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MONEY MARKET IN FEBRUARY

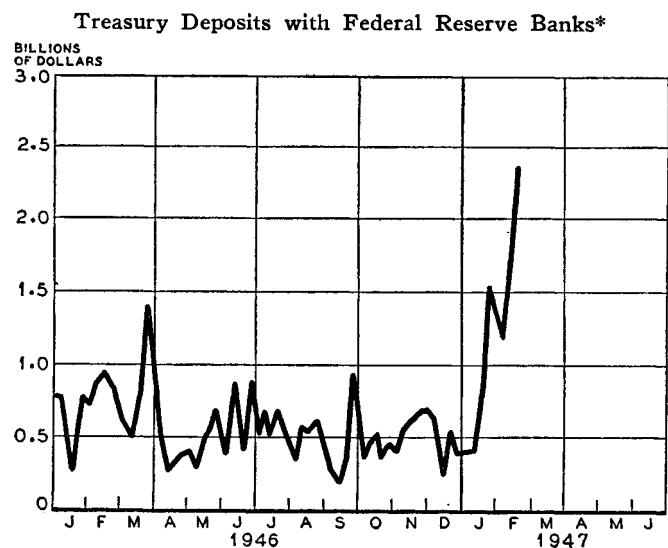
A sharp increase in the Treasury's deposits with the Federal Reserve Banks to the unprecedented total of almost 2.4 billion dollars on February 26 was the outstanding development in the money market during the month. Heavy tax receipts and reduced expenditures combined to bring about the rapid growth of Treasury balances, as a result of which bank reserve positions were under persistent pressure during most of the month. Although the flow of tax funds to the Treasury reduced private demand deposits and reserve requirements substantially, and the banks had the benefit of large payments out of foreign official balances in the Reserve Banks, the reserves made available from these transactions fell far below the banks' needs. Member banks consequently were compelled to bring their reserves to required levels through sales of short term Treasury obligations directly and indirectly to the Reserve Banks and through increased borrowings from the Reserve Banks.

Tax collections were heavy in New York City and, in addition, the metropolitan banks sustained large withdrawals of deposits from New York by correspondent banks and others to cover tax collections and other needs for funds. Thus, the New York City banks shared substantially in the need for reserves, especially during the second week of February and again toward the end of the month.

Treasury balances with the Federal Reserve Banks increased 835 million dollars in the four weeks ended February 26 and on that date were 2 billion dollars higher than on January 15 when fourth-quarter instalments on 1946 personal incomes fell due, despite the redemption of 1 billion dollars of the issue of certificates of indebtedness which matured on February 1. Apparently, the expansion in Treasury deposits during the second half of January and most of February has become a recurring or seasonal development, due largely to the postponement of the payment of fourth-quarter tax instalments on individual incomes from December 15 to January 15. As illustrated in the accompanying chart, deposits of the Treasury with the Reserve Banks rose substantially during this period in 1946 also. However, the increase in Treasury balances has been much greater this year because of the substantially larger volume of Treasury receipts and reduced disbursements. In the first 25 days of February, total income taxes (withheld and

other) ran 600 million dollars higher than last year, despite a decrease in the tax rates on 1946 incomes. In part, this increase in tax receipts reflects the fact that wages and salaries in the period for which taxes were withheld and paid in February were larger this year than last. It also reflects the higher level of civilian incomes for the year 1946, which bear lower tax exemptions and bring higher tax returns than military pay, which decreased sharply during the year. To some extent it may possibly indicate prepayments of taxes which formerly were paid on March 15. Other receipts, including Social Security taxes, miscellaneous revenue, and sale of surplus property, were also substantially higher this year than last, while cash disbursements were approximately 550 million dollars lower.

The rise in the Treasury's account with the Reserve Banks was temporarily interrupted during the week ended February 5 by the cash redemption of 1 billion of an issue of 5 billion dollars of certificates of indebtedness which matured on the first of the month. Treasury receipts exceeded disbursements during the remainder of the week, however, so that net expenditures for the week were reduced to 374 million dollars. The greater part of this amount was required for the redemp-



* Wednesday dates; latest figure is for February 19.

tion of maturing certificates in the portfolios of the Reserve Banks, so that only a small part went into member bank reserves. Reserve positions of the member banks were further eased in this period, however, by payments made by foreign central banks and governments from their accounts maintained with the Reserve Banks, and by the reduction in reserve requirements that accompanied the collection of taxes and the consequent reduction in bank deposits. As the net result of all transactions, member banks were able to retire a substantial amount of Federal Reserve credit temporarily.

In the following three weeks, the member banks felt the full impact of an increase of 1.2 billion dollars in Treasury deposits with the Reserve System. Despite continued reductions in reserve requirements and disbursements from foreign deposits in the Reserve Banks, member banks were compelled to obtain funds on a large scale from the Federal Reserve System.

The Treasury's exceptionally strong cash position enabled it to announce the retirement of 1 billion dollars of certificates maturing on March 1 and of 1.9 billion dollars of notes expiring on March 15. Although a moderate call on War Loan deposits may be necessary to effect the March 15 redemption, the major portion of the required funds for this operation, as well as the March 1 redemption, will come out of accumulated Treasury balances in the Reserve Banks, and so will return to the banks a considerable part of the funds that have been taken from them through tax collections during recent weeks. The banks will again be subject to a drain on their reserves through tax collections during the latter half of March, however.

In New York City, the reserve position of member banks was eased at the beginning of the month by payments received from the Treasury for the redemption of the February 1 certificates of indebtedness. Subsequently, however, they sustained substantial losses of funds through tax collections and, at times, through transfers of funds to other parts of the country. These losses were offset in part by disbursements in New York from the accounts of foreign central banks and governments in the Reserve Banks; the banks gained 550 million dollars of reserves from this source in the four weeks under review. Furthermore, the reserve requirements of the New York City institutions, like those of banks elsewhere, declined as deposits fell with the payment of taxes.

