MONTHLY REVIEW

Of Credit and Business Conditions

FEDERAL RESERVE BANK OF NEW YORK

VOLUME 29 MAY 1947 No. 5

MONEY MARKET IN APRIL

The Treasury's debt retirement program was extended through April when 1.5 billion dollars of certificates of indebtedness maturing on April 1 and 400 million of Treasury bills were redeemed. The first announcement of a reduction of 200 million dollars in the weekly offering of Treasury bills was made on April 10 to take effect with the issue of April 17. The full significance of this announcement became apparent when it was followed promptly by the announcement of the withdrawal of a similar amount from War Loan deposit accounts in the commercial banks, and when the process was repeated in each of the following two weeks. Since only a small part of the maturing bills were held by the commercial banks, and the bulk by the Federal Reserve Banks, most of the funds withdrawn from the commercial banks, by calls on War Loan deposit accounts, were not returned to them through the redemption of bills. The operation, therefore, involves a drain on the reserves of the commercial banks.

On April 25 the Treasury also announced a change in the procedure regarding tenders for Treasury bills. Beginning with the issue of May 1 the Treasury will accept maturing bills in exchange for new bills, as well as selling the new bills for cash. In cases where tenders involving an exchange of bills are accepted, cash payment will be made by the Treasury for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

Under the new procedure the Federal Reserve Banks will enter bids for new issues of bills, but only up to the amount of maturing bills which they hold. No new funds will be made available either to the Treasury or to the banks as a result of this change of procedure. The chief result will be that the Federal Reserve Banks will be able to exchange maturing bills for new bills, to the extent that their bids are accepted, the same as they do in the cases of other Treasury securities, and will no longer need to replace their bill maturities largely through purchases from security dealers. The Reserve Banks will continue to purchase Treasury bills that are offered them by banks and others at their buying rate. However, with respect to bills sold to the Reserve Banks on and after April 25, 1947, the option which is given the sellers to repurchase bills must be exercised prior to the day fixed by the Treasury for the closing of tenders of such bills for new bills.

The Treasury's funds employed to retire debt in April were accumulated from first quarter net cash receipts and current net sales of Savings bonds. Data published by the Treasury for the first two months of this year and preliminary data for March compiled by this bank indicate that the Treasury's revenues from the public were in excess of its disbursements to the public by 6.2 billion dollars. (This figure excludes such noncash disbursements as terminal leave bonds and such cash disbursements as the payment of gold and dollars to the International Monetary Fund, which was made from gold in the Stabilization Fund account.) This sum was about three times as large as that indicated for the first six months of 1947 by the budget estimates released in January. The unexpectedly large net cash receipts are explained by the fact that expenditures ran at a considerably lower rate than had been anticipated while income tax receipts were far larger. Income and profit taxes in the first quarter, because of high income levels, were actually about 150 million dollars greater than in the comparable quarter of 1946, despite the elimination of excess profit taxes on corporation income. Sales of Savings bonds were also somewhat larger than a year ago and redemptions were less, resulting in an excess of sales amounting to almost 1 billion dollars, which was more than enough to cover net redemptions of Savings notes.

Through its redemptions of almost 4.2 billion dollars of certificates and notes in the first quarter, the Treasury used a considerable part of these funds. Nevertheless, total working balances of the Treasury at the end of March were close to 7 billion dollars. Income tax and other revenues in the first quarter were sufficient to meet the Government's regular disbursements, all of the redemptions of Savings bonds and notes, and part of the redemptions of marketable securities. Calls on War Loan accounts in commercial banks were therefore limited, and Treasury balances in those accounts in the commercial banks continued to accumulate through "book credit" payments for sales to the public of Savings bonds and notes, and amounted on March 31 to almost 3.3 billion dollars. Treasury general account balances with the Reserve System totaled 2 billion dollars on that date. These large balances made possible the continuation of public debt retirement in April.

The redemption of 1.5 billion dollars of certificates on April 1 was only partly financed by a War Loan call of 638 million dollars and, as a result of payments for the remainder, as well as other net Government disbursements, out of Treasury deposits with the Federal Reserve Banks, such deposits were reduced in the first half of April to 613 million on April 16. Even though the Reserve System held about 30 per cent of the redeemed securities, the banks' reserve positions were considerably eased through these Treasury disbursements, although substantial week-to-week fluctuations occurred.

The easing of the money market in March and the first half of April was reflected in rising prices for Government bonds. Most issues were not greatly changed in the first part of March but toward the end of the month and in the early part of April prices generally moved upward. In this atmosphere came the announcement of the continuation of debt retirement through Treasury bill redemptions. Treasury bond prices first advanced, and then declined when the Treasury called funds from War Loan account to cover the retirements and the effect of the program on the banks began to be realized. Under this procedure, when the Treasury withdraws funds from the banks to retire Treasury bills, roughly 80 to 90 per cent of that amount is not returned to the banks, but is used to redeem the System's holdings of maturing bills. Consequently, the operation tends to make it necessary for the banks to sell other securities to or borrow from the Reserve Banks, unless they have sufficient excess reserves or unless they obtain additional reserves from other sources.

Member Bank Reserves

The extent to which bank reserve positions were eased through Treasury net disbursements and through payments to the market by foreign and other accounts in the period from March 26 to April 16 was demonstrated by changes in Reserve Bank holdings of Treasury securities, in advances to member banks by the Federal Reserve Banks, and in the net gain of 200 million dollars in excess reserves of all member banks. The drop in Reserve Bank Government security portfolios—905 million dollars—was only partly attributable to the April 1 certificate redemption; sales of both certificates and bills, largely absorbed by banks, amounted to nearly 500 million dollars. Although the decline of 187 million dollars in Reserve Bank discounts and advances was due in considerable part to the repayment of foreign central bank borrowings against gold held under earmark here, it also included a moderate amount of repayments of member bank borrowings.

Developments in the week ended April 23 sharply reversed this situation. The Treasury called 450 million dollars from War Loan accounts, but its disbursements, including the first retirement of 200 million of Treasury bills, caused a decline of 131 million dollars in its deposits with the Reserve Banks. However, a substantial share of the Treasury payments bypassed the commercial banks. Funds for the redemption of Treasury bills were largely paid to the Reserve Banks, and an additional 250 million dollars was paid to the British under the Anglo-American credit arrangement. To counteract the effect of the War Loan withdrawals and other factors the banks sold Treasury bills to the Reserve Banks, increased their borrowings, and drew upon their excess reserves. The distribution of gains and losses was such, however, that while some banks were compelled to sell Treasury bills (so that Reserve Bank holdings were enlarged despite redemptions), others were able to purchase certificates and other securities in the market. Part of the certificates were supplied by the Reserve Banks, whose holdings decreased 94 million dollars. Excess reserves of all member banks were reduced by about 160 million dollars.

Member Bank Credit

Renewed acquisition of Treasury bonds by the banks in late March and April appears to have been the result of movements in their two chief earning assets—Government securities and loans—during the first quarter. In the period from the end of 1946 through March 26 Government security holdings of the weekly reporting banks in 101 cities dropped by approximately 1.3 billion dollars, chiefly because of redemptions of Treasury certificates and notes. Earnings lost through a fall in their investments of this magnitude undoubtedly were not compensated by the expansion of about 225 million dollars in their loans, even though interest rates on the increased loans were higher than on the securities lost through retirement. Nor is it likely that the loss of Treasury investment income from the retired securities was in any noticeable degree compensated by higher income from the remaining portfolios, since the amount of Treasury bonds held by these banks was virtually unchanged. Income from their loans probably increased more than the dollar volume of loans, however, because of a sizable shift in composition—chiefly from low-yielding security loans, which decreased about 800 million dollars, to higher-yielding business credits, which increased by roughly the same amount.

Banks in New York City were particularly hard hit. The first quarter decline in Treasury securities was disproportionately large in these banks, while their total loans actually decreased. Apparently in an effort to moderate the shrinkage in their earnings, the New York banks increased their Treasury bond holdings, thus raising their income from that source.

