Treasury notes due on March 15, which had not been exchanged for a new issue of Treasury certificates on March 1. Although large amounts of taxes were collected during the month, the Treasury found it necessary to draw upon its deposits in War Loan accounts in the banks rather steadily through the 15th of the month, and to resume the withdrawals on March 26—for relatively small amounts at first, and then for larger amounts as the rate of income tax collections diminished. The resulting shift from Government deposits to private deposits, as the funds were disbursed, caused a further growth in private deposits during March, and a consequent further increase in member bank reserve requirements.

The drain on bank reserves caused by public demands for currency diminished somewhat in March, however, as in other recent tax months. For the month as a whole, it is estimated that the increase in money in circulation will be under 200 million dollars, an amount less than half the increase in the short month of February. Money in circulation actually declined by 45 million dollars in the week beginning March 15, undoubtedly reflecting the use of currency previously accumulated by taxpayers to meet income tax payments. But there is little indication as yet that the upward trend in the volume of currency outstanding is slowing down appreciably. During the first quarter of 1945 there appears to have been a net increase of approximately 600 million dollars in currency in circulation, despite the inclusion in this period of two income tax dates. This increase is only slightly less than in the corresponding period of 1944, which included one War Loan drive and one income tax period.

Because of the uneven effects of tax period operations on individual banks, some member banks were able to repay indebtedness at the Reserve Banks or to increase their excess reserves, while other banks found it necessary to sell securities in order to maintain their reserves at the required levels. Consequently, despite the increase of approximately 200 million dollars in excess reserves of all member banks during the first three weeks of March and an accompanying reduction of nearly 130 million dollars in member bank borrowings from the Reserve Banks, Government security holdings of the Reserve Banks increased, and the total volume of Federal Reserve credit in use showed little net change. In the last statement week of the month, Treasury receipts exceeded disbursements by more than 200 million dollars, and excess reserves of all member banks declined by about the same amount. New York City banks as a group required moderate amounts of Federal Reserve credit in all but the third week of the month, but their needs for the month as a whole were less than in February. In the week beginning March 15 there was a heavy outflow of business funds to other parts of the country, presumably to cover corporation income tax payments made in other localities, but that outflow of funds was considerably more than offset by heavy Treasury disbursements in New York, especially for interest payments on the public debt and cash redemptions of maturing Treasury notes.

Government Security Market

Announcement on March 3 of the securities to be offered in the Seventh War Loan ended at least one element of uncertainty which had caused rather wide fluctuations in the market for outstanding Government securities in preceding weeks. One element of uncertainty of some importance remained, however—the maturity dates to be fixed for the new issues—and that continued to exercise a restraining influence on market operations during March. On the whole, the market was less active than in either February or January, and price movements were narrower.

In view of the announcement that a long term 2½ per cent bond would be included in the Seventh War Loan, prices of outstanding long term taxable bonds receded moderately during the early part of March, but subsequently turned slightly firmer. The confirmation of expectations that a medium term 2 per cent bond would not be included in the Seventh War Loan, together with restrictions on the eligibility of subscribers to purchase the shorter term 1½ per cent bond which was announced, resulted in a continued firm market for outstanding medium term Government bonds during most of the month. In the final week, however, generally favorable war news with the accompanying unsettlement of corporate security markets was communicated in some degree to the Government security market, and prices tended to decline slightly. Short term securities, especially Treasury certificates, were generally firm, reflecting purchases of such securities by corporate investors for the temporary employment of their available funds, pending the opening of the Seventh War Loan to such investors.

Member Bank Credit

The interdrive expansion of private deposit accounts since the Sixth War Loan drive has proceeded much more rapidly among out-of-town banks than among New York City banking institutions. As of March 21, adjusted demand deposits in weekly reporting member banks in 100 cities outside New York had regained close to 75 per cent of the reduction experienced during the Sixth War Loan drive, whereas in New York City banks the recovery was only about 55 per cent. In the four weeks ended March 21, 1945, the increase in private (adjusted) demand and time deposits in New York City was less than half the reduction in Government deposits, compared with an increase in private deposits about 80 per cent as large as the reduction in Government deposits in reporting banks in 100 other cities.

Liquidation of bank credit made necessary by withdrawals of War Loan deposits, currency demands, and other factors has therefore been greater in New York than in the other cities. In the four weeks ended March 21, the bulk of the liquidation among New York banks took the form of a reduction in Government security holdings amounting to 275 million dollars, compared with a decline of only 56 million in the portfolios of the reporting member banks outside New York. In contrast, the major part of the liquidation reported by out-of-town banks consisted of repayments of loans on Government securities and of business loans. In other words, the decline in member bank credit among out-of-town banks was, for the most part, the result of action taken on the initiative of borrowers, while in New York the banks had to take the initiative and reduce their security holdings to meet demands on them and to maintain their reserves at the required levels.

It is noteworthy that, both in New York City and outside, banks made net purchases during the four-week period of only one type of Government security, namely, Treasury bonds. The rate at which bonds were purchased was noticeably slower than in previous months, however, perhaps because of light supply. The reporting banks, both in New York City and elsewhere, made net sales of Treasury certificates and notes (taking account of the exchange of notes for certificates on March 1) and the New York banks reduced their holdings of Treasury bills to obtain needed reserves, chiefly in the first week of the period.

TEN YEARS OF THE SAVINGS BOND PROGRAM

The United States Savings bond program was ten years old on March 1, 1945 when the first bonds, sold in March 1935, matured. Originally, United States Savings bonds were sold primarily to encourage thrift and saving among individuals of modest means, and secondarily to meet the Treasury's financial needs. With the war in Europe and our own defense preparations, the program was expanded so as to reach the savings of all classes of investors, and the prime motive then was to meet the Treasury's financial needs and to divert current income from spending to regular savings as a means of reducing inflationary pressures.