The demands of the New York City banks for Federal Reserve credit, therefore, fluctuated widely from week to week. In the week ended February 5, the banks were able to retire a large amount of Federal Reserve credit because of heavy redemptions of the maturing certificates in the New York area. In the following week, however, the banks increased

their borrowings from the Reserve Bank and sold a substantial volume of bills to the Reserve Bank option account. Bill holdings of the weekly reporting banks dropped to 5 million dollars, the smallest amount in the entire period since February 1939 for which records are available. In addition, the banks made net sales of certificates in the open market, only part of which were absorbed by the Federal Reserve System. An even larger part was acquired by Government security dealers, but their purchases were financed by loans from the banks, so that they afforded no relief to the pressure on the reserves of the New York banks as a whole. In the week ended February 19, the unevenness in the timing of the gains and losses of reserves was reflected in substantial bank sales of certificates indirectly to the Federal Reserve System early in the week and substantial repurchases of Treasury bills from the Federal Reserve Bank option account and repayment of indebtedness to the Reserve Bank later in the week as the banks gained reserves. In the final week of the month, the City banks again had to expand their use of Reserve credit moderately to correct a deficiency in their reserves at the beginning of the week and to meet a renewed outflow of funds from New York. It is expected, however, that their position will be eased, at least temporarily, by the redemption of Treasury certificates on March 1.

SUBSCRIPTION TO THE INTERNATIONAL MONETARY FUND

Payment of the United States quota of 2¾ billion dollars in the International Monetary Fund was completed by the Treasury on February 26, 1947. The sum involved was 2,745 million, the other 5 million dollars having been paid previously. The Bretton Woods Agreements Act specified that 1.8 billion dollars of the increment in the monetary gold stock resulting from the revaluation of the dollar in 1934 and subsequently held in the Exchange Stabilization Fund was to be used in paying this country's subscription, with the remaining 950 million dollars to come out of the general fund of the Treasury. One fourth of the quota was payable in gold, as required in the Bretton Woods Articles of Agreement, and the remaining 75 per cent could be paid in currency and in nonnegotiable, non-interest-bearing demand notes of the United States Treasury.

Accordingly, 1.8 billion dollars of gold was transferred from the Stabilization Fund; 687.5 million dollars, or one fourth of the quota, was delivered to the Federal Reserve Bank of New York for the account of the International Monetary Fund, and the remainder was transferred to the Treasury's general fund account. In order to provide the Monetary Fund with working balances, 275 million dollars of this amount was used to obtain from the Federal Reserve Bank of New York dollar balances which were credited to the Monetary Fund at the Federal Reserve Bank of New York. The remainder of this country's quota (1,782 million dollars) was paid in the

Circular No. 3188 containing the annual review of earnings and expense ratios for member banks in the Second Federal Reserve District for 1946 has been issued by this bank and is available on request.

form of nonnegotiable non-interest-bearing demand notes of the Treasury. Consequently, the remaining gold from the Stabilization Fund became free gold available to the Treasury.

The effects of these transactions were reflected in the Federal Reserve statements for the week ended February 26, although the actual changes resulting from the payment of the quota were obscured by other changes during the week in the items affected. The transfer of gold to the International Monetary Fund reduced the monetary gold stock and Treasury cash (the gold in the Exchange Stabilization Fund was carried in both these accounts) on February 26 by 687.5 million dollars. The payment of 275 million dollars to the International Fund increased "other deposits" by a like sum. This was offset by a decline in Treasury cash in the same amount, as the Treasury credited that amount to the gold certificate account of the New York Reserve Bank in exchange for the required deposit credit. This exchange raised both the gold certificate reserve and the deposit liabilities of the Federal Reserve Bank of New York and the Federal Reserve System as a whole, and resulted in a small increase in the reserve ratio of the twelve Reserve Banks combined.

These transactions had no effect on member bank reserves, since they involved transfers between accounts on the books of the Federal Reserve Bank of New York other than those of commercial banks. When the International Fund begins operations, a substantial demand for dollars from other members of the Fund may be expected to develop. Transfers of dollars from the Fund's account with the Federal Reserve Bank to those of member countries will still leave bank reserves undisturbed. Only when those countries make disbursements out of their deposits with the Federal Reserve Bank will member bank reserves be increased.

TERM LOANS OF SECOND DISTRICT BANKS¹

The recently completed survey of commercial and industrial loans outstanding at member banks on November 20, 1946 included data on the length of time for which the credits were extended. On the basis of the reports received, it is estimated that there were, on that date, 21,481 business loans outstanding at all member banks in this District, totaling 2,022 million dollars, which when originally made had final maturity dates exceeding one year. For the purpose of this study all of such loans are considered term loans. In dollar amount, term loans constituted 44 per cent of all business loans outstanding and, in number of loans, 19 per cent, indicating that the average term loan was substantially larger than the average loan maturing in less than one year.

As might be expected, the greatest dollar volume of term loans was found to be concentrated in the 14 largest New York City banks, where 89 per cent of all term loans in the District

¹ This is the second of a series of articles covering the results of a survey of commercial loans at member banks in this District. The first article appeared in the February 1947 *Review*.

were held; these same banks held 72 per cent of loans maturing within one year. Similarly, large companies, those with assets of over 5 million dollars, were the heaviest borrowers on a term basis, accounting for 85 per cent of the dollar amount of all term loans, compared with 53 per cent of loans maturing in less than one year. Although the dollar volume was heavily concentrated in the largest New York City banks, where term loans were principally made in substantial amounts to large companies of national importance, there were many loans to medium-sized and small local businesses by banks of various size throughout the District. It is estimated that more than 13,000 term loans, totaling 98 million dollars, were made by banks with deposits of less than 100 million dollars, and that more than 18,000 term loans, representing 93 million dollars, were made by all banks to borrowers with assets under \$250,000. From these figures it is evident that term lending, although developed to a greater extent by the largest banks, has become fairly widespread in this District, with all classes of banks and borrowers currently involved in this type of financing.