Treasury Bond Holdings of Weekly Reporting Member Banks in New York City and Chicago by Call Classes, March 26-April 23, 1947

1947	First due or callable			
	Under 1 year	1-5 years	After 5 years	Total
New York City				
March 26	n.a.	n.a.	n.a.	9,279
April 2	775	4,674	3,925	9,374
April 9	775	4,699	3,923	9,397
April 16	779	4,745	3,951	9,475
April 23	792	4,770	3,951	9,513
Chicago				
March 26	n.a.	n.a.	n.a.	2,178
April 2	130	1,149	898	2,177
April 9	127	1,148	913	2,188
April 16	118	1,142	945	2,205
April 23	110	1,136	965	2,211

n.a. Not available.

And their loan income may not have been reduced, even though their total loans declined, because the decline was wholly in security loans; percentagewise, their business loans expanded even more rapidly than those of reporting banks in 100 other cities.

Between the end of March and April 23, total loans of the reporting New York City banks declined further. Business loan expansion ceased; in fact, decreases were recorded for three successive weeks, owing in part to repayments from the proceeds of security flotations and in part to seasonal contraction in credit needs. Total loans of banks in the 100 cities, on the other hand, continued to increase, although their business loans decreased slightly.

Government security portfolios of the reporting New York City banks increased about 200 million dollars in the four weeks ended April 23, despite the April 1 redemption of Treasury securities, and there was a noticeable shift into securities of somewhat longer maturity. Beginning with the reports for April 2, New York City and Chicago reporting banks broke down their total holdings of Treasury bonds to show the amounts callable within a year, in 1 to 5 years, and in more than 5 years. These data, which are presented in the accompanying table, show an increase of nearly 100 million dollars in the New York City banks' holdings of bonds callable within 1 to 5 years, and small increases in bonds callable after 5 years and in less than 1 year. These banks also invested part of the funds that became available to them in Treasury bills, however.

At the Chicago banks, the increase in Treasury bond holdings was entirely in bonds callable after 5 years; holdings of shorter term bonds were reduced moderately. The Chicago banks also bought more than enough certificates to replace those redeemed on April 1. In the banks in 99 other reporting centers, no substantial change occurred in bill and certificate holdings combined, but bond portfolios were reduced somewhat.

TRANSFER OF FEDERAL RESERVE BANK SURPLUS EARNINGS TO THE TREASURY

The Board of Governors of the Federal Reserve System announced on April 24 that it had decided to levy an interest charge on Federal Reserve notes issued by the Federal Reserve Banks for the purpose of paying into the Treasury approximately 90 per cent of the net earnings, after statutory dividends, of the Reserve Banks.[1] The initial payment, covering the first quarter of 1947, was made on April 24 and amounted to $15,269,000. These payments are expected to add about $60,000,000 to the receipts of the Government for this calendar year.

This action was taken by the Board under the authority granted it by paragraph 4 of section 16 of the Federal Reserve Act, which provides that each Federal Reserve Bank shall pay such rate of interest as may be established by the Board of Governors on the amount of its outstanding notes, less the amount of gold certificates held by the Federal Reserve Agent as collateral. The payments to the Treasury will accomplish the same purpose as did the so-called franchise tax prior to 1933. That tax was eliminated by the Banking Act of 1933, which provided for the establishment of the Federal Deposit Insurance Corporation and required each Federal Reserve Bank to pay an amount equal to one half of its then existing surplus for capital stock of the FDIC. The franchise tax was eliminated to permit the Reserve Banks to restore their surplus accounts from future earnings.

The net earnings of the Reserve Banks and additions to their surplus accounts were quite small for several years thereafter, but, as a result of expanded operations during and since the war, Reserve Bank earnings have increased substantially in recent years, and at the end of 1946 the combined surplus of the Reserve Banks was in excess of subscribed capital. Under these circumstances, the Board concluded that it would be appropriate for the Federal Reserve Banks to pay to the Treasury the bulk of their net earnings after providing for necessary expenses and dividends. In the event of the restoration of a franchise tax by the Congress, the Board has said it would withdraw the requirement that Federal Reserve Banks pay interest on Federal Reserve notes, as there would be no justification for utilizing both means of accomplishing the same purpose—namely, payment of excess earnings of the Federal Reserve Banks to the Treasury.

[1] The full text of the Board's announcement was printed by this bank in its Circular No. 3208, which is available on request.

SURVEY OF THE OWNERSHIP OF BUSINESS AND PERSONAL DEMAND DEPOSITS, FEBRUARY 1947

Demand deposits of individuals, partnerships, and corporations in all commercial banks in the Second Federal Reserve District near the end of February 1947 are estimated to have

Estimated Ownership of Demand Deposits of Individuals, Partnerships, and Corporations in All Commercial Banks in the Second Federal Reserve District
(Dollar amounts in millions)

Type of owner	Dollar balance Feb. 1947	July 1946 to Feb. 1947		July 1945 to Feb. 1947	
		Dollar change	Per cent change	Dollar change	Per cent change
Manufacturing and mining	6,227	—156	— 2.4	—1,159	—15.7
Public utilities, transportation, and communications	1,604	—101	— 5.9	+ 124	+ 8.4
Retail and wholesale trade and dealers in commodities	3,047	— 32	— 1.0	+ 424	+16.2
All other nonfinancial business, including construction and services	1,231	— 46	— 3.6	+ 197	+19.1
Total nonfinancial	12,109	—335	— 2.7	— 414	+ 3.3
Insurance companies	825	—141	—14.6	+ 6	+ 0.7
Trust funds of banks	641	— 45	— 6.6	+ 29	+ 4.7
All other financial business*	1,497	— 25	— 1.6	+ 291	+24.1
Total financial	2,963	—211	— 6.6	+ 326	+12.4
Nonprofit organizations	565	+ 36	+ 6.8	+ 128	+29.3
Personal (including farmers)	4,202	+201	+ 5.0	+ 717	+20.6
Foreign accounts	748	— 26	— 3.2	+ 27	+ 3.9
Total demand deposits of individuals, partnerships, and corporations	20,587	—335	— 1.6	+ 784	+ 4.0

* Includes investment, loan, insurance agency, real estate businesses ,etc.

declined by 335 million dollars, or 1.6 per cent, since July 1946. This estimate is based on reports submitted by 125 member banks. The recent decline in total business and personal demand deposits compares with a rise of 1,106 million during the previous six months and reflects the effect of net cash payments to the Treasury by these groups during the period under review, in contrast to net cash receipts, largely for debt redemption, during the preceding period, as well as shifts of deposits to savings accounts; these transactions more than offset the effect on deposits of an increase in bank loans.

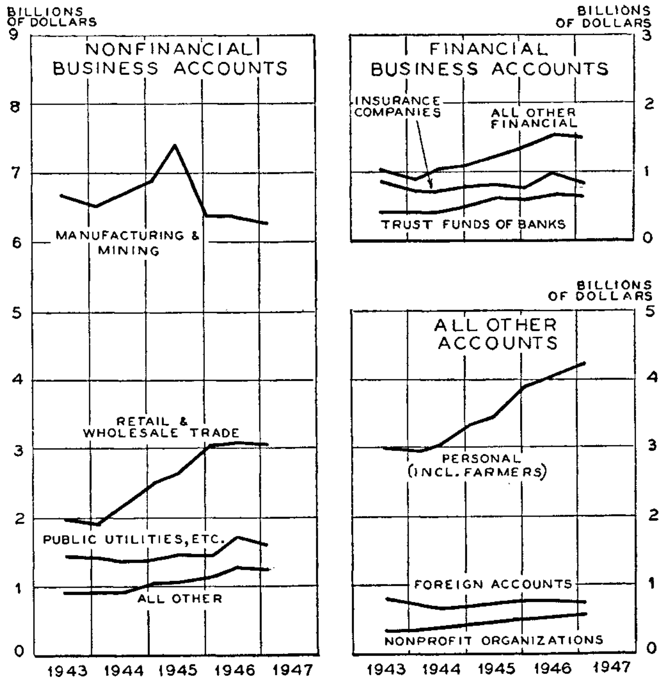
All deposit ownership groups except personal accounts and accounts of nonprofit organizations shared in the July 1946 to February 1947 decline. Personal accounts increased 5.0 per cent and deposits of nonprofit organizations rose 6.8 per cent. Total deposits of nonfinancial businesses declined 335 million dollars, or 2.7 per cent, while balances of financial businesses declined 211 million dollars, or 6.6 per cent, owing primarily to a drop of 14.6 per cent in insurance company accounts. The latter is of special interest since insurance company deposits had increased substantially in the preceding six months, and doubts had been expressed concerning their ability to find suitable investment outlets for their accumulations of funds.