The first series issued were the A bonds which were followed by Series B to D, all of which were substantially similar to the familiar E series. With the expansion of the Treasury's outlay necessitated by increasing defense preparations of the Government, three new series were offered beginning with May 1, 1941. Series E bonds replaced the A-D series and like their predecessors were designed primarily for small investors. Series F and G bonds, available in higher denominations and in greater amounts within any one calendar year, were issued in order to attract the savings of larger individual investors and institutions.

The history of the Savings bond program is one of continuous expansion from its very inception. Sales of bonds grew from 200 million dollars in the 10 months that the bonds were on sale during 1935, to 1.1 billion in 1940, and a peak of 2.8 billion in the month of February 1944 alone. By the end of February 1945, appproximately 41.7 billion dollars of Savings bonds (at current redemption value) were outstanding. (See accompanying table.) According to Treasury estimates, Savings bonds are held by some 85 million persons.

For short periods, such as the first month when banks and trust companies were empowered to redeem bonds, redemptions have been as much as 50 per cent of new issues or even more, a fact that has attracted much comment. Such high ratios of redemptions have occurred only between War Loan drives when the tendency of sales to decline and of redemptions to rise gives an exaggerated picture of the extent to which individuals are cashing in their bonds. Actually, the rise in redemptions in proportion to the total amount of Savings bonds outstanding has been moderate, and as of February 28, 1945 approximately 87 per cent of all Savings bonds issued since the inception of the program were still held by the public. For Series A-E bonds, sales of which accounted for three fourths of all sales, the percentage still held by subscribers was 83 and for Series F and G, 96. These figures overshadow in importance any short term comparisons of redemptions to sales—comparisons which fluctuate widely from week to week and month to month.

Growth of United States Savings Bond Program
(Amounts in millions of dollars)

	Issued*	Redeemed*	Outstanding* at end of period	Redeemed as per cent of amount outstanding end of previous year
Series A-E				
1935-40	3,573	379	3,195	—
1941	1,721	166	4,750	5.2
1942	6,090	313	10,526	6.6
1943	10,508	1,461	19,574	13.9
1944	12,662	3,082	29,153	15.7
1945 Jan.-Feb.	1,533	610	30,075	—
Total	36,087	6,011	30,075	—
Series F & G				
1941	1,393	3	1,390	—
1942	3,170	37	4,523	2.7
1943	3,389	124	7,789	2.7
1944	3,678	259	11,208	3.3
1945 Jan.-Feb.	469	54	11,623	—
Total	12,099	477	11,623	—
Grand total	48,186	6,488	41,698	—

* Includes accrued discount.

By and large, the Savings bond program initiated in peacetime, chiefly to encourage small savings in a period of low interest rates by supplying an investment instrument which combines safety with a satisfactory yield, has served the country well in wartime as a means of diverting the public's liquid resources to the use of the Treasury and as a counterweight to the usual wartime inflationary forces. The operation of the program has not been without its problems, as the issuing of millions of bonds in registered form is in itself a huge task, and redemptions, prior to maturity or at maturity, represent a task of increasing magnitude. The maturing of the first bonds sold ten years ago focuses attention on another aspect of the redemption problem—that of what securities are to be offered to holders of maturing securities who wish to keep their money invested instead of receiving cash payments. The Treasury's solution so far has been to offer to individuals holding the expiring bonds the opportunity to acquire new Series E bonds which will not come within the $5,000 (maturity value) annual limitation on individual purchases, provided the conversion is made in the same month that the maturing issues fall due. Investors other than individuals have been invited to convert their maturing securities into other types of Treasury issues.

SURVEY OF OWNERSHIP OF BUSINESS AND PERSONAL DEMAND DEPOSITS, JANUARY 1945

The fifth of a series of surveys of the ownership of business and personal demand deposits in the Second Federal Reserve District, undertaken as of January 31, 1945, indicates a continuation of the tendencies revealed in previous reports.[1] Deposits of individuals (including farmers) and of retail and wholesale trade concerns have continued to grow at a rapid rate, while bank balances of manufacturing and mining concerns and public utility companies on the whole showed little net change.

The current survey includes reports from 131 member banks in the District and classifies into several ownership groups about 68 per cent of the dollar amount of business and personal demand deposits in those banks. As in the four previous surveys, the accounts classified were the larger accounts, the minimum size of account classified varying according to the size of bank. This survey continues the Reserve System program of compiling reports at approximately six-month intervals, in order to obtain a better understanding of the character of the wartime changes in bank deposits.

On the basis of reports from the banks reporting in the survey, it is estimated that total demand deposits of individuals, partnerships, and corporations in all commercial banks in this District amounted to 18.6 billion dollars as of January 31, 1945 (Table I). The gain since last July, the date of the preceding survey, amounted to 6.6 per cent, compared with an

[1] Results of the previous surveys were published in this *Review* for July 1943, October 1943, April 1944, and October 1944.

Table I
Estimated Ownership of Demand Deposits of Individuals, Partnerships, and Corporations at All Commercial Banks in the Second Federal Reserve District

Type of owner	January 1945		Percentage change	
	Dollar amount in millions*	Percentage distribution	Feb. 1944 to July 1944	July 1944 to Jan. 1945
Manufacturing and mining	6,780	36.4	+ 3.3	+ 0.6
Public utilities, transportation, and communications	1,360	7.3	− 2.2	− 0.7
Retail and wholesale trade and dealers in commodities	2,560	13.8	+14.9	+16.0
All other nonfinancial business, including construction and services	1,050	5.6	+ 4.6	+11.6
Total nonfinancial	11,740	63.1	+ 4.8	+ 4.3
Insurance companies	770	4.1	− 0.7	+ 7.7
Trust funds of banks	500	2.7	0	+22.0
All other financial business†	1,060	5.7	+17.0	+ 4.1
Total financial	2,330	12.5	+ 7.2	+ 8.7
Nonprofit organizations	420	2.2	+ 7.9	+18.0
Personal (including farmers)	3,390	18.2	+ 3.1	+11.4
Foreign accounts	750	4.0	− 9.1	+11.4
Total demand deposits of individuals, partnerships, and corporations	18,620	100.0	+ 4.2	+ 6.6

* Because of rounding, figures do not necessarily add to totals.
† Including investment, loan, insurance agency, and real estate businesses, etc.

increase of 4.2 per cent between February and July 1944. In studying comparisons of these two periods it must be noted that the time interval covered by the later survey was six months, whereas the preceding survey covered five months. Also the end of February and the end of July 1944 were two and three weeks, respectively, after the conclusion of the War Loan drives, whereas January 31, 1945 was about six weeks after the close of the Sixth War Loan drive. Therefore, in the later period more funds would have been accumulated in business and personal accounts because of net Treasury expenditures.