Table I shows that term loans represented almost half of the dollar amount of all outstanding business loans of the 14 largest New York City banks last November, while the proportion ranged between 20 and 30 per cent for other groups of banks. The smallest banks—those with less than 2 million dollars of deposits—showed a somewhat greater percentage of term loans to total loans than banks of intermediate size; this may be explained by their rather common practice of making term loans secured by the pledge of real estate. An analysis of the various types of security pledged as collateral shows that the smaller banks in the District had a greater percentage of business loans secured by real estate than did the larger banks. In number of loans, slightly less than one out of every five business loans made by all member banks in this District had a final maturity longer than one year; the average ratio for the different groups of banks ranged between 13 and 21 per cent.

Table I
Number and Dollar Amount of Term Loans Compared with
All Commercial and Industrial Loans Outstanding on November 20, 1946
at all Member Banks in Second District* by Size of Bank

Bank size groups (Measured by total deposits)	In millions of dollars		Per cent of term loans to total loans	Number of loans		Per cent of term loans to total loans
	Total commercial and industrial loans	Term loans (Maturing over 1 year)		Total commercial and industrial loans	Term loans (Maturing over 1 year)	
Over \$500 million	3,673	1,802	49	32,642	6,143	19
\$100 to \$500 million . . .	477	122	26	12,991	1,644	13
\$10 to \$100 million	363	71	20	41,746	8,171	20
\$2 to \$10 million	92	24	26	22,623	4,665	21
Under \$2 million	10	3	30	4,321	858	20
Total, all banks	4,615	2,022	44	114,323	21,481	19

* Estimated on basis of sample banks; includes real estate loans for commercial purposes

Table II
Number and Dollar Amount of Term Loans Compared with
All Commercial and Industrial Loans Outstanding on November 20, 1946
at All Member Banks in Second District* by Size of Borrower

Size of borrower (Measured by total assets)	In millions of dollars		Per cent of term loans to total loans	Number of loans		Per cent of term loans to total loans
	Total commercial and industrial loans	Term loans (Maturing over 1 year)		Total commercial and industrial loans	Term loans (Maturing over 1 year)	
Over \$5,000,000.....	3,088	1,711	55	3,575	1,443	40
\$750,000 to \$5,000,000.	565	150	27	3,877	463	12
\$250,000 to \$750,000...	277	32	12	5,355	509	10
\$50,000 to \$250,000...	389	43	11	25,203	2,321	9
Under \$50,000.....	228	50	22	74,804	16,482	22
Total, all borrowers.	4,615**	2,022**	44	114,323**	21,481**	19

* Estimated on basis of sample banks; includes real estate loans for commercial purposes.

** Includes loans not classified by size of borrower.

As shown in Table II, 55 per cent in dollar amount, and 40 per cent in number, of all business loans made to companies with assets of over 5 million dollars were negotiated on a term basis, while term loans to borrowers with assets of less than \$50,000 accounted for 22 per cent of business loans, both in dollar amount and in number.

Manufacturing and mining companies, together with transportation and communication companies and other public utilities, accounted for about 80 per cent of the dollar amount of all term loans. Large borrowers in the manufacturing and mining category were the group including petroleum, coal,

chemicals, and rubber companies, and the group manufacturing iron, steel, nonferrous metals, automobiles, and machinery. In both groups more than 92 per cent of all term loans were obtained from the 14 largest New York City banks. This concentration of term loans in these particular types of business can probably be explained by the fact that their financial needs are generally for longer periods than, for example, the needs of the average wholesaler or retailer. It is probable also that the large New York City banks, either individually or in groups, were used in some cases by large companies as sources of funds in preference to the capital markets. Wholesalers as a group were the smallest borrowers on a term basis, accounting for only 4 per cent of all term loans, while term loans to retailers amounted to 6 per cent. In number of loans, retailers accounted for about 40 per cent of all term loans; manufacturing and mining, 14 per cent; wholesale trade, 6 per cent; and all other borrowers, 40 per cent.

Table III gives the estimated dollar amount of commercial loans outstanding on November 20, 1946, at all member banks in this District classified by business of borrower and length of maturity. It shows that about 5 per cent of all business loans had maturities longer than 10 years; 25 per cent, from 5 to 10 years; 14 per cent, from 1 to 5 years; and 41 per cent less than 1 year, while 15 per cent of the loans were carried on a demand basis. Of the loans maturing in less than 1 year, about 84 per cent were for less than six months. In dollar amount, about half of all loans to manufacturing and mining companies had

Table III
Commercial and Industrial Loans Outstanding on November 20, 1946 at All Member Banks in the Second District*
by Business of Borrowers and Length of Maturity