The decline in business balances occurred despite the largest increase in commercial and industrial bank loans ever recorded in a comparable period of time and despite the substantial amount of net business profits remaining after dividend payments. The proceeds of the loans, as well as retained earnings and a part of already existing cash resources, evidently have been utilized to finance larger inventories, a greater volume of receivables, and expansion and modernization of plant and equipment. As a result of these developments, deposit balances have been transferred from business accounts to personal accounts, which rose 201 million dollars during the July 1946 to February 1947 period, as compared with an increase of 122 million during the January-July 1946 period. Personal accounts were bolstered also by increased bank loans to individuals, such as single payment loans and cash instalment loans.

Another feature of the recent rise in personal accounts is the fact that percentage increases in such accounts were greater in the larger banks. In banks with deposits under 10 million dollars, farmers' balances rose substantially, but other personal deposits actually declined. In general, the smaller banks showed greater reductions since last July in their total business and personal deposits than the larger banks. This was in contrast to the trend during most of the war and early postwar period, when their deposits rose more sharply than those of the larger banks because their accounts consist more largely of personal (including farmers') and trade accounts, which were expanding most rapidly.

In the period since July 1945 (roughly the period since the termination of the war), the estimated total business and personal deposits of member banks in this District showed a net increase of nearly 800 million dollars, or 4.0 per cent. Deposits

Estimated Ownership of Business and Personal Demand Deposits at All Commercial Banks in the Second Federal Reserve District*



* On semiannual survey dates since July 1943.

of business as a whole were down about 90 million dollars, net, during this period, as a decline of more than 400 million dollars in balances of nonfinancial businesses outweighed a rise of more than 300 million in balances of financial businesses. The decline in deposits of nonfinancial businesses occurred entirely in accounts of manufacturing and mining concerns and was caused mainly by reconversion expenses incurred in the first six months following the end of the war. The rise in financial businesses reflected mostly accumulations in accounts other than those of insurance companies and trust funds of banks. Personal accounts during this period increased more than 700 million dollars, or 21 per cent, while accounts of nonprofit organizations rose about 130 million, or 29 per cent. The growth of farmers' deposits appears to have been considerably greater than the growth in other personal accounts.

The accompanying chart shows the changes in estimated deposit balances for the different ownership groups, by approximately semiannual periods, since the surveys in their present form were started in 1943. For the three and a half year period, the increase in total deposits amounted to some 3.1 billion dollars, of which 1.2 billion was in personal accounts, 1.1 billion was in retail and wholesale trade accounts, and 0.5 billion was in investment, loan, insurance agency, and real estate accounts. The remainder, or 0.3 billion dollars, was added to the total of all other accounts, three of which—manufacturing and mining, insurance, and foreign—showed net declines.

USE OF COLLATERAL TO SECURE BUSINESS LOANS IN THE SECOND DISTRICT [1]

From data included in the recent survey of commercial and industrial loans relative to the type of security pledged as collateral, it is estimated that on November 20, 1946, nearly two thirds of the dollar amount of business loans outstanding at all member banks in the Second District were made with no specific pledge of security. These unsecured loans represent 2,990 million dollars of the 4,615 million dollars of business loans outstanding on November 20, 1946, while loans for which specific security was pledged amounted to 1,625 million dollars. In all probability, however, some of the unsecured loans were actually based on specific transactions, even though the banks did not require any legally binding claim to the proceeds of the transactions.

It is estimated that more than 39,000 or one third of the total number of business loans were unsecured, compared with two thirds of the total dollar amount. Thus it appears that the size of the borrower is an important factor in determining whether security is required. In general, large borrowers were able to obtain funds more readily on their name or credit standing, while the smaller borrowers, on loans to whom the risks are generally higher, obtained a smaller percentage of their business loans on an unsecured basis. These variations in loans by size of borrower are reflected in, and account to a large extent for, differences in the percentages of secured and unsecured loans between banks of varying size, since, as previous articles have shown, the size of borrower and size of bank are rather closely related. Certain types of security, notably real estate, stocks and bonds, and endorsements and co-makers, are particularly applicable to small borrowers but are used to a lesser extent in loans to the largest borrowers. The more frequent use of endorsements and pledges of personal assets to secure loans to small businesses may be explained by the greater participation of the management in ownership of such businesses.

Table I shows, by size of borrower and size of bank, the percentage of the total dollar amount of loans secured by each type of collateral. It indicates that the proportion of unsecured loans ranged from 24 per cent of the total dollar volume for the group of smallest borrowers to 77 per cent for companies with assets exceeding 5 million dollars. With regard to the size of bank, unsecured loans were lowest percentagewise in the group of banks with from 2 to 10 million dollars of deposits and ranged from about 21 per cent in that group to nearly 70 per cent in the largest New York City banks.

Stocks and bonds, including U. S. Government securities, were pledged as collateral for about 8 per cent of all loans. This form of security was more widely used by the small and medium sized borrowers and the medium sized banks. Inventories, including trust receipts, chattel mortgages on inventories, and warehouse receipts, were used to secure some 7 per cent of all loans; about 8 per cent of the loans of the largest companies and the largest banks were secured by inventories, while less than 2 per cent of the loans of the smallest borrowers and smallest banks were so secured. (However, these figures unquestionably fall far short of reflecting the extent to which business borrowing has been for the purpose of financing inventory expansion, since unsecured loans are frequently used for that purpose.) Endorsements or co-makers accounted for 5 per cent of all loans and were most extensively used by the small and medium sized borrowers.

[1] This is the fourth of a series of articles covering the results of a survey of commercial loans of member banks in this District. Three previous articles appeared in the February, March, and April 1947 issues of the *Review*.

Table I
Security for Commercial and Industrial Loans Oustanding on November 20, 1946 at All Member Banks in the Second District by Type of Security, Size of Borrower, and Size of Bank

Type of security	Total loans	Per cent distribution of dollar amount of loans: Size of borrower (Assets, in thousands): Under $50	$50 to $250	$250 to $750	$750 to $5,000	Over $5,000	Size of bank (Deposits, in millions): Under $2	$2 to $10	$10 to $100	$100 to $500	Over $500
Unsecured	64.8	24.2	30.1	39.7	52.7	77.3	28.3	20.9	31.3	61.6	69.7
Endorsement or co-maker	5.4	14.2	17.5	16.6	9.9	1.6	6.1	11.0	11.4	9.6	4.1
Inventories	7.5	1.9	6.2	10.5	8.0	7.9	1.0	3.3	6.1	3.6	8.3
Equipment	3.8	9.5	2.8	4.3	6.2	2.9	11.1	10.0	5.3	3.4	3.5
Plant or other real estate	2.9	15.6	10.3	2.9	5.7	0.6	21.2	25.3	13.6	3.6	1.1
Stocks and bonds	8.0	13.7	16.7	11.2	9.6	5.6	7.1	13.2	11.4	9.0	7.5
Assignment of claims and accounts receivable	2.4	4.3	6.9	5.4	2.5	1.5	1.0	2.2	7.2	3.6	1.8
Life insurance and savings accounts	1.0	8.5	4.1	1.1	0.9	0.2	5.1	5.5	5.0	1.9	0.4
Government guaranteed	0.6	0.5	3.3	1.4	0.1	0.3	—	1.1	4.7	0.2	0.2
Other security	2.4	3.3	0.8	5.1	3.0	1.6	9.0	5.3	1.8	2.7	2.6
Unclassified	1.2	4.3	1.3	1.8	1.4	0.5	10.1	2.2	2.2	0.8	0.8
Total loans	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table II
Security for Commercial and Industrial Loans Outstanding on November 20, 1946 at All Member Banks in the Second District by Type of Security and Business of Borrower