For the United States as a whole the deposit increases in the two periods studied since February 1944 have amounted to 4.4 per cent and 10.7 per cent. The increase during the last period—July 1944 to January 1945—was substantially larger than that for the Second District. The changes by types of depositors generally showed the same tendencies for the country as for the Second District.

While the increase in personal accounts in the Second District made up 30 per cent of the gain in total deposits, the increase for the entire country accounted for 47 per cent of the gain in total deposits. In addition to the increase (3 billion dollars) in personal demand deposits in the United States, time deposits and currency in circulation, both of which are held largely by individuals, increased by an estimated 4.0 and 2.6 billions, respectively. Thus, during the six-month interval, individuals increased their deposits and currency holdings by nearly 10 billion dollars. The rate of increase in personal demand deposits was the most rapid for any similar period on record, and these deposits have more than doubled since December 1941. The increase in all classes of demand deposits since 1941 has been about 28 billion dollars, or 76 per cent.

In the January 1945 survey for the Second District, the broad pattern of the distribution of ownership of deposits was little changed from that of earlier surveys; some 63 per cent of total demand deposits were nonfinancial business accounts, of which close to three fifths were manufacturing and mining; financial accounts comprised approximately 13 per cent; and personal accounts about 18 per cent. Business accounts continue to represent a considerably larger share of all demand deposits of banks in this District than of banks in the country as a whole; for the country it is estimated that personal accounts represent nearly one third of all demand deposits of individuals, partnerships, and corporations.

Distribution of Deposits by Size of Account

Table II shows the distribution of ownership of deposit accounts of various sizes in January 1945. It should be noted that the reporting banks did not classify their deposits in all the size groups shown in the table—only the smaller banks classified deposits of $1,000 to $3,000, for example, and only the large banks specifically classified deposits between $25,000 and $100,000 and over $100,000. It is quite possible that relatively small deposits in the largest New York City banks might show a somewhat different distribution from that of deposits of similar size in small country banks, and that the largest deposits in country banks might show a different distribution from accounts of similar size in the largest banks: nevertheless, the distribution of accounts of various sizes shown in the table indicates the general tendencies.

It will be noted that, of the accounts classified between

Table II
Percentage Distribution, by Type of Owner, of Demand Deposits of Individuals, Partnerships, and Corporations, Classified According to Size of Account in 131 Banks in Second Federal Reserve District January 1945

Type of owner	$1,000 to $3,000	$3,000 to $10,000	$10,000 to $25,000	$25,000 to $100,000	Over $100,000
Manufacturing and mining	2.7	5.6	21.7	35.5	48.9
Public utilities, transportation, and communications	1.3	1.9	2.0	3.0	10.6
Retail and wholesale trade and dealers in commodities	16.9	25.7	24.0	21.4	7.9
All other nonfinancial business, including construction and services	6.0	8.2	7.7	7.0	3.2
Total nonfinancial	26.9	41.4	55.4	66.9	70.6
Insurance companies	0.1	0.4	1.6	3.7	6.4
Trust funds of banks	—	0.8	2.2	0.3	4.5
All other financial business*	2.3	4.0	8.0	9.7	4.5
Total financial	2.4	5.2	11.8	13.7	15.4
Nonprofit organizations	3.8	3.8	3.9	4.2	1.6
Personal	66.9	49.6	28.9	15.2	5.2
(a) Farmers	24.6	8.5	‡	†	†
(b) Other personal accounts	42.3	41.1	‡	†	†
Foreign accounts	†	†	†	†	7.2
Total classified deposits	100.0	100.0	100.0	100.0	100.0

* Including investment, loan, insurance agency, and real estate businesses, etc.
‡ Not reported by all banks.
† Not reported.

$1,000 and $3,000, at least two thirds were personal accounts, including approximately one fourth of farmers' accounts. By far the largest class of business account in this size group is that of retail and wholesale concerns. As the size of account rises, the proportion of personal deposits diminishes rapidly, while the proportion of business accounts shows a correspondingly rapid increase. Deposits of retail and wholesale concerns represent a substantial proportion of all business deposits up to $25,000, whereas manufacturing and mining accounts are the major element above that size group, representing approximately half of all deposits of more than $100,000.

Changes in Demand Deposits in Banks of Various Sizes

Percentage changes in demand deposits owned by various classes of depositors in the Second District banks of various sizes between July 1944 and January 1945 are shown in comparison with the changes between February and July 1944 in Table III. While the size of accounts classified by the different groups of banks varied, all groups classified between two thirds and three fourths of their demand deposits. It appears that the two types of depositors that accounted for the major part of the growth in total demand deposits of individuals, partnerships, and corporations between July 1944 and January 1945—wholesale and retail trade accounts and personal accounts—increased considerably in all groups of banks. Deposits of nonprofit organizations also showed substantial increases during the recent period, although they were not of great importance in the total increase in deposits. Among the largest increases shown by the smaller banks were those in farmers' accounts, doubtless reflecting in considerable measure the seasonal influence of crop sales during the late summer and autumn.

Deposits of manufacturing and mining companies in general showed reductions in the recent period, although there were increases in such deposits in medium size banks. Public utility accounts in all but the largest banks showed substantial increases in the later period, following considerable reductions between February and July 1944, but such accounts in the largest banks declined further.