Business of borrower	Dollar amount of loans, in millions								All loans	Per cent of loans over 1 year to total loans
	Maturity									
	Demand	Less than 90 days	90 days to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years		
Manufacturing and mining—total.....	152	325	485	122	153	171	658	122	2,189	50
1. Food, liquor, tobacco.....	50	106	222	60	3	45	105	16	607	28
2. Textile, apparel, leather.....	18	70	84	13	3	8	28	**	224	17
3. Iron, steel, nonferrous metals and their products; electrical and other machinery; automobiles and other transportation equipment and parts.....	39	101	106	33	114	32	153	28	607	54
4. Petroleum, coal, chemicals, rubber.....	13	10	14	9	21	61	269	61	458	90
5. All other (including lumber; furniture; paper; printing and publishing; stone, clay, glass).....	32	37	59	8	12	23	104	17	293	53
Wholesale trade—total.....	350	126	204	52	9	19	53	4	817	10
6. Food, liquor, tobacco, drugs.....	93	57	96	16	7	5	23	—	297	12
7. Apparel, dry goods, shoes, related raw materials.....	211	29	48	20	**	10	11	**	330	6
8. Home furnishings, furniture, electrical appliances; hardware; machinery; metal products; lumber, building materials; plumbing and heating equipment.....	18	16	17	3	**	3	2	—	59	8
9. Automobiles and parts, petroleum.....	4	3	2	**	1	**	13	—	25	56
10. All other (including farm feed, fuel, jewelry, paper).....	24	20	40	12	1	**	4	4	106	8
Retail trade—total.....	40	69	71	30	6	20	73	24	333	37
11. Food, liquor, tobacco, restaurants, drug stores.....	12	20	14	13	2	5	13	12	92	35
12. Apparel, dry goods, shoes, department stores, mail-order houses, variety stores, general stores.....	9	30	34	12	1	6	48	9	149	43
13. Home furnishings, furniture, electrical appliance stores; hardware and farm implement dealers; lumber, building material dealers; plumbing and heating equipment dealers.....	8	9	12	1	1	2	5	**	37	22
14. Automobile dealers, auto accessory stores, filling stations.....	7	4	4	2	**	4	5	1	26	38
15. All other (including farm feed, fuel dealers, jewelry stores).....	5	6	7	4	2	4	1	**	29	24
Other—total.....	144	122	202	96	96	166	389	59	1,273	56
16. Transportation companies (railroad, etc.), communication companies, other public utilities.....	17	13	14	23	56	128	293	37	581	88
17. Services (including hotels; repair services; amusements; personal and domestic services; medical, legal, other professional services).....	17	17	18	14	11	17	34	4	132	50
18. Building and road construction contractors and sub-contractors.....	11	14	20	5	4	3	1	**	58	14
19. Sales finance companies.....	50	63	129	32	5	2	27	—	308	11
20. All other (including forestry, fishing, real estate).....	49	16	21	22	19	16	34	17	194	44
Total, all borrowers.....	686	645†	962	300	264	376	1,173	209	4,615†	44

* Estimated on basis of sample banks; includes real estate loans for commercial purposes. Because of rounding, figures do not necessarily add to totals

** Less than half-million dollars.

† Includes a small amount of loans not classified by business of borrower.

maturities longer than 1 year, and of this amount 71 per cent were due in 5 years or over. The heaviest long term borrowers among manufacturing and mining industries were in the petroleum, coal, chemical, and rubber company group, 90 per cent of whose business loans were on a term basis, of which 80 per cent were to mature in over 5 years. The durable goods group, including the manufacturers of iron, steel, non-ferrous metals, machinery, and automobiles, obtained about 54 per cent of their loans for periods longer than 1 year, with more than half of this amount extending beyond 5 years. Transportation and communication companies and other public utilities also were heavy long term borrowers, with about 88 per cent of their business loans maturing in over 1 year, of which 64 per cent ran longer than 5 years.

Wholesalers were predominantly short term borrowers, with 40 per cent of their loans due to mature in less than six months and 43 per cent due on demand. Since the financial needs of wholesalers are usually closely associated with the carrying of inventories of consumers' goods, it is logical to assume that the banks would not grant term loans in any volume to this particular type of business except in special cases. About 37 per cent of all loans to retailers had maturities exceeding 1 year, of which 79 per cent had maturities over 5 years. In all probability loans secured by real estate constituted a greater proportion of the longer term loans to retailers than was the case in the other major business groups. Sales finance companies were predominantly short term borrowers and only 11 per cent of their loans had maturities over 1 year; in fact, 62 per cent of all loans to such companies matured in less than 6 months, and 16 per cent were due on demand.

THE PORT OF NEW YORK¹

The development of New York City as an industrial, commercial, and financial center has been directly related to the growth of its port. With the completion of the Erie Canal in 1825, New York became the trans-shipment point for the produce of the West and rapidly assumed the dominant position in this country's foreign trade which it has held ever since. Today the principal factors in maintaining that position are the harbor facilities for large ships and the excellent railroad connections. A large part of the City's manufacturing, distributive, and financial activities is closely associated with maritime transportation, and in particular with foreign trade.

New York City has one of the best natural harbors in the world, and one of the few which can accommodate ships with a draft of thirty feet or more. The Port area, with a radius of about 25 miles from the Statue of Liberty, has a total water frontage of over 650 miles, of which 23 miles are devoted to deep-sea piers used by ocean-going vessels. The waterfront

¹ This article is based on an extensive study which this bank has recently completed and a copy of which may be obtained upon request.

is occupied by nearly 2,000 piers, wharves, and bulkheads, and by warehouses, railroad facilities, and industrial establishments of various kinds. The principal importance of the Port, however, is derived from the approximately 210 deep-sea piers capable of berthing more than 400 ships simultaneously. The Port of New York actually comprises a whole system of waterways and ports, including the facilities not only of Manhattan and Brooklyn but also of Staten Island, Jersey City, Newark, and many other neighboring waterfront cities. In the "Free Port" which has been established at Staten Island, foreign merchandise can be stored and prepared for reexporting without payment of customs duties. Twelve major railroads and a network of highways connect the Port with the interior, and the Hudson River and the New York State Barge Canal afford water transportation to the Great Lakes.

In accordance with the old axiom that in trade and commerce volume begets volume, the continued commercial dominance of the Port of New York is fostered by the large volume of traffic handled by the Port. This volume insures greater frequency and regularity of steamship service and a larger number of foreign ports to and from which regular sailings are maintained. Likewise more return cargo is available, making possible rapid turn-arounds and economical operations. These advantages are extremely important to most shippers, as are also the efficiency of port services, the facilities for marine insurance and financing, and inland transportation. The large volume of purchasing power and the industrial capacity concentrated in the New York region also contribute to the activity of the Port.