Type of security	Per cent distribution of dollar amount of loans						Per cent distribution of number of loans					
	Total business	Manu-factur-ing and mining	Whole-sale trade	Retail trade	Public utilities	All other	Total business	Manu-factur-ing and mining	Whole-sale trade	Retail trade	Public utilities	All other
Unsecured	64.8	78.9	42.1	62.8	55.2	56.1	34.3	43.3	39.0	32.9	17.8	29.3
Endorsement or co-maker	5.4	4.2	10.1	8.1	0.3	6.9	17.7	17.3	20.6	18.7	6.7	16.9
Inventories	7.5	2.4	32.6	2.7	1.2	1.6	2.8	2.0	6.3	3.8	0.4	0.5
Equipment	3.8	0.7	0.6	2.1	21.7	3.0	9.5	4.7	3.8	9.3	46.7	10.5
Plant or other real estate	2.9	1.6	0.7	8.7	0.2	8.8	6.2	3.6	2.3	8.1	2.0	8.6
Stocks and bonds	8.0	6.1	5.4	6.6	16.5	10.5	11.4	13.1	12.4	9.3	6.6	13.4
Assignment of claims and accounts receivable	2.4	1.8	3.7	1.2	2.6	3.2	3.4	6.3	5.1	1.3	1.5	3.4
Life insurance and savings accounts	1.0	0.5	0.9	4.2	0.5	2.2	7.1	3.6	5.1	8.4	4.4	9.8
Government guaranteed	0.6	0.5	0.1	0.6	—	1.4	0.5	0.9	0.1	0.3	0.4	0.6
Other security	2.4	2.1	3.1	0.9	0.3	4.8	3.5	3.0	2.7	3.4	12.3	2.9
Unclassified	1.2	1.2	0.7	2.1	1.5	1.5	3.6	2.2	2.6	4.5	1.2	4.1
Total loans	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Although slightly less than 3 per cent of all loans were secured by "plant or other real estate", this type of collateral reached 15 per cent for the smallest borrowers and represented more than 21 per cent of all loans for banks with deposits of less than 10 million dollars. Equipment, consisting of chattel mortgages and assignments of title on equipment, accounted for nearly 4 per cent of all loans, while loans based on life insurance and savings accounts amounted to 1 per cent; these types of security were most frequently used by the smallest borrowers and banks. Assignment of claims and accounts receivable were pledged as collateral for about 2 per cent of all loans. Government guarantees, principally R. F. C. participation and blanket guarantees or war contract loan guarantees, at least partly secured about one half of one per cent of all business loans, of which nearly two thirds were in the group of banks with deposits between 10 and 100 million dollars.

Variations in the types of collateral pledged as security by the major business groups are shown in Table II, which indicates that the business of the borrower determines, to some extent, the type of security pledged. A study of the distribution of loans, on the basis of both dollar amount and number, further illustrates the importance of the size of borrower in the type of collateral used as security. The manufacturing and mining group, which includes the greatest number of large borrowers, had the highest percentage of unsecured loans, both in dollar amount and in number. However, the dollar amount was nearly 80 per cent, compared with 43 per cent in number, indicating the predominance of large unsecured loans. In dollar amount, loans to wholesalers showed the smallest percentage of unsecured loans, while in number of loans public utilities were the lowest. About one third of the loans to wholesalers in dollar amount were secured by inventories, while only 6 per cent in number were so secured, indicating that the largest amount of loans on inventories was made to large wholesalers. Endorsements or co-makers were used by wholesalers to obtain 10 per cent of the total dollar amount of their loans. Nearly 63 per cent in dollar amount and 33 per cent in number of the loans made to retailers were unsecured, while plant and other real estate accounted for some 8 per cent, both in dollar amount and in number. Endorsements and co-makers were used for 8 per cent of the dollars loaned to retailers, and inventories secured less than 3 per cent. Liens on equipment secured 22 per cent of the dollar amounts loaned to public utilities; of the total number they secured nearly 47 per cent. Stocks and bonds were pledged for more than 16 per cent, in dollar amount, of the loans to public utilities.

GOVERNMENT SECURITY PORTFOLIOS OF NEW YORK CITY BANKS

During the war years Reserve Bank credit was channeled into the country's banking system to a large extent through the commercial banks in New York City. A substantial portion of the funds collected and borrowed by the Treasury came from or through the New York money market. A large part of corporate and individual income taxes are customarily paid in New York, and many of the country's large investors, such as insurance companies, savings banks, and commercial banks, are located in the City. The Government's wartime expenditures, on the other hand, were widely distributed and were especially heavy in the interior of the country and on the Pacific Coast, where military installations and war plants were constructed and a large proportion of military supplies was produced. Consequently, there was a steady net outflow of funds, amounting to several billion dollars annually, from New York to other parts of the country, even though the geographical distribution of the Treasury's receipts and expenditures tended to even out as the war progressed. These losses of funds by the New

York banks were offset, for the most part, by an increase in Reserve Bank credit, principally through purchases in the New York market of short term Government securities, many of which were sold by the New York banks.

At the time of Pearl Harbor the commercial banks in the country as a whole held a large volume of excess reserves, although in November 1941 member bank reserve requirements had been raised to the statutory maximum. Excess reserves of the central reserve New York City banks alone were close to a billion dollars. As the Treasury's deficit began to increase very rapidly after the United States entered the war, Treasury borrowing was accelerated and its transfers of funds to other parts of the country rapidly depleted the excess reserves of the New York City banks. Furthermore, the large New York City banks were the first to respond to the opportunity provided by the Treasury and Federal Reserve System in 1941 and 1942 for investing excess funds in short term Government securities while preserving the necessary degree of liquidity.

At the end of December 1941, 56 per cent of the earning assets of the central reserve New York City banks were in the form of direct or guaranteed obligations of the Government. Over half of these holdings would mature or were callable in 1-5 years; only a little over 15 per cent fell due within one year. In the 17 months following Pearl Harbor the total holdings of these banks nearly doubled, rising, as the accompanying table shows, from 8 to 15 billion dollars. Most of this increase was in short term issues (Treasury bills and certificates of indebtedness).[1]

After May 1943 the New York banks' holdings began to level out because of the pressure exerted on their reserve positions by Treasury operations, increases in currency circulation, and other factors. By this time also it had become clear that the Federal Reserve System intended to maintain through open market operations the established interest rate pattern: ⅜ of 1 per cent for Treasury bills, ⅞ per cent for certificates, and 2 and 2½ per cent for medium and long term bonds, respectively. The likelihood of incurring losses on medium or long term obligations because of a rise in rates, therefore, appeared remote, and the New York banks began to take advantage of this situation by increasing their purchases of higher yielding medium term bonds, principally the 2 per cent War Loan issues, and selling short term obligations to obtain reserves. Net purchases by the New York City banks of bonds callable in 5-10 years in the period from May 1943 through February 1946 are estimated to have totaled approximately 3.7 billion dollars. The average maturity of their portfolios, nevertheless, did not increase greatly during that period because the passage of time constantly tended to shorten their holdings. At the end of February 1946, just before the initiation of the Treasury's redemption program, the average maturity of the marketable holdings of these banks was 3 years and 2 months, compared with 2 years and 11 months in May 1943.[2]

The completion of the Victory Loan and the beginning of the Treasury's redemption program had a considerable effect on the portfolios of the New York City banks. Government security holdings were no longer subject to the fluctuations which accompanied the War Loan cycles. The trend toward a lengthening of the average maturity of the banks' portfolios was accelerated, and total holdings of Government obligations began to decline for the first time in many years, as the result of both redemptions and sales. Also, as War Loan deposits were being drawn down, holdings of short term paper did not need to be as large, since the banks' short term liabilities were decreasing.

With the elimination in April of the Reserve Banks' preferential discount rate on member bank advances secured by Government obligations maturing within one year, and the reestablishment of a 1 per cent discount rate on all advances against Government securities, the ⅞ per cent certificates of indebtedness lost their special advantage. Banks could no longer make a profit by borrowing against their certificate holdings when they were in need of reserves. Instead it became cheaper for the banks to sell certificates or other short term obligations.