Unclassified deposits in banks of each size group, except the very largest banks, showed smaller increases than the larger classified accounts. This may well be explained by the general growth of deposits which undoubtedly carried many accounts from below the size of account classified in previous surveys into the groups of accounts classified in the latest survey. Nevertheless, even these smaller unclassified accounts showed fairly substantial increases between July 1944 and January 1945, compared with reductions or relatively small increases between February and July 1944.

On the whole, it appears that the largest increases in demand deposits in the later period occurred in the medium size banks, whereas in the preceding period the largest gains were in the smallest banks, other groups showing relatively little difference.

Table III

Demand Deposits of Individuals, Partnerships, and Corporations, Classified by Type of Owner, in Different Size Banks in Second District
Percentage Changes from July 1944 to January 1945 Compared with Changes from February 1944 to July 1944

Type of owner	Size of bank measured by range of deposits									
	Under $1 million (24 banks)		$1–10 million (63 banks)		$10–50 million (17 banks)		$50–250 million (8 banks)		Over $250 million (12 banks)	
	Percentage change		Percentage change		Percentage change		Percentage change		Percentage change	
	Feb. 1944-July 1944	July 1944-Jan. 1945	Feb. 1944-July 1944	July 1944-Jan. 1945	Feb. 1944-July 1944	July 1944-Jan. 1945	Feb. 1944-July 1944	July 1944-Jan. 1945	Feb. 1944-July 1944	July 1944-Jan. 1945
Manufacturing and mining	+ 16.7	− 9.5	− 0.3	+ 2.5	− 2.2	+ 10.3	+ 9.7	− 0.2	− 1.2	− 1.5
Public utilities, transportation, and communications	− 50.0	+ 50.0	− 4.9	+ 10.3	− 12.9	+ 9.2	− 15.2	+ 24.4	− 4.1	− 6.9
Retail and wholesale trade and dealers in commodities	+ 25.0	+ 12.0	+ 10.8	+ 11.3	+ 2.3	+ 25.6	+ 26.0	+ 25.4	+ 22.2	+ 15.6
All other nonfinancial business, including construction and services	+ 83.3	− 27.3	+ 4.7	− 3.3	+ 24.0	− 2.6	+ 16.8	+ 11.0	+ 7.5	+ 7.5
Total nonfinancial	+ 22.9	− 1.7	+ 3.3	+ 5.3	− 1.3	+ 12.3	+ 8.8	+ 7.4	+ 0.6	− 0.2
Insurance companies	†	0	†	0	− 9.8	+ 13.5	+ 9.5	+ 7.7	− 0.7	+ 9.1
Trust funds of banks	†	0	†	− 15.4	+ 97.1	− 29.0	+ 7.2	− 6.7	− 2.7	+ 21.0
All other financial business*	†	0	†	+ 9.5	+ 8.8	+ 11.4	+ 11.6	+ 12.3	+ 21.5	− 9.0
Total financial	+100.0	0	+ 44.9	+ 2.7	+ 15.0	+ 2.4	+ 10.0	+ 7.2	+ 5.4	+ 5.8
Nonprofit organizations	0	+ 33.3	+ 5.1	+ 24.4	− 1.3	+ 20.8	+ 21.6	+ 11.1	− 4.0	+ 22.5
Personal	+ 9.3	+ 19.1	+ 4.1	+ 25.5	+ 6.7	+ 23.3	+ 39.1	+ 10.0	− 3.1	+ 6.0
(a) Farmers	+ 6.7	+ 37.5	0	+ 21.6	†	†	†	†	†	†
(b) Other personal accounts	+ 10.7	+ 9.7	+ 4.7	+ 26.0	†	†	†	†	†	†
Foreign accounts	†	†	†	†	†	†	†	†	+ 10.0	+ 4.8
Total classified deposits	+ 16.8	+ 8.1	+ 6.3	+ 10.5	+ 1.0	+ 12.5	+ 11.7	+ 7.7	+ 1.7	+ 1.7
Total unclassified deposits	− 11.1	+ 5.0	− 5.9	+ 9.5	+ 2.9	+ 5.5	− 15.5	+ 7.3	+ 3.2	+ 13.2
Total demand deposits of individuals, partnerships, and corporations	+ 4.9	+ 7.3	+ 1.7	+ 10.2	+ 1.7	+ 10.0	+ 2.8	+ 7.6	+ 2.1	+ 5.2

* Including investment, loan, insurance agency, and real estate business, etc.
† Not reported.

RETAIL CREDIT SURVEY FOR 1944

The third Retail Credit Survey, based on reports from credit-granting stores in the Second Federal Reserve District, has recently been completed by this bank as part of the Federal Reserve System annual project. Reports this year were received from approximately 500 retail merchants in the District, a number well above that for either of the two preceding surveys.[1]

Total retail sales rose to a new high level last year, continuing the sharp upward movement evidenced in both 1942 and 1943. But the greater volume of sales in 1944 was not shared by all classes of stores. While women's apparel, men's clothing, department, and hardware stores experienced rather substantial increases, sales of reporting jewelry, furniture, household appliance, and automotive stores declined. The 1944 increase in women's apparel, men's clothing, and department stores was a continuation of the expansion recorded a year earlier, reflecting to a great extent higher prices and consumer demand for better-grade merchandise. The gain in sales at hardware stores more than offset the decline of a year earlier, and the sales volume for 1944 exceeded that of 1942, the previous record figure. For jewelry stores, the small decrease that occurred apparently reflected not only a limited quantity of available merchandise but also a falling off in consumer demand largely because of the excise tax. In 1943, when the excise tax was not in effect, jewelry stores had reported the largest increase of any of the groups. For automotive stores, also, the decrease last year followed a fairly substantial gain in 1943.