From 1919 to 1939, the share of the Port of New York in the dollar value of United States imports fluctuated between 47 and 55 per cent; its share of exports varied between 29 and 43 per cent.² Since the United States totals include overland commerce with Canada and Mexico, New York's share in water-borne foreign trade was even higher than these percentages indicate. In addition New York handled a large volume of the country's coastwise and intercoastal trade. Lighterage and carfloat service furnished by the railroads generates a considerable volume of water-borne intraport traffic. In terms of value, foreign trade is the most important segment of Port activity. Measured in terms of tonnage, however, the volume of foreign commerce before the war was about three-fifths as great as that of coastwise and intercoastal trade. River and canal traffic handled less than one-third as much tonnage as foreign trade.

The composition and distribution of the Port's foreign trade is undergoing continuous change. In any event, it is too early yet to appraise postwar trade patterns. In order to avoid giving a distorted view, 1937 has been chosen for the analysis which

² The figures pertaining to foreign trade are based on data for the New York Customs District, which also include a small proportion of trade from outside the Port of New York area, including the Port of Albany.

follows, because it is the most recent year in which the volume of maritime trade was large but not yet affected by shipments of defense and war materials. From Table I, which shows the composition of the Port's foreign trade as measured both by volume and by value, it is clear that goods which make for volume of trade, such as petroleum products, grain, and iron and steel products, contribute much less to the value of the Port's trade than do machinery, textiles, rubber, and nonferrous metals, which mean much in terms of value but relatively little in terms of volume. New York's export trade has been increasingly concentrated in finished goods, so that the Port handles a very large proportion of high-value, low-volume freight. The dollar value per ton of exports from New York, which in 1925 was twice as large as the average for all other United States ports, had become five times as large by 1938. While the average unit value of exports decreased at the other ports during this period, at New York it rose sharply because of the increasingly large proportion of machinery, motor vehicles, and other finished goods exported. The relatively low proportion of raw materials and other bulk goods in exports from New York has in a way been a drawback, because such goods are often used as "bottom cargo" to load vessels to weight capacity. Generally speaking, it is the physical volume of trade which determines the degree of utilization of Port facilities and the level of Port employment, although the value of trade is of most concern to those engaged in foreign trade.

The value per ton of imports through New York in the twenties and thirties was approximately double that in the other United States ports. As in the rest of the country, imports were almost evenly divided between raw materials and foodstuffs on the one hand and processed or fabricated commodities on the other. Raw and semifinished imports, including petroleum, nonferrous metals, silk, hides, and furs, undergo processing or fabrication in the New York area, while for imported foodstuffs New York is an important distributing

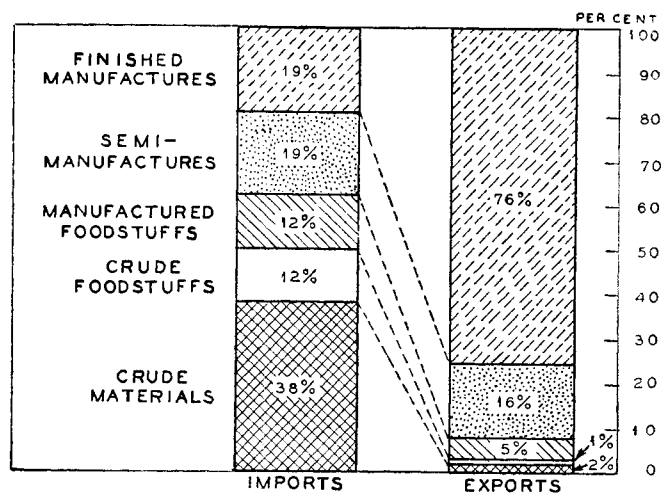
Table I
Foreign Trade through the Port of New York in 1937
Per Cent Distribution by Commodity Groups

Commodity group	Imports		Exports	
	Value	Volume	Value	Volume
Total	100.0	100.0	100.0	100.0
Animal products	13.3	2.7	4.9	1.7
Grain and grain products	1.1	3.0	2.5	15.3
Cocoa, coffee, tea, and spices	9.3	5.0	0.1	0.7
Sugar	3.7	8.8	0.3	0.7
Rubber	11.5	3.2	1.9	0.6
Other vegetable products	13.9	15.4	2.6	3.1
Textiles	18.7	4.3	4.5	1.4
Coal and coke	0.2	0.5	*	0.7
Petroleum and petroleum products	1.4	33.9	4.3	12.1
Stone, clay, and glass	4.1	5.6	1.7	2.2
Ferrous metals	0.8	3.0	11.6	24.7
Nonferrous metals	11.8	4.5	6.1	3.7
Machinery and vehicles	0.8	0.1	47.3	12.9
Chemicals	2.1	1.6	5.3	4.3
Wood and paper	3.1	6.1	1.6	2.4
Miscellaneous manufactures	4.2	2.3	5.3	13.5

* Less than .05 per cent.

Source: Compiled by the Federal Reserve Bank of New York from data of the United States Department of Commerce and United States War Department.

Foreign Trade through Port of New York by Type of Commodity during 1937*
(Percentage distribution of dollar value)



* Based on data for the New York Customs District, which also include a small proportion of trade from outside the Port of New York area, including the Port of Albany.

Source: Compiled by Federal Reserve Bank of New York from data of the U. S. Department of Commerce.

and consuming as well as processing center. For most imported luxury goods New York is the nation-wide marketing point, while the area, with its cosmopolitan population, has a relatively high per capita consumption of imported articles.

Whereas New York's share in United States imports in 1937 was between 40 and 50 per cent of total value for each of the five classes of commodities shown in the accompanying chart, the Port's share in the similar categories of exports varied with the degree of fabrication of the merchandise. Only 3 per cent of the raw materials exported went through New York, but the Port handled 57 per cent of the finished manufactures exported. Approximately two thirds of all machinery and motor vehicles exported from the United States in 1937 were shipped from New York; they accounted for nearly 50 per cent of the total value of exports from the Port of New York.

During the twenties and thirties this country's foreign trade with Asia, Africa, and South America gained relatively at the expense of trade with Europe and Central America. This trend has been unfavorable for New York, since an especially large portion of United States trade with Europe and Central America had customarily gone through the Port of New York. The percentage distribution for 1923 and 1937 by geographic areas is shown in Table II.