From the end of February 1946 to the end of January 1947, short term holdings of the New York banks declined 4.6 billion dollars, despite the fact that during these 11 months approximately 900 million dollars of notes and bonds held by these banks came within a year of their first call or maturity date. About 3.5 billion of this reduction occurred through the redemption of matured or called securities, including 700 million dollars in bonds and 2.8 billion in certificates and notes. Approximately 2.0 billion short term securities (including Treasury bills) were sold to the Reserve Banks or to corporate and other nonbank investors to meet the pressure exerted

Government Security Holdings of All Commercial Banks in New York City on Selected Dates (Classified by call date, in millions of dollars)

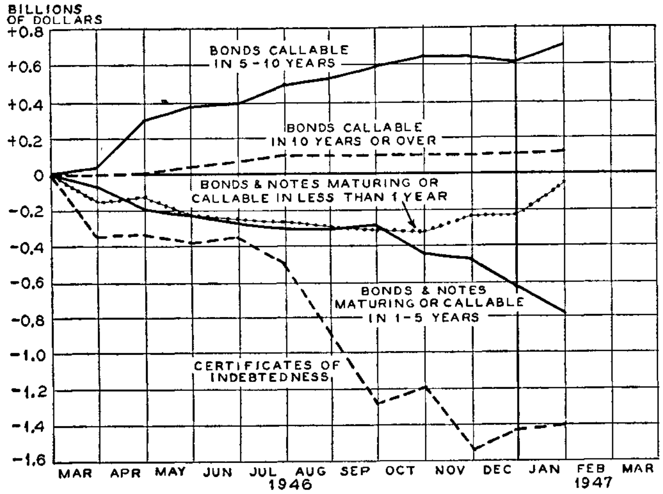
Type of security	Dec. 31, 1941	May 31, 1943	Feb. 28, 1946	Jan. 31, 1947
Treasury bills	367	2,568	636	62
Certificates of indebtedness	—	2,866	4,509	1,976
Other securities maturing or callable in less than 1 year	829	1,875	2,565	1,056
Securities maturing or callable in 1-5 years	4,344	3,632	5,873	6,374
Bonds callable in 5-10 years	1,605	3,676	4,949	3,699
All others*	611	588	640	538
Total#	7,758	15,205	19,173	13,705

* Includes bonds not callable for 10 or more years, nonmarketable issues, and Postal Savings, Panama Canal, and Conversion bonds.
\# Excludes Commodity Credit Corporation demand obligations. Because of rounding, figures do not necessarily add to totals shown.
Source: U. S. Treasury Department.

[1] The Treasury Survey of Ownership on which this study is based covers all 71 commercial banks in New York City. However, since the 37 central reserve banks hold approximately 93 per cent of the Government securities held by all New York City banks, this study reflects essentially the portfolio developments of these 37 banks.

[2] It should be noted, however, that at the end of February 1946 the banks' portfolios were weighted by the large volume of short term obligations acquired temporarily during or immediately following the Victory Loan.

Estimated Cumulative Net Market Purchases or Sales of Government Securities by New York City Banks (Classified by nearest call or maturity date; cumulated from February 28, 1946*)



* Start of the Treasury redemption program.
Source: Compiled by Federal Reserve Bank of New York from U. S. Treasury Department data.

in the New York banks' reserve positions by the withdrawal of War Loan deposits for the redemption of Reserve System holdings of the matured or called issues, and to meet the growth in required reserves against private deposits which resulted from the redemption of nonbank holdings of these securities. Generally the lowest yielding obligations were disposed of first. The accompanying chart shows estimated net market purchases or sales by New York City banks of Government securities other than Treasury bills in the period from the beginning of the Treasury's redemption program through January 1947, the latest date for which figures are available.

By October the bill, certificate, and note holdings of many of the New York banks had reached low levels. To obtain funds these banks began to sell increased amounts of bonds callable in 1-5 years, especially the taxable 1¾'s of June 1948 and the 2's of September 1951-53. Most of these went to corporate investors or mutual savings banks, but a small part of them were purchased by commercial banks in other parts of the country. In the four months from the end of September through January over 400 million dollars (net) of these bond issues were sold. At the end of January, bill holdings were at the lowest point ever reported, and certificates were at the lowest level since the fall of 1942.

Until October the central reserve New York banks continued to buy 5-10 year bonds, although in smaller volume than during the war. Purchases in the eight months from February through October totaled about 640 million dollars. In this class the 2's of June and December 1952-54 continued to be purchased in relatively large volume until the end of September. At that time the banks began to sell these bonds, but the sales were offset by purchases of 2⅞ per cent partially tax-exempt bonds of March 1955-60, purchased principally from Government agencies and trust funds, and of the 2¼'s of September 1956-59, which first became eligible for bank purchase in September 1946. Most of these latter bonds were supplied by "other" investors or the mutual savings banks, although a smaller amount was also sold by life insurance companies. The New York banks made relatively small purchases of the longer term bonds (those not callable for at least 10 years) during the first seven months of 1946. In January 1947, however, under the pressure of declining earnings, they again purchased about 100 million (net) of medium and long term issues.

As a result of the combination of these factors, the proportion of the New York banks' Government securities which matured or were callable within a year had declined by the end of January 1947 to 23 per cent, compared with 40 per cent at the end of February 1946. The absolute amount of these short term holdings declined from 7.7 billion dollars to 3.1 billion. The proportion of the New York banks' portfolios callable in 1-5 years increased from 31 per cent at the end of February 1946 to 47 per cent at the end of January 1947. The proportion of bonds callable in 5-10 years (27 per cent) was only slightly higher than it had been 11 months earlier. The average maturity of their marketable portfolios at the end of January was 3 years and 11 months—9 months longer than at the end of February 1946. For all other commercial banks in the country covered by the Treasury Survey of Ownership it was slightly longer, 4 years and 6 months, partly because of the higher proportion of time deposits held by banks in most other areas.

Figures for the weekly reporting member banks in New York City[3] since the end of January, as is noted elsewhere in this *Review,* indicate that the New York banks have continued to add to their bond portfolios in recent weeks. However, most of the increase in April, when a breakdown of bond holdings by call date first became available, was in the 1-5 year class. The weekly reporting banks' figures would indicate that the maturity distribution has not changed greatly in the past three months.

[3] At the end of January the weekly reporting banks held approximately 85 per cent of the Government securities held by all commercial banks in New York City.

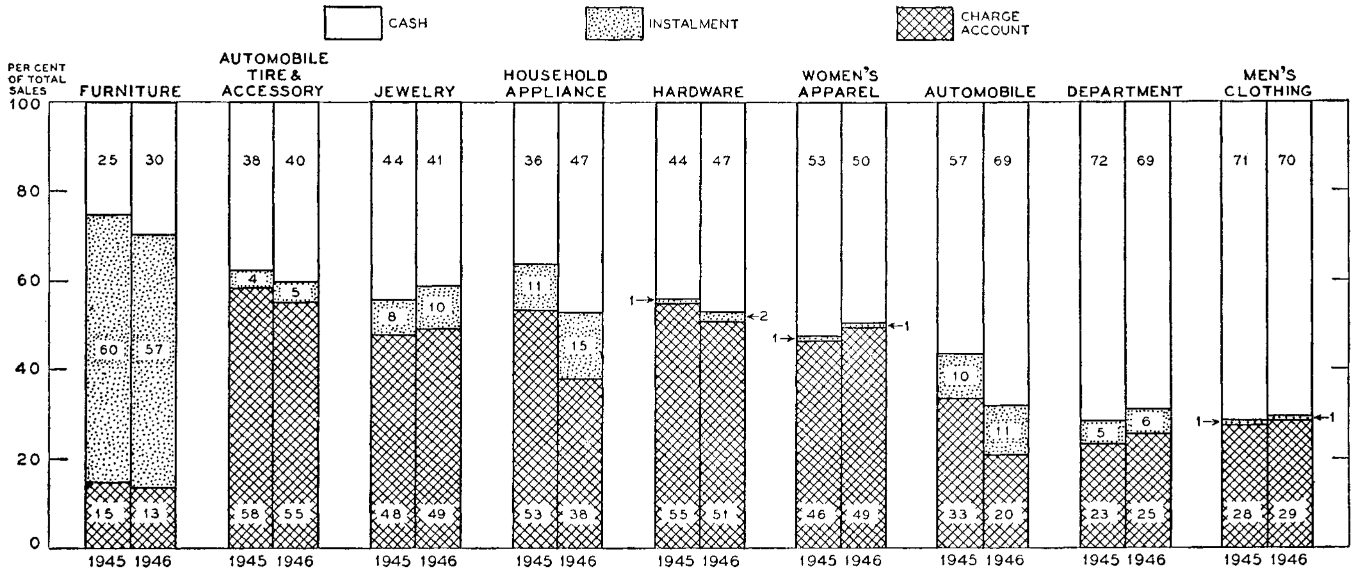
RETAIL CREDIT SURVEY, 1946[1]