Changes in sales by type of transaction during the past three years are shown in the accompanying chart. The substantial increase in total sales between 1941 and 1944 is accounted for almost entirely by the expansion of cash transactions, although charge accounts, which had fallen a little in 1942 and remained unchanged in 1943, rose last year to a level slightly above that of 1941. Instalment sales have shown a drop of about 25 per cent during the three-year period. Cash sales in 1944 were well above those in 1941 for all classes of stores except household appliance and automotive. As for charge account sales, a larger volume was reported by only three types of retailers—women's apparel, jewelry, and hardware stores—while instalment sales were substantially below 1941 in all lines except women's apparel. As indicated in Table I, however, instalment sales form only a negligible proportion of total sales of women's apparel shops.

The accompanying chart also shows changes in charge account and instalment receivables since the close of 1941. Charge accounts outstanding in the past two years have risen above the level to which they had fallen at the close of 1942, but instalment receivables have continued to decline. The only group of stores for which total receivables at the close of 1944 were above those on December 31, 1941 is women's apparel. Among the larger cities of the District, changes in sales and receivables during the past year varied considerably (Table II).

For all retail stores reporting in the survey, receivables last year were about 30 per cent below those at the close of 1941, and substantially the same as at the end of 1942. An increase of 5 per cent between 1943 and 1944 about canceled the decline that had occurred in the year preceding. As for other current assets, inventories last year dropped about 6 per cent, while cash and bank deposits showed virtually no change (Table III). Government securities, on the other hand, increased by almost 50 per cent. Among current liabilities, notes payable declined more than 60 per cent, while trade payables and other current liabilities rose substantially. The sharp rise in other current liabilities, which are mostly tax liabilities, was reflected in the increase in Government security holdings, a large part of which are Treasury Savings notes. Net working capital last year increased 4 per cent, following a gain of 11 per cent in 1943. The ratio of current assets to current liabilities

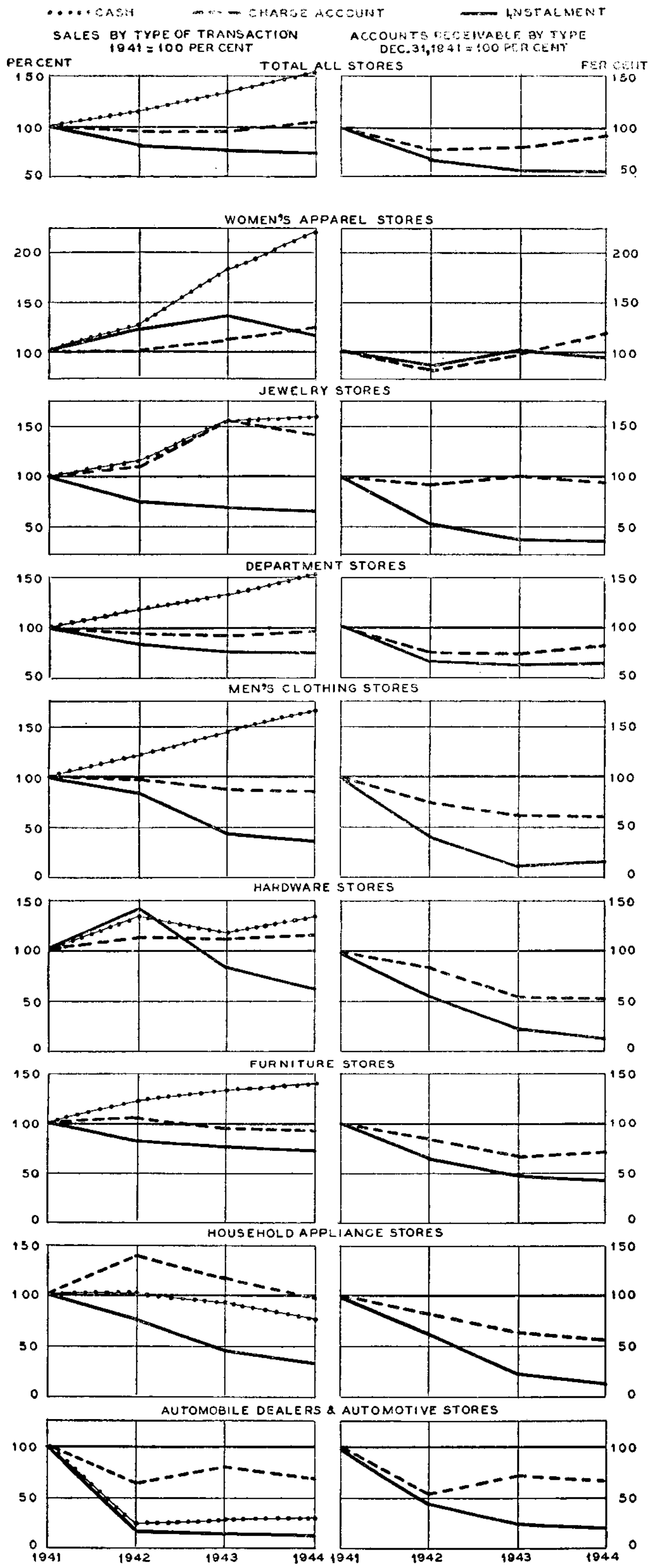
[1] A report tabulating the material in greater detail and discussing the classification of stores by size is available upon request.

Table I
Sales, Current Assets, and Current Liabilities by Size of Store and Kind of Business
Second Federal Reserve District
(Sales figures are based on annual totals; balance sheet items, on end-of-year data.)