The tremendous movement of freight during World War II taxed the Port's facilities to the utmost, but there was no large-scale expansion of Port installations. In 1944, according to a special survey made by the Port of New York Authority jointly with the Army, Navy, and Department of Commerce, total foreign trade passing through the Port of New York was

estimated at 57 million short tons, compared with a prewar peak of 30 million tons in 1929. Imports at New York in 1944 were much smaller than in 1929, since many ships returned from the war theatres empty or nearly empty. Exports of dry cargo in 1944 were 20 million tons, compared with the 1929 peak of 9 million, and 22 million tons of petroleum products were exported in 1944 compared with 2 million in 1929. Between December 1941 and August 1945, more than three million troops, or two thirds of all personnel leaving East Coast ports, sailed from the Port of New York. More than half of the Army cargo shipments from Atlantic ports also went through New York.

During the war, nonmilitary foreign commerce was cut sharply and much of the Port of New York's normal peacetime share of this traffic was diverted to other ports less vulnerable to submarine attack and less crowded with war shipping. Many of these ports have improved their waterways and facilities in recent years, and are making determined efforts to retain their wartime gains in foreign trade. In addition, the greatly expanded air transport operations are likely to offer increasing competition for express freight and passenger traffic. In some cases of intensified competition, the Port of New York may be at a disadvantage because of comparatively high terminal costs. Nevertheless, New York's position as the country's leading foreign trade port is unlikely to be challenged seriously in the near future. During the remainder of the period of foreign reconstruction and rehabilitation the volume of United States foreign trade will undoubtedly be very large, and the Port of New York should share in this high level of activity. In the first eleven months of 1946, New York handled 48 per cent of the country's imports by value, about the same proportion as in prewar years, and 42 per cent of the exports, a greater share than in any of the years between 1920 and 1939. In the long run, foreign trade activity at the Port of New York will depend upon the general level of foreign commerce and upon the Port's ability to meet competition by improving its services and handling cargo at low cost.

Table II
Value of Foreign Commerce through the Port of New York in 1923 and 1937
Per Cent Distribution by Geographic Areas

Area	Imports		Exports	
	1923	1937	1923	1937
Total	100.0	100.0	100.0	100.0
North America	1.1	1.7	0.6	0.6
Central America	12.7	6.6	13.2	11.9
South America	15.5	14.2	14.1	17.8
United Kingdom	14.0	8.5	18.7	12.6
Continental Europe	30.0	25.0	33.5	27.7
Africa	2.6	3.3	3.3	8.9
Asia	23.0	39.5	10.5	16.9
Oceania	1.1	1.2	6.1	3.6

Source: United States Department of Commerce.

DEPARTMENT STORE TRADE

The dollar volume of department store sales in the Second Federal Reserve District during February is estimated to have been about 8 per cent higher than in the same month of 1946. Weekly figures, however, show that year-to-year gains made by reporting Second District stores have been declining since the middle of January. Also, the seasonal increase in average daily sales from January to February was less than usual, causing the seasonally adjusted index to drop slightly from the January level. Some retailers blamed snowy weather, which discouraged shopping and had an adverse effect on sales of spring lines of wearing apparel. Trade sources reported that most of the increase in dollar volume during February was attributable to sales of merchandise which had been in short supply last year. Continuing the trend of recent months, the dollar volume of sales of women's clothing and accessories and of toilet articles and other nondurable small wares showed relatively small gains. It appears that the physical volume handled by these departments declined as compared with February a year ago.

Inventories of Second District department stores continue to increase at a faster rate than sales when compared with year-ago levels. The retail value of stocks on hand at the end of January was 42 per cent greater than on the same date a year

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

Locality	Net sales		Stocks on hand Jan. 31, 1947
	Jan. 1947	Jan. through Dec. 1946	
Department stores, Second District...	+18	+30	+42
New York City	+19	+29	+39
Northern New Jersey	+16	+33	+34
Newark	+14	+30	+39
Westchester and Fairfield Counties	+26	+37	+60
Bridgeport	+24	+33	+45
Lower Hudson River Valley	+17	+35	+41
Poughkeepsie	+17	+33	+40
Upper Hudson River Valley	+12	+34	+53
Albany	+9	+43	+58
Schenectady	+17	+24	+45
Central New York State	+25	+35	+47
Mohawk River Valley	+17	+27	+41
Utica	+16	+24	+31
Syracuse	+29	+38	+52
Northern New York State	+19	+34	—
Southern New York State	+23	+30	+59
Binghamton	+21	+30	+67
Elmira	+14	+22	+53
Western New York State	+14	+29	+52
Buffalo	+13	+29	+48
Niagara Falls	+19	+12	+55
Rochester	+16	+30	+59
Apparel stores (chiefly New York City)	+9	+24	+55

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

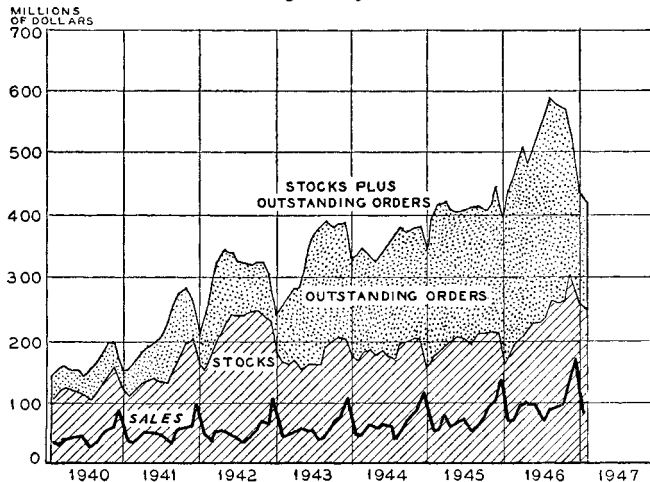
Item	1946			1947
	Jan.	Nov.	Dec.	Jan.
Sales (average daily), unadjusted	155	301	392	183
Sales (average daily), seasonally adjusted*	194	231	232	228
Stocks, unadjusted	144	247	213	205
Stocks, seasonally adjusted*	164	221	238	233