Retail sales are gradually shifting toward prewar patterns, according to reports received by this bank from nine principal types of credit-granting retail stores. This was the fifth annual Retail Credit Survey conducted by the Federal Reserve Bank of New York. A total of 559 Second District stores, with an aggregate annual sales volume of over 1.3 billion dollars in 1946, have cooperated in submitting reports this year.

Sizable increases in the dollar volume of sales were registered during 1946 in every line of trade covered by the survey.

[1] A more detailed report containing data by localities is available upon request from the Research Department, Federal Reserve Bank of New York.

Retail Cash and Credit Sales by Type of Store, Second Federal Reserve District, 1945-46



Source: Compiled by Federal Reserve Bank of New York from figures supplied by credit-granting stores reporting in the Retail Credit Survey.

The greatest gains over 1945 were made by those types of stores whose sales had declined during the war. Automobiles, furniture, and household appliances, which had been scarce throughout the war and the early part of the reconversion period, reappeared on the market in quantity in the latter part of 1946, and retail sales of these items rose sharply. On the other hand, women's apparel, jewelry, and department stores, which had shown the greatest increases in sales between 1941 and 1945, made only relatively moderate gains in 1946. With durable goods scarce after 1941, consumers had tended to spend a greater proportion of their incomes on nondurable goods and luxury items. By 1945, the dollar volume of women's apparel store sales, stimulated by the purchases of increased numbers of women workers, was nearly double the 1941 level, while jewelry and department store sales were one and one-half times as great. But in 1946 the sales increases in these three lines were only slightly greater than the rise in prices. Men's clothing sales were stimulated in 1946 by demobilization of the armed forces, while automobile tire and accessory stores benefited from the lifting of tire and gasoline rationing late in 1945.

The breakdown of sales into cash and credit transactions, as shown in the accompanying chart, indicates two divergent trends.[2] The stores dealing mainly in durable goods which had been unavailable for several years all reported an increasing proportion of goods sold for cash and a relative decline in charge account sales. In stores dealing principally in nondurable goods and luxury items, the percentage of cash sales declined and that of charge account sales rose. The former group included household appliance, furniture, and hardware stores, automobile dealers, and automobile tire and accessory shops, all of whose products were in great demand. This shift in the composition of sales is largely accounted for by the high volume of liquid assets in the hands of the public at the end of the war and the preference for cash sales of many dealers in these scarce items. At department stores and men's and women's apparel stores the relative decrease in cash sales and increase in credit sales marked a reversal of the wartime trend. The lifting of regulations governing charge account sales as of December 1, 1946 probably stimulated the growth of charge account sales somewhat, but occurred too late to affect the annual totals appreciably. Instalment sales, which had declined in importance at all types of stores during the war, largely owing to the scarcity of goods and to consumer credit regulations, accounted for a moderately larger share of sales in all groups except women's apparel and furniture stores.

[2] This survey covers only credit-granting stores, and therefore the proportion of cash sales in all retail transactions tends to be understated, since some stores operate solely on a cash basis. Similarly, the trends in sales volume and balance sheet items may differ between stores granting credit and stores selling for cash only.

Table I
Percentage Change, 1945 to 1946, in Sales and Accounts Receivable by Type of Retail Store, Second Federal Reserve District
(Sales figures are based on annual totals; accounts receivable, on end-of-year data.)

Type of store*	Sales				Accounts receivable		
	Total	Cash	Charge account	Instal-ment	Total	Charge account	Instal-ment
Total	+ 32	+ 27	+39	+ 47	+ 45	+ 47	+ 40
Women's apparel	+ 24	+ 17	+32	+ 9	+ 31	+ 31	+ 30
Men's clothing	+ 41	+ 39	+46	#	+ 60	+ 58	#
Department	+ 28	+ 23	+41	+ 40	+ 54	+ 57	+ 45
Hardware	+ 36	+ 45	+25	#	+ 58	+ 54	#
Jewelry	+ 17	+ 9	+20	+ 39	+ 28	+ 20	+ 72
Automobile tire and accessory	+ 41	+ 50	+33	+ 61	+ 32	+ 30	+ 59
Household appliance	+138	+211	+70	+235	+109	+ 88	+156
Furniture	+ 54	+ 82	+40	+ 45	+ 22	#	+ 32
Automobile	+219	+283	+97	+254	+110	+109	+200

* Type of store arranged in order of percentage change, 1941 to 1946, in *total* sales of stores reporting sales by type of transaction, as in Table II.
# Withheld because of smallness of reporting sample.

Table II
Percentage Change, 1941 to 1946, in Sales and Accounts Receivable by Type of Retail Store, Second Federal Reserve District*
(Sales figures are based on annual totals; accounts receivable, on end-of-year data.)

Type of store	Sales				Accounts receivable		
	Total	Cash	Charge account	Instalment	Total	Charge account	Instalment
Total	+ 89	+127	+ 61	+ 12	+ 9	+44	—25
Women's apparel	+136	+219	+ 98	+ 33	+80	+81	+32
Men's clothing	+ 91	+165	+ 26	— 45	—11	— 1	—79
Department	+ 86	+114	+ 54	+ 11	+26	+42	— 3
Hardware	+ 81	+131	+ 44	+266	—16	— 9	—46
Jewelry	+ 77	+103	+ 94	— 13	— 6	+29	—37
Automobile tire and accessory	+ 66	+185	+ 58	— 40	—22	0	—74
Household appliance	+ 65	+201	+106	+ 11	—50	+54	—58
Furniture	+ 45	+224	+ 63	+ 16	—47	#	—43
Automobile	— 36	— 17	+ 6	— 83	#	#	#

* Based on the year-to-year percentage changes compiled from the Retail Credit Surveys for 1942 through 1946. The sample reporting breakdown of sales and receivables was increased from 268 stores in 1941 to 516 in 1946.
# Withheld because of smallness of reporting sample.

In line with the increased dollar volume of both charge account and instalment sales at all types of stores, accounts receivable in the Second District stores reporting in this survey were 45 per cent greater at the end of 1946 than at the close of the previous year. In general, the gains in charge account receivables were the same as or greater than the increase in charge account sales, reflecting the greater supply of goods in the latter part of the year and the removal of controls in December. Last year's gains brought charge account receivables well above the 1941 level, but instalment accounts outstanding were still one-fourth less than at the end of 1941, although instalment sales in 1946 were 12 per cent greater than in 1941. This is partly a result of the shorter collection periods and larger down payments required by Regulation W.

The general tendency among stores in this District during 1946 was to reduce holdings of cash and Government bonds and to increase accounts payable and other current liabilities in order to carry a larger volume of inventories and accounts receivable. With an over-all increase in sales of about one third during the year, stores were carrying inventories and accounts receivable at the end of 1946 which were approximately one-half greater than at the beginning of the year. Except for hard-to-get items, such as automobiles, household appliances, and hardware, inventories tended to increase more rapidly than sales between 1945 and 1946. Stocks more than doubled at men's clothing stores and automobile dealers, where supplies had been very low at the end of 1945, but because of the great increase in sales the stocks were still low in relation to sales at the end of 1946. Automobile dealers turned over their average stocks more than once a month during 1946, while on the average 6 months were required to turn over inventories of jewelry stores; the average turnover period for all types of stores was about 2¼ months.[3]

To help finance the expansion in inventories and receivables during the year, stores reduced their cash and deposits by 19 per cent and their holdings of Government securities by nearly one half. A large part of this decrease probably represented the liquidation of balances built up in anticipation of larger supplies of goods. Many companies also used their funds to expand facilities or to pay off indebtedness, although others increased their borrowing from banks. Trade payables were nearly one-third higher at the end of 1946 than at the close of 1945, while other current liabilities (including notes payable) were up 6 per cent. Nevertheless, since the increase in inven-

[3] Contrary to the practice of previous years, these ratios are based on the average of stocks at the beginning and end of the year, rather than on the end-of-year stocks alone.