	Percentage change								1944 Percentage distribution of sales			Inventory turnover		Percentage of current assets				Current ratio	
	1941 to 1944		1943 to 1944											Receivables		Inventories			
	Total sales	Accounts receivable	Total sales	Accounts receivable	Inventories	Current assets	Current liabilities	Working capital	Cash	Charge account	Intalment	1943	1944	1943	1944	1943	1944	1943	1944
Second District total	+26	−30	+10	+ 5	− 6	+ 7	+14	+ 4	65	27	8	4.2	4.9	25	25	35	30	3.7	3.5
Size classifications*																			
Large stores	+26	−21	+11	+ 9	− 6	+ 9	+15	+ 6	67	27	6	4.3	5.1	22	23	36	31	3.3	3.1
Medium stores	+32	−26	+ 8	+ 9	− 4	+ 7	+ 6	+ 7	58	33	9	4.5	5.1	30	30	34	30	4.2	4.2
Small stores	−13	−54	− 3	−11	− 5	0	−20	+ 4	62	21	17	3.4	3.5	22	20	38	36	5.7	7.2
Business Classifications																			
Women's apparel stores	+58	+16	+15	+19	+ 5	+15	−27	+10	50	49	1	4.0	4.4	28	29	39	36	3.8	3.4
Jewelry stores	+35	−35	− 2	− 5	− 5	−14	+22	−20	52	34	14	1.9	2.0	14	16	40	44	6.9	4.9
Department stores	+29	−24	+11	+ 8	− 7	+ 8	+14	+ 6	71	23	6	4.5	5.4	23	23	35	29	3.4	3.2
Men's clothing stores	+25	−44	+ 6	− 1	−15	+12	+13	+11	63	36	1	3.5	4.3	25	20	37	29	3.2	3.2
Hardware stores	+23	−52	+11	− 3	+ 1	+ 4	+ 9	+ 1	50	49	1	3.1	3.4	15	13	49	49	2.9	2.8
Furniture stores	−16	−57	− 3	−13	− 1	−10	+12	−12	23	4	73	3.0	3.0	50	48	20	21	11.4	9.2
Household appliance stores	−41	−80	−18	−27	−22	− 2	−12	0	54	18	28	3.3	3.5	19	14	33	26	5.9	6.5
Automotive stores‡	−55	−44	− 8	− 8	−30	−10	−38	+ 5	45	45	10	4.2	5.5	11	12	51	36	2.9	4.2

* Dollar limits which determine size classifications vary for different types of business.
‡ Includes automobile dealers and automobile tire and accessory stores.

Indexes of Sales and Accounts Receivable in Retail Stores, by Kinds of Business, 1941-44, Second Federal Reserve District



Source: Compiled by the Federal Reserve Bank of New York for stores reporting in the Retail Credit Survey. Sales figures represent annual totals; accounts receivable, end-of-year data.

Table II
Percentage Change, 1943 to 1944, in Sales and Accounts Receivable by Type of Transaction, Retail Stores in Selected Cities, Second Federal Reserve District
(Sales figures are based on annual totals; accounts receivable, on end-of-year data.)

Locality	Sales				Accounts receivable		
	Total	Cash	Charge account	Instal-ment	Total	Charge account	Instal-ment
Second District total	+10	+14	+ 6	− 4	+ 5	+12	− 5
Selected cities							
Binghamton	+15	+16	+17	− 7	+15	+18	−12
Poughkeepsie	+13	+19	+12	− 2	+ 4	*	*
New York City	+11	+15	+ 6	− 2	+ 5	+12	− 2
Syracuse	+11	+13	+16	−11	+ 2	+18	−19
Elmira	+10	+17	+ 9	+ 1	− 9	*	*
Paterson	+ 9	+17	+ 4	−23	− 2	+ 6	−21
Rochester	+ 9	+10	+ 8	− 4	+12	+17	− 6
Albany	+ 7	+12	+ 9	− 8	0	+ 4	− 8
Troy	+ 6	+ 5	+20	− 3	+20	*	*
Newark	+ 5	+11	− 2	− 7	+ 4	+11	−12
Utica	+ 4	+ 2	+ 9	+ 1	− 1	− 8	+ 4
Buffalo	+ 4	+ 7	+ 2	−13	+ 5	+13	− 9
Schenectady	+ 3	0	+11	−20	+15	+27	−12
Niagara Falls	0	+ 4	− 2	−17	− 2	+ 3	−13
Bridgeport	− 1	+ 1	+ 1	−24	+ 9	+12	−12

* Not available.

(i.e., the current ratio), which had remained unchanged at 3.7 in 1943, declined last year to 3.5, a reduction occurring in practically all lines of retail business.

The reports on current assets for the various kinds of businesses reveal that furniture stores showed the smallest proportion of inventories to total current assets. This group had the highest ratio of receivables to current assets, reflecting the importance of instalment sales in this type of business (Table I). For department stores the receivables and inventory ratios fell about midway between the highest and the lowest ratios for all types of stores.

Inventory turnover for the entire group reporting in the survey was somewhat higher in 1944 than in 1943. In department stores, which are among those that replace stocks more rapidly than other retail businesses surveyed, inventory turnover last year was 5.4 times, compared with 4.4 times for apparel stores, 3.0 times for furniture stores, and 2.0 times for jewelry stores. When retail stores are classified by size, it is revealed that the largest size group experienced the greatest decline in inventories and the most substantial gain in sales.

Table III
Percentage Change and Distribution of Current Assets and Current Liabilities, December 31, 1942-44, Retail Stores, Second Federal Reserve District

	Percentage change from the preceding year		Per cent of total current assets or liabilities		
	1943	1944	1942	1943	1944
Current assets					
Cash and bank deposits	+42	+ 1	16	23	22
U. S. Government securities	+42	+45	11	17	23
Receivables	− 6	+ 5	31	25	25
Inventories	− 4	− 6	42	35	30
Total	+10	+ 7	100	100	100
Current liabilities					
Notes payable	−22	−63	11	8	3
Trade payables	{	+ 9	{	31	30
Other current liabilities	+14	+27	89	61	67
Total	+ 9	+14	100	100	100