* Seasonal adjustment factors for 1938-46 revised; available upon request.

ago. However, the seasonally adjusted index of stocks in January was about 2 per cent below the all-time high reached at the end of December 1946. At the January rate of sales, stores had a three months' supply of goods—one-fifth more than was available in January 1946 and a trifle more than at the end of January in 1940, 1941, and 1942. Outstanding orders placed by the stores dropped by about 50 per cent from August 31 to January 31 and by about 5 per cent from December 31 to the end of January; the latter period is normally one of substantial increase in orders outstanding. Thus, the sharp drop in outstanding orders and stocks combined from the August peak shown on the chart was caused almost entirely by the decline in orders.

Variations in sales experience among the different localities in the Second District were relatively small in 1946. Sales throughout the District were dominated by the same factors, such as the influence of price increases, the return of war veterans, and (during the latter part of the year) an improved supply of consumer durable goods. Westchester and Fairfield Counties and the cities of Albany and Syracuse had the greatest gains in sales during 1946. Stores in Westchester and Fairfield Counties and Albany had shown smaller gains for the entire 1939-45 period than most other localities in the Second District, and the large increases in those areas during the past year may be attributed to the relatively low level of sales in 1945. Syracuse department stores, however, experienced steady and greater-than-average gains in sales from 1940 through 1945 as well as in 1946, and sales in 1946 were higher compared with 1939 than in any other city in the District. The localities which showed considerably less-than-average gains in sales during 1946 had all experienced substantial gains from 1939 to about 1943, after which sales had tended to level off. Thus Niagara Falls stores, which had the smallest percentage gain over 1945, nevertheless registered the second highest per-

Estimated Dollar Volume of Sales, Stocks, and Outstanding Orders of Second District Department Stores, 1940-January 1947



Source: Estimated from reports received by Federal Reserve Bank of New York. Stocks and orders at end of month.

Percentage Increases in Department Store Sales for Selected Localities in the Second Federal Reserve District

Locality	Percentage increase		
	1939 to 1943	1943 to 1946	1939 to 1946
Second District	34	63	118
New York City	31	66	118
Northern New Jersey	22	61	96
Newark	24	56	93
Westchester and Fairfield Counties	41	53	116
Bridgeport	48	37	103
Lower Hudson River Valley	27	80	128
Poughkeepsie	37	75	139
Upper Hudson River Valley	21	59	93
Albany	5	87	96
Central New York State	68	65	177
Mohawk River Valley	95	39	171
Syracuse	61	80	189
Northern New York State	21	80	119
Southern New York State	55	63	152
Binghamton	59	68	167
Elmira	58	50	137
Western New York State	56	51	136
Buffalo	68	48	150
Niagara Falls	120	27	180
Rochester	40	60	123

centage increase in sales over the entire 1939-46 period. For the first 8 months of 1946, percentage gains in sales in New York City and Newark exceeded the District average. In September and October they fell below the District average because of the trucking and delivery strikes in those months. In the final 2 months of the year, percentage gains in sales in the metropolitan area held close to the District average. Changes in department store sales by locality, for 1939-43, 1943-46, and the entire period 1939-46 are summarized in the table above.

Indexes of Business

Index	1946			1947
	Jan.	Nov.	Dec.	Jan.
Industrial production*, 1935-39 = 100 (Board of Governors, Federal Reserve System)	160	183 ^r	181	188 ^p
Electric power output*, 1935-39 = 100 (Federal Reserve Bank of New York)	187	212	217	220 ^p
Ton-miles of railway freight*, 1935-39 = 100 (Federal Reserve Bank of New York)	180	188	192 ^p	187 ^p
Sales of all retail stores*, 1935-39 = 100 (Department of Commerce)	238	273	270 ^p	
Factory employment United States, 1939 = 100 (Bureau of Labor Statistics)	130	149	150	150 ^p
New York State, 1935-39 = 100 (New York State Dept. of Labor)	119	131	131	132 ^p
Factory payrolls United States, 1939 = 100 (Bureau of Labor Statistics)	229	292	300 ^p	
New York State, 1935-39 = 100 (New York State Dept. of Labor)	227	269	273	281 ^p
Income payments*, 1935-39 = 100 (Department of Commerce)	234	259	261 ^p	
Composite index of wages and salaries*# 1939 = 100 (Federal Reserve Bank of New York)	149	166	168 ^p	
Consumers' prices, 1935-39 = 100 (Bureau of Labor Statistics)	130	152	153	153 ^p
Velocity of demand deposits*, 1935-39 = 100 (Federal Reserve Bank of New York)				
New York City	101	84	84	84
Outside New York City	79	87	83	88

* Adjusted for seasonal variation.

^p Preliminary.

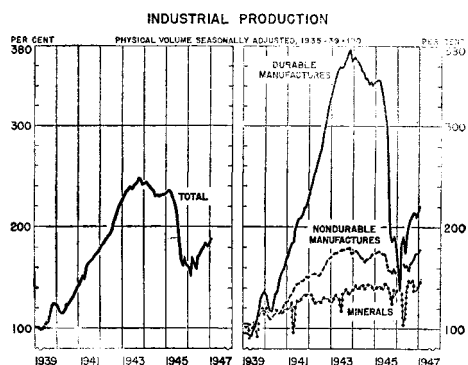
^r Revised.

A special monthly release tabulating the complete set of 15 indexes, supplanting the index of "wage rates" formerly computed by this bank, will be sent upon request. A general discussion of the new indexes appeared in the November 1946 issue of this Review. Tabulations of the monthly indexes, 1938 to date, and description of component series, sources, and weights may be procured from the Research Department, Federal Reserve Bank of New York. A mimeographed article discussing some of the technical problems involved is also available on request.