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

Classification	Number of stores*	Percentage change, 1945-46		Inventory turnover ratio‡ 1946	Percentage change, 1945-46										Current ratio	
					Current assets					Current liabilities						
		Total sales	Inventories at retail		Total	Cash and deposits	U.S. Government securities	Accounts receivable	Inventories at cost	Total	Trade payables	Other current liabilities	Net working capital		1945	1946
Second District total	559	+ 32	+ 55	5.3	+11	—19	—46	+ 45	+ 58	+13	+ 33	+ 6	+10		2.9	2.9
Size classifications†																
Large stores	136	+ 29	+ 51	5.3	+ 7	—21	—51	+ 46	+ 53	+ 6	+ 35	— 2	+ 7		2.8	2.9
Medium stores	134	+ 34	+ 53	5.5	+26	—12	—30	+ 41	+ 65	+25	+ 33	+22	+26		3.1	3.1
Small stores	91	+ 42	+ 62	4.5	+15	—22	—22	+ 39	+ 64	+18	+ 43	+ 8	+14		3.7	3.6
Business classifications																
Women's apparel stores	73	+ 24	+ 58	4.6	+22	—30	—27	+ 31	+ 55	+ 5	+ 1	+ 7	+32		2.9	3.4
Men's clothing stores	46	+ 41	+123	6.8	+21	—13	—20	+ 60	+125	+35	+ 60	+23	+12		2.5	2.2
Department stores	97	+ 28	+ 51	5.7	+ 5	—24	—51	+ 54	+ 56	+ 9	+ 45	0	+ 3		2.8	2.7
Hardware stores	18	+ 36	+ 23	3.7	+13	#	#	+ 58	+ 27	+47	#	#	+ 3		4.5	3.4
Jewelry stores	42	+ 17	+ 31	2.0	+10	—13	—17	+ 28	+ 31	+27	+ 3	+60	0		2.8	2.4
Automobile tire and accessory stores	47	+ 41	+ 55	6.4	+34	#	#	+ 32	+ 43	+62	#	#	+25		4.1	3.4
Household appliance stores	44	+138	+ 88	6.9	+31	#	#	+109	+ 79	+ 9	+ 32	— 5	+56		1.8	2.2
Furniture stores	117	+ 54	+ 66	3.5	+25	+ 9	— 9	+ 22	+ 76	+41	+ 32	+45	+21		4.6	4.1
Automobile dealers	75	+219	+148	13.6	+79	+64	—11	+110	+137	+81	+138	+68	+78		2.5	2.5

* Number of stores for which reports have been tabulated. Since some stores did not report all items requested, the figures are based on the largest sample reporting each item. The smallest District coverage was 312 stores reporting current assets and current liabilities.
‡ Inventory turnover based on ratio of total annual sales to the average of beginning-of-year and end-of-year inventories at retail.
† Size classifications are based on 1946 sales and vary for different types of business; see detailed report. Figures for 198 stores not classified by size are included in Second District totals.
# Withheld because of smallness of reporting sample.

tories and receivables produced a rise in total current assets, net working capital increased on the average by 10 per cent during the year, with all lines except jewelry stores showing an increase. On the whole, there was little change in the ratio between current assets and current liabilities.

Although sales of small stores increased more sharply than those of large stores, accounts receivable rose somewhat less in the smaller stores. Inventories increased more rapidly than sales in all sizes of stores, with the result that the inventory turnover rate declined, particularly in the larger stores. To finance the increase in accounts receivable and inventories, larger stores tended to reduce their liquid assets, while small and medium sized stores relied to a greater extent on increasing current liabilities. However, net working capital expanded faster at these stores than at the large stores.

DEPARTMENT STORE TRADE

The dollar volume of department store sales in the Second Federal Reserve District during April is estimated to have been at about the same level as in the same month of 1946. The seasonally adjusted index of sales, which takes into account the shifting date of Easter, rose in April to a level about 5 per cent over a year ago, and was about 2 per cent higher than in March. The dollar volume of sales during March was 11 per cent greater than a year before, while the seasonally adjusted index for March showed a year-to-year gain of about 7 per cent. Preliminary reports indicate that in the case of women's apparel, department store sales declined during April compared with a year ago, after having shown only a small year-to-year gain in March. Sales of women's apparel stores in New York City showed year-to-year declines in both March and April; these stores had, however, experienced particularly large gains during the first few months of 1946. Apparel stores that carry a large proportion of luxury lines have been affected by consumers' resistance to a greater degree than department stores which deal predominantly in the less expensive types of merchandise.

At the end of March 1947 department store stocks, measured in dollars, were 40 per cent above the year-ago level, and even after allowance for price increases it appears that the physical volume of inventories was considerably larger than in March 1946. The seasonally adjusted index of the dollar value of stocks declined during March to about 3 per cent below the all-time high reached at the end of February. The ratio of stocks on hand at the end of March to sales during that month, at 2.8, was higher than a year earlier (2.2) and about the same as the March ratios which prevailed in 1940 and 1941. Second District department stores are continuing to reduce their forward commitments. Outstanding orders were cut by about 20 per cent from February 28 to March 31, but a part of this reduction represents the normal seasonal contraction of orders shortly before Easter. The ratio of outstanding orders to sales for March this year (1.3), while higher than in March 1941 (1.1), was considerably lower than in March of last year, when it stood at 3.0.

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

Locality	Net sales		Stocks on hand Mar. 31, 1947
	March 1947	Jan. through March 1947	
Department stores, Second District	+11	+12	+40
New York City	+12	+13	+39
Northern New Jersey	+12	+10	+29
Newark	+11	+ 8	+28
Westchester and Fairfield Counties	+10	+15	+47
Bridgeport	+ 3	+12	+36
Lower Hudson River Valley	+ 9	+13	+48
Poughkeepsie	0	+ 8	+48
Upper Hudson River Valley	+11	+12	+49
Albany	+10	+11	+56
Schenectady	+13	+14	+39
Central New York State	+ 8	+16	+50
Mohawk River Valley	+ 6	+ 9	+35
Utica	+ 8	+ 9	+26
Syracuse	+ 9	+18	+58
Northern New York State	+ 6	+10	—
Southern New York State	+12	+16	+56
Binghamton	+ 9	+12	+53
Elmira	+ 9	+12	+57
Western New York State	+ 8	+10	+54
Buffalo	+ 7	+ 7	+54
Niagara Falls	+10	+14	+38
Rochester	+10	+13	+55
Apparel stores (chiefly New York City)	— 3	0	+49

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

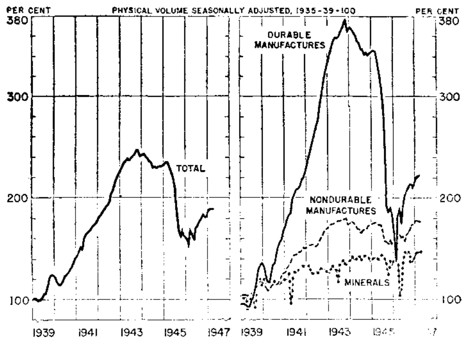
Item	1946	1947		
	March	January	February	March
Sales (average daily), unadjusted	206	182	188	229
Sales (average daily), seasonally adjusted	215	228	224	229
Stocks, unadjusted	171	206	231	241
Stocks, seasonally adjusted	172	234	249	242