Indexes of Business

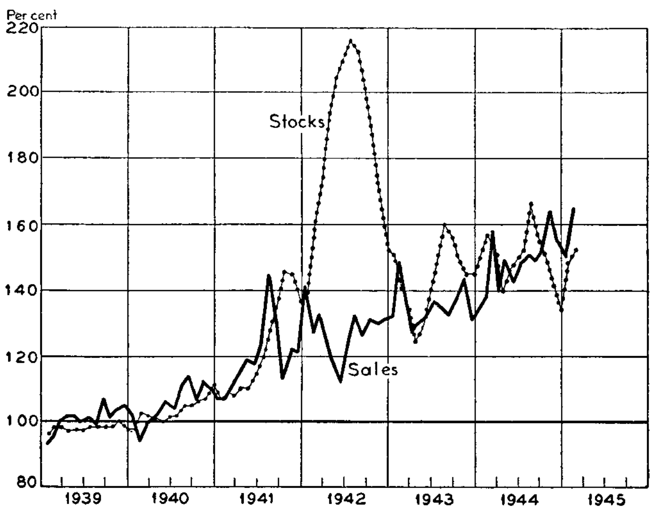
Index	1944 Feb.	1944 Dec.	1945 Jan.	1945 Feb.
Industrial production*, 1935-39 = 100 (*Board of Governors, Federal Reserve System*)	244	232	234	235*p*
Electric power output*, 1935-39 = 100 (*Federal Reserve Bank of New York*)	201	199	203	201*p*
Ton-miles of railway freight*, 1935-39 = 100 (*Federal Reserve Bank of New York*)	237	215	213*p*	
Sales of all retail stores*, 1935-39 = 100† (*Department of Commerce*)	173*r*	188	194*p*	
Factory employment				
United States, 1939 = 100‡ (*Bureau of Labor Statistics*)	174*r*	161	160	160*p*
New York State, 1935-39 = 100 (*New York State Dept. of Labor*)	157	145	144	143*p*
Factory payrolls				
United States, 1939 = 100‡ (*Bureau of Labor Statistics*)	345*r*	332	330*p*	
New York State, 1935-39 = 100 (*New York State Dept. of Labor*)	300	284	290	290*p*
Income payments*, 1935-39 = 100‡ (*Department of Commerce*)	232*r*	239	241*p*	
Wage rates, 1926 = 100 (*Federal Reserve Bank of New York*)	161	169	170*p*	
Cost of living, 1935-39 = 100 (*Bureau of Labor Statistics*)	124	127	127	127*p*
Velocity of demand deposits*, 1935-39 = 100 (*Federal Reserve Bank of New York*)				
New York City	88	87	94	85
Outside New York City	87	84	78	74

* Adjusted for seasonal variation. *p* Preliminary. *r* Revised.
† Series revised beginning January 1940.
‡ Series revised beginning January 1942.

DEPARTMENT STORE TRADE

The dollar volume of department store sales in this District for March was of record proportions, seasonal factors considered, and was some 20 per cent above that in March 1944, which was the peak month up to that time because of heavy sales of cosmetics, furs, jewelry, silverware, handbags, luggage, and liquor, in anticipation of higher excise taxes effective April 1, 1944. March sales also exceeded the high volume of February this year, rising a little more than 10 per cent above that month's level, after adjustment for seasonal changes and the earlier date of Easter. This year's record March sales are reported to reflect fears of impending shortages of merchandise and an increased tendency to purchase higher priced goods.

Indexes of Department Store Sales and Stocks, Second Federal Reserve District, Adjusted for Seasonal Variation (1935-39 average=100 per cent)



Source: Federal Reserve Bank of New York.

Department stores were able to increase their stocks during February in spite of the unprecedented sales volume. The seasonally adjusted index of the value of stocks on hand at the close of the month was 13 per cent above the low point at the end of December but 8 per cent below the 1944 peak reached on August 31. In general, department store stocks have shown little growth since the middle of 1943, although sales have shown a strong upward trend.

Outstanding orders for merchandise to be delivered to the department stores continued abnormally high. At the close of February they were 50 per cent above those one year earlier and 150 per cent greater than orders outstanding on February 28, 1943. When related to the merchandise on hand, orders at the end of February were 1.4 times the dollar volume of stocks; on the corresponding date of 1944 the dollar volumes were equal, and two years ago orders were only 60 per cent of stocks on hand.

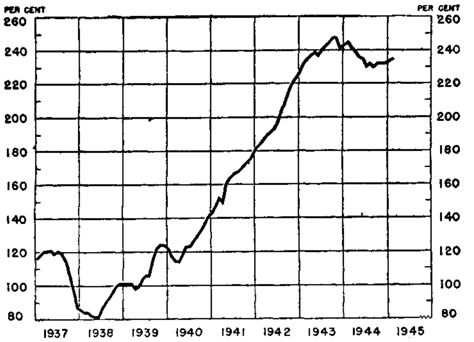
Department and Apparel Store Sales and Stocks, Second Federal Reserve District, Percentage Change from the Preceding Year

Locality	Net Sales Feb. 1945	Net Sales Jan. and Feb. 1945	Stocks on hand Feb. 28, 1945
Department stores, Second District	+15	+15	− 3
New York City	+16	+17	− 4
Northern New Jersey	+19	+18	− 1
Newark	+20	+19	− 1
Westchester and Fairfield Counties	+ 7	+ 9	− 8
Bridgeport	+ 5	+ 8	−12
Lower Hudson River Valley	+13	+12	+ 3
Poughkeepsie	+12	+11	—
Upper Hudson River Valley	+ 6	+ 7	+ 2
Albany	+ 4	+ 7	—
Schenectady	+ 9	+ 9	+ 1
Central New York State	+12	+ 6	+ 4
Mohawk River Valley	+ 3	+ 2	− 5
Utica	+ 3	+ 1	—
Syracuse	+16	+ 8	+ 8
Northern New York State	+25	+22	—
Southern New York State	+14	+13	−10
Binghamton	+19	+17	—
Elmira	+ 6	+ 7	—
Western New York State	+ 9	+ 8	− 2
Buffalo	+ 8	+ 5	− 3
Niagara Falls	+15	+12	+ 5
Rochester	+10	+11	0
Apparel stores (chiefly New York City)	+24	+26	+ 2