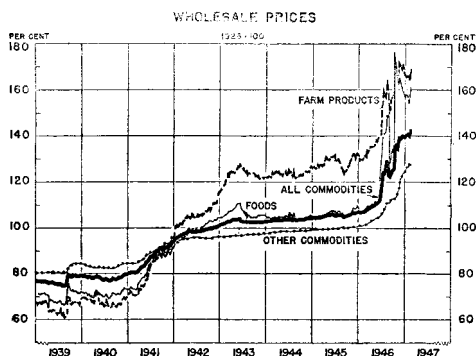
FEDERAL RESERVE BANK OF NEW YORK
MONTHLY REVIEW, MARCH 1947

National Summary of Business Conditions

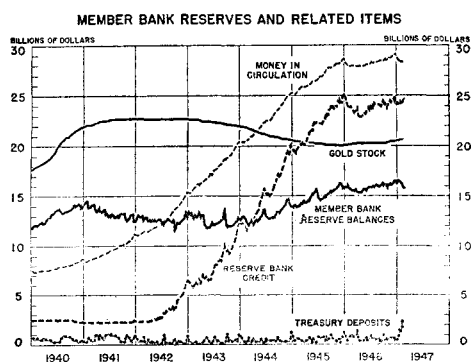
(Summarized by the Board of Governors of the Federal Reserve System, February 27, 1947)



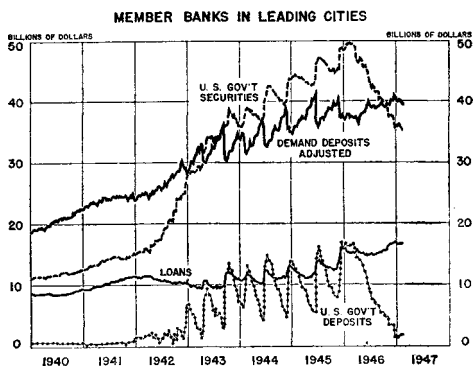
Federal Reserve indexes. Monthly figures, latest shown are for January.



Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ended February 15.



Wednesday figures; latest shown are for February 19.



Demand deposits (adjusted) exclude U. S. Government and inter-bank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures; latest shown are for February 12.

INDUSTRIAL output reached a new record peacetime level in January—one-sixth higher than at the beginning of last year. Dollar volume of retail sales during January and the early part of February was substantially larger than in the same period last year, reflecting mainly increased prices. Prices of agricultural commodities have risen in recent weeks, following earlier declines, and prices of building materials have shown further increases.

INDUSTRIAL PRODUCTION

Total output at factories and mines in January was at a rate of 188 per cent of the 1935-1939 average, according to the Board's seasonally adjusted index, as compared with 181 in December and with the previous peacetime peak of 183 in November. The large rise in January reflected chiefly sharp gains in output of coal, iron, and steel. Production of these materials had been curtailed in November and December owing to the bituminous coal work stoppage.

Production of iron and steel in January was in the largest volume since May 1945. Steel mill operations averaged 93 per cent of capacity and were at a slightly higher scheduled rate during the first three weeks of February. Output of building materials was maintained at an unusually high level for this season, and activity in the nonferrous metals, machinery, and transportation equipment industries was maintained close to the December rate.

Production of nondurable goods was at a rate of 177 per cent of the 1935-39 average in January as compared with 173 in November and December. Activity in the chemicals, foods, and paper and printing industries reached new postwar peak rates in January, while output of most textile and leather products was below earlier peak rates.

Output of bituminous coal, after being curtailed in November and December, increased in January to the highest level in twenty years and was 9 per cent above a year ago. Production of metals advanced somewhat, while output of anthracite and crude petroleum declined slightly.

EMPLOYMENT

Employment in manufacturing and most other nonagricultural industries continued to show little change in January, after allowing for the usual seasonal variation. The number of persons unemployed increased further to a level of 2,400,000.

CONSTRUCTION

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased by one fourth in January following a marked decline during the preceding seven months. About one half of the increase was accounted for by public nonresidential construction, reflecting chiefly large awards for Veterans' hospitals. Residential contracts expanded by one third owing principally to awards for several large apartment projects.

DISTRIBUTION

Value of department store sales in January and the early part of February was maintained close to the level prevailing since last June, after allowance is made for the usual seasonal changes. Sales during the first seven weeks of this year were 17 per cent larger than the same period last year. Sales at other retail stores were at a relatively higher level compared with last year, reflecting mainly advanced prices for foods and increased supplies of such durable goods as automobiles and hardware. Unit sales of numerous nondurable goods apparently have declined somewhat from earlier advanced levels.

Freight carloadings increased somewhat further in January, reflecting chiefly increased shipments of coal, iron, steel, and lumber. Shipments of most manufactured products and agricultural commodities showed little change. Shortages of cars continued to limit the movement of some classes of freight.

COMMODITY PRICES

Prices of farm products and foods, which declined from the middle of December to the latter part of January, have risen since that time, reflecting partly severe weather conditions and increased Federal export allocations for grains. Wholesale prices of most industrial products have shown little change but building material prices have increased further.

BANK CREDIT

Income tax collections greatly increased Treasury deposits at the Reserve Banks in January and the first half of February and placed member banks under moderate reserve pressure. A post-holiday return flow of currency of about 900 million dollars and an increase in monetary gold stock supplied some reserve funds to member banks and there was a decline in required reserves. To maintain their reserve positions, however, banks sold short term Government securities to the Reserve Banks.

Bank deposits were also reduced by tax collections, notwithstanding the return flow of currency. At member banks in leading cities demand deposits adjusted declined by 1.3 billion dollars in the four weeks ended February 19. Commercial and industrial loans continued to expand during January and early February; the rate of increase was more moderate than during last summer and fall. Government security holdings declined further, reflecting Treasury debt retirement and bank sales of bills and certificates.