Indexes of Business

Index	1946	1947		
	March	Jan.	Feb.	March
Industrial production*, 1935-39 = 100 (*Board of Governors, Federal Reserve System*)	168	189r	189	189p
Electric power output*, 1935-39 = 100 (*Federal Reserve Bank of New York*)	190	220	224	227p
Ton-miles of railway freight*, 1935-39 = 100 (*Federal Reserve Bank of New York*)	201r	199r	201p	211p
Sales of all retail stores*, 1935-39 = 100 (*Department of Commerce*)	242	276	277p	
Factory employment				
United States, 1939 = 100# (*Bureau of Labor Statistics*)	132	153	154	154p
New York State, 1935-39 = 100 (*New York State Dept. of Labor*)	117	132	133	133p
Factory payrolls				
United States, 1939 = 100# (*Bureau of Labor Statistics*)	238	307	311p	
New York State, 1935-39 = 100 (*New York State Dept. of Labor*)	229	281	283	286p
Income payments*, 1935-39 = 100 (*Department of Commerce*)	235	264	263p	
Composite index of wages and salaries*‡ 1939 = 100 (*Federal Reserve Bank of New York*)	152	168	169p	
Consumers' prices, 1935-39 = 100 (*Bureau of Labor Statistics*)	130	153	153	156p
Velocity of demand deposits*, 1935-39 = 100 (*Federal Reserve Bank of New York*)				
New York City	92	84	86	85
Outside New York City	81	88	90	93

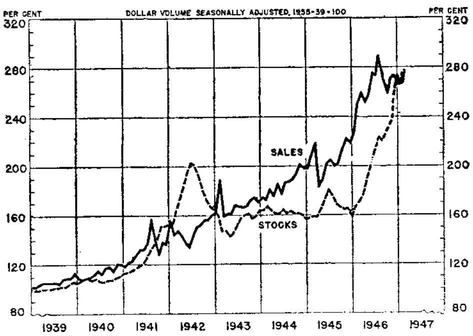
* Adjusted for seasonal variation. *p* Preliminary. *r* Revised.
# Series revised beginning January 1945.
‡ A special monthly release tabulating the complete set of 15 indexes of hourly and weekly earnings computed by this bank will be sent upon request. A general discussion of the new indexes appeared 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.

INDUSTRIAL PRODUCTION



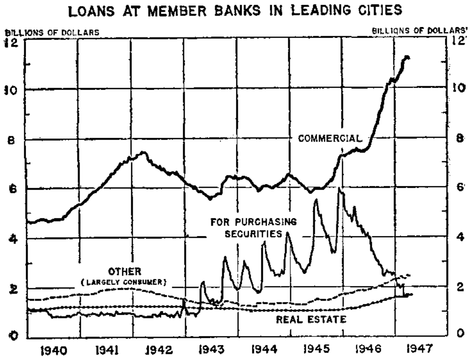
Federal Reserve indexes. Monthly figures; latest shown are for March.

DEPARTMENT STORE SALES AND STOCKS



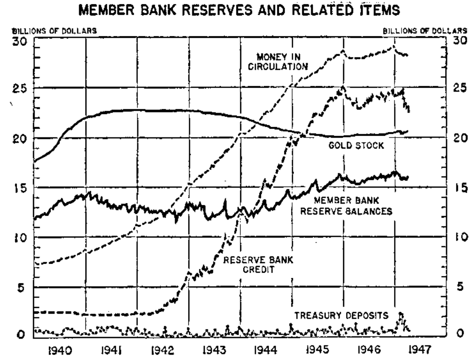
Federal Reserve indexes. Monthly figures; latest shown are for March.

LOANS AT MEMBER BANKS IN LEADING CITIES



Excludes loans to banks. Wednesday figures; latest shown are for April 16.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures; latest shown are for April 16.

National Summary of Business Conditions

(Summarized by the Board of Governors of the Federal Reserve System, April 29, 1947)

INDUSTRIAL output and factory employment were unchanged in March. Value of retail trade continued to show little change, after allowing for holiday buying. The general level of wholesale commodity prices declined slightly in the first three weeks of April, following increases in February and the early part of March.

Industrial Production

The Board's seasonally adjusted index of industrial production in March was at a level of 189 per cent of the 1935-39 average for the third consecutive month.

Output of durable manufactures continued to show a very slight gain in March, reaching a level of 223 per cent of the 1935-39 average. Activity in the iron and steel industries advanced in March after a slight decline in February. Steel mill operations averaged 94 per cent of capacity in March and they have been maintained at about this rate during most of April. Activity in the machinery and transportation equipment industries also showed a slight gain in March. Output of passenger cars totaled 303,000, and of trucks, 117,000. Lumber production continued to advance and, in March, was at the highest level for this season in almost 20 years. Output of most nonferrous metals at smelters and refineries continued to expand, following increases earlier in domestic mine production.

The Board's seasonally adjusted index of output of nondurable manufactures again declined by one point in March to a level of 175 per cent of the 1935-39 average. Production in most lines was at the February rate or declined very slightly. Output of textile-mill and leather products in February and March remained somewhat below last year's peak rates.

Minerals production increased slightly in March to a level of 147 per cent of the 1935-39 average, reflecting a continued advance in output of crude petroleum, and a slight increase in coal production. Bituminous coal output dropped sharply during the first two weeks of April, as work was curtailed at mines in a dispute over safety conditions, but subsequently increased.

Employment

The number of employees in most lines of nonagricultural activity in March remained at about the level of other recent months, after allowance for usual seasonal changes. Total nonagricultural employment of about 42,500,000 persons was 7 per cent higher than the level a year ago. The number of persons unemployed showed a slight seasonal decline in March to 2,330,000.

Construction

Total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was about one-third larger in March than in February, reflecting chiefly seasonal influences, but one-sixth smaller than in March 1946. The reduction from a year ago was in awards for private nonresidential construction, which were exceptionally large at that time. Value of residential awards increased by about one third from February to March and was slightly larger than in the same period last year. Since a year ago building costs have increased considerably and the number of dwelling units contracted for in March was somewhat less than the March 1946 volume. Construction activity continued to decline after allowance for seasonal variation.

Distribution

Value of department store sales during the six weeks preceding the Easter holiday was three per cent larger than during the corresponding number of weeks before Easter last year, reflecting chiefly a sharply higher level of sales of household appliances and men's clothing. Value of sales of most other goods sold at department stores was about the same as a year ago, although prices were generally higher than at that time. Retail sales of automobiles, radios, and office and farm equipment both in unit and dollar volume continued far in excess of last year's levels.

Freight carloadings rose in March owing mainly to increased shipments of grain and miscellaneous freight. Shipments of coal dropped sharply at the beginning of April and then recovered to the March rate during the week ended April 19. Shipments of forest products declined considerably during the first three weeks of April, while loadings of most other classes of freight showed little change.

Commodity Prices

Wholesale prices of basic commodities generally declined from the middle of March to the latter part of April, with the largest decreases shown for hogs, fats and oils, coffee, print cloths, and steel scrap. Prices of corn, cotton, and copper, on the other hand, were at about the same level on April 24 as in the middle of March.

The consumers' price index of the Bureau of Labor Statistics advanced two per cent from February 15 to March 15, reflecting chiefly increases in food prices. Since that time prices of foods have declined somewhat and price reductions have been announced for certain other products by manufacturers and distributors.

Treasury Finance and Bank Credit

During March and April the Treasury continued its program of debt retirement, using an excess of tax receipts over budget expenditures and drawing upon balances at commercial banks and Federal Reserve Banks. Retirements, which aggregated about 4.8 billion dollars, included notes maturing on March 15, a portion of certificates maturing March 1 and April 1, and 200 million of Treasury bills each on April 17 and 24. A further reduction of 200 million was announced for the bill issue to mature May 1.

Federal Reserve holdings of Government securities declined by more than 2.2 billion dollars in the eight weeks ending April 23, while holdings of member banks in leading cities showed little change. The reserve position of member banks was maintained in this period by the reduction in Treasury balances at Federal Reserve Banks.

Bank deposits and currency in circulation, which had declined considerably in January and February, showed some net increase in March and the first half of April. Commercial loans increased further in March but declined in April. Real estate and consumer loans increased moderately.