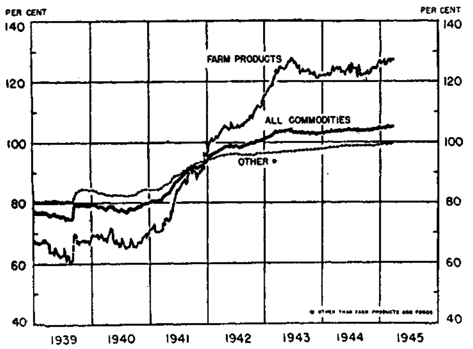
Indexes of Department Store Sales and Stocks Second Federal Reserve District (1935-39 average = 100 per cent)

Item	1944 Feb.	1944 Dec.	1945 Jan.	1945 Feb.
Sales (average daily), unadjusted	115*r*	270	124	137
Sales (average daily), seasonally adjusted	138*r*	155	150	166
Stocks, unadjusted*	150	131	134*r*	145
Stocks, seasonally adjusted*	157	134	148	152

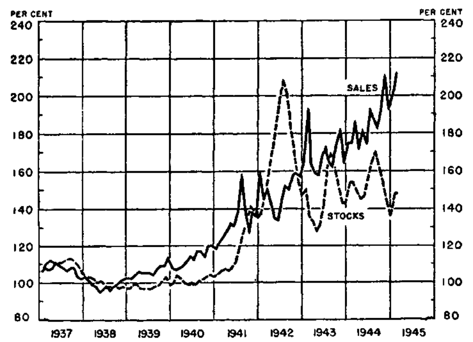
r Revised.
* The former index on a 1923-25 average base, recomputed on a 1935-39 average base; back figures available upon request.



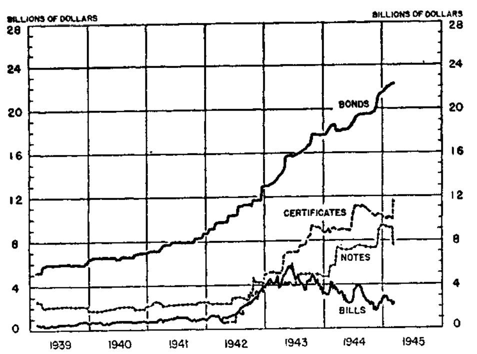
Index of Physical Volume of Industrial Production, Adjusted for Seasonal Variation (1935-39 average=100 per cent)



Indexes of Wholesale Prices Compiled by Bureau of Labor Statistics (1926 average=100 per cent; latest figures are for week ended March 17)



Indexes of Value of Department Store Sales and Stocks, Adjusted for Seasonal Variation (1935-39 average=100 per cent)



Government Security Holdings of Banks in Leading Cities. Guaranteed Securities Excluded. Data not Available Prior to February 8, 1939; Certificates First Reported on April 15, 1942 (Latest figures are for March 14)

General Business and Financial Conditions in the United States

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

INDUSTRIAL activity continued to increase slightly in February and the early part of March. Value of department store sales was one-fifth greater than in the same period last year. Wholesale commodity prices generally showed little change.

Industrial Production

The Board's seasonally adjusted index of industrial production was 235 per cent of the 1935-39 average in February, as compared with 234 in January and 232 in the last quarter of 1944.

Steel production, which declined further in the first part of February as a result of continued severe weather conditions, showed a substantial increase at the end of the month and in the first three weeks of March. Average output of open hearth steel during February was 2 per cent above the January rate, while electric steel production increased 7 per cent. Output of nonferrous metals continued to rise slightly in February, largely reflecting increased military demands. Activity in the machinery and transportation equipment industries was maintained at the level of the preceding month; a decline in shipbuilding offset a slight increase in output of most other munitions industries. Production of lumber and stone, clay, and glass products in February was at about the January level.

Production of most nondurable goods showed little change in February. Output of cotton goods and shoes, however, rose 5 per cent from the preceding month to a level slightly above that of a year ago. Output of explosives and small-arms ammunition showed further large gains. Activity at meatpacking establishments continued to decline, as pork and lard production dropped further and was 50 per cent below the peak level reached a year ago. In March it was announced that supplies of meat available for civilians in the second quarter of 1945 would be 12 per cent less than in the first quarter. Activity in rubber products industries in January and February was 6 per cent above last autumn, reflecting chiefly a sharp increase in production of military truck tires.

Minerals output rose slightly in February, reflecting increased output of anthracite and a further gain in crude petroleum production. Anthracite production recovered in February and the first two weeks of March from a large decline during January. Bituminous coal production showed little change in February from the January level and declined slightly in the early part of March.

Distribution

Department store sales in February, which usually show little change from January, increased considerably this year. Value of sales in February and the first half of March was 22 per cent larger than in the corresponding period a year ago, reflecting the earlier date of Easter this year and continuation of the freer spending in evidence since the middle of 1944.

Freight carloadings, which had declined at the end of January and the early part of February owing to severe weather conditions, have increased since that time. Shipments of miscellaneous freight were in larger volume in the 5-week period ending March 17 than in the corresponding period of 1944, while loadings of most other classes of freight were less.

Bank Credit

Treasury expenditures during February and the first half of March continued to increase the total volume of deposits and currency held by the public. Adjusted demand deposits at weekly reporting banks in 101 cities increased 1.4 billion dollars and time deposits rose about 200 million dollars during the four-week period ended March 14. Currency in circulation increased 350 million dollars over the same period, but declined somewhat in the week following. To meet the resulting increase in required reserves as well as the currency drain, Federal Reserve Bank holdings of United States Government securities increased 395 million dollars in the four weeks ended March 14, while reductions in nonmember and in Treasury deposits at the Reserve Banks supplied 450 millions of reserve funds to member banks. Excess reserves have remained at an average level of about a billion dollars.

The increase in Federal Reserve holdings of Government securities roughly paralleled the decline in commercial bank holdings. Reporting banks reduced their portfolios by 260 million dollars in the four weeks. Holdings of Treasury notes declined by 1.7 billion dollars while certificate holdings increased by 1.4 billion dollars, reflecting the March 1 Treasury exchange offer. Bill holdings were reduced by 210 million dollars. Bond holdings, however, continued to increase. Total loans for purchasing and carrying Government securities declined by 230 million dollars and commercial loans by 185 million.