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MONEY MARKET IN JULY

The money market was moderately tight through the month of July, although bank reserve positions for the country as a whole eased gradually until the final statement week. A strengthening of investor confidence in the Government security market occurred as Government bond prices increased substantially on light trading and the prices of most types of short-term Treasury securities remained relatively stable. From July 16 to 19, the Treasury's books were open for the exchange of 5.4 billion dollars of 1¼ per cent notes, maturing August 1, into an 11-month 1⅞ per cent issue of certificates of indebtedness. This exchange was the most successful of the postwar period, with indicated cash redemptions less than 2.6 per cent of the outstanding amount. The Treasury also obtained new money through increases of 200 million dollars in each weekly bill offering, beginning with the issue of July 5, and this borrowing was readily absorbed by the market.

PUBLIC DEBT TRANSACTIONS AND THE GOVERNMENT SECURITY MARKET

The favorable results of the Treasury's refinancing operations in June and the subsequent stability of the price of the refunding issue (the April 1, 1952 certificates of indebtedness), together with the factors bringing about rising Government bond prices in July, contributed to the unusual success in refunding the notes maturing August 1. There was little of the churning about in the security market which often accompanies a refinancing operation as investors seek to find issues most suited to their portfolios. Although the maturing notes rose to a premium of 2/32, few holders of these "rights" to subscribe to the new issue took the profit afforded by sale at this premium, and trading in the new certificates on a "when-issued" basis during the short time the books were open for the exchange (July 16-19) was light. The final results of the exchange indicated that only 135 million dollars of the maturing notes were to be turned in for cash.

Public debt transactions, however, were not limited to refinancing. During the course of the month, the Treasury raised 800 million dollars of new money by increasing the amount of each of the weekly Treasury bill issues by 200 million dollars above the maturing issue. Demand for the new bills, as well as for other short-term Treasury securities, including near-maturity bonds, was active, and for the most part the additional bills found a ready market, mainly among nonbank investors. The nonbank market absorbed not only the increase in the new bill offerings but also substantial liquidation of outstanding bills and other short-term securities by New York City and other large city banks in need of funds to adjust their reserve positions. Demand from nonbank investors was sufficiently large to bring bill yields around the middle of the month to levels running, for the various maturities, from 5 to 25 basis-points below yields prevailing at the beginning of July. Tightening of the money market subsequently brought yields back close to the levels that prevailed at the beginning of the month.

Treasury financing of new money requirements through bill offerings might ordinarily be considered inappropriate during a period of concern over an early resurgence of inflationary pressures, since bills have traditionally been considered principally an instrument for borrowing from the banking system. However, in recent years a new market for Treasury bills has developed among the large industrial corporations which have placed growing tax reserves and other temporarily available funds in Treasury bills. As shown in the accompanying chart, industrial corporations and other nonbank investors ("all other investors") have augmented their holdings substantially in the last four years, especially since the rise in the yield on bills beginning with the middle of 1947. (The data shown in the chart for "all other investors" include the holdings of those banks not covered by the regular series of weekly reporting

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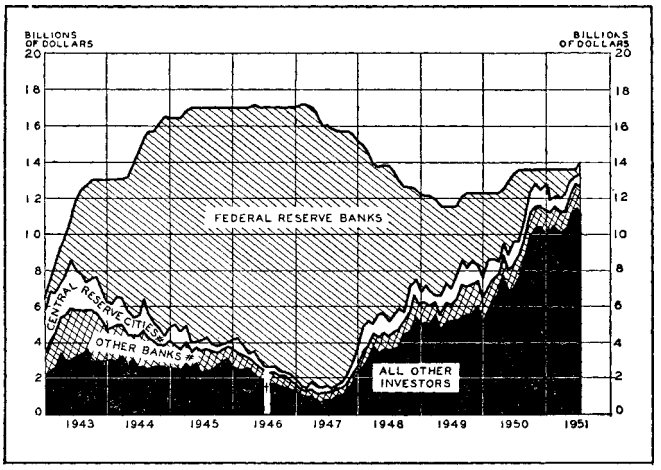
Ownership of Treasury Bills
(As of last Wednesday of month*)



* Latest figures are for July 18, 1951.
\# Weekly reporting banks.
† New series based on revised list of reporting banks.

member banks; the bill holdings of such banks have increased only moderately in comparison with the rise in the holdings of nonbank investors.) As of July 18, 1951 (the latest date plotted in the chart), bill holdings of this "all other" group totaled 11.1 billion dollars, or nearly 80 per cent of total outstanding bill issues (14 billion dollars), as compared with less than 600 million dollars of bills held by this group at the low point toward the close of May 1947, when "all other" holdings were 4 per cent of a larger total. The bill holdings of the Federal Reserve Banks have changed in the opposite direction. For two years after World War II, owing to the low rate of return on bills and the System's readiness to purchase at supported prices, there was a strong tendency for bills to gravitate to the Reserve Banks. Early in 1947, the System held about 90 per cent of the 17 billion dollars of bills then outstanding. By July 18, 1951, the System's holdings had declined to less than 600 million dollars.

Another public debt transaction during the past month was the System's conversion, in the week ended July 11, of 1 billion dollars of its holdings of 2¾ per cent nonmarketable bonds into five-year, 1½ per cent marketable Treasury notes maturing April 1, 1956. The nonmarketable securities had originally been acquired on April 1, 1951 in exchange for restricted Treasury bonds of 1967-72. It was indicated at the time that this exchange of nonmarketable bonds for notes was a step toward a better balance in the maturity distribution of the System's open market account.

The recovery in prices of restricted and other Treasury bonds, which had begun toward the close of June, continued and gathered momentum in July despite the tightness in the money market. From their low point near the end of June, restricted issues rose to a peak on July 23 with gains ranging from 11/32 to 1 14/32; the bonds which become eligible for bank investment during 1952 showed the greater increases. Medium and long-term eligible bond prices moved in sympathy and made comparable gains, while the rise in prices of partially tax-exempt bonds was somewhat smaller. Prices of the latter issues improved moderately late in the month, while restricted bonds drifted downward. As indicated in the review of the security markets, which appears at a later point in this *Review,* the improvement in bond prices was also probably influenced by an increase in personal savings at savings banks and other institutions, by some reduction in the backlog of advance commitments of financial institutions, and by a lull in inflationary developments within the economy. Perhaps the most potent market factor making for a better tone and increased confidence among investors in Government securities was the sharp curtailment in the offerings of restricted issues that had formerly been made by the life insurance companies. Thus, the improvement of restricted bond prices occurred in a rather thin market and was related chiefly to a reduction in selling pressure. There was evidence of a slight increase in demand, which probably came principally from security dealers adding to their positions in restricted Government bonds.

Member Bank Reserves

An uneven geographic distribution of gains and losses of reserves during the past month was chiefly responsible for tight money conditions in New York and ease in the positions of out-of-town banks. For the banking system as a whole, however, money market transactions exercised but a minor effect on reserves during the four weeks ended July 25, as shown in the accompanying table. Transactions tending to provide banks with additional funds were offset by those tending to absorb reserves. One factor tending to ease reserve positions, particularly in the first two weeks, was the decline in required reserves, resulting from a decrease of deposits attending substantial commercial bank sales of Government securities to nonbank investors.

Federal Reserve credit outstanding increased substantially in the first three statement weeks of July and accounted for most

Weekly Changes in Factors Tending to Increase or Decrease Member Bank Reserves, July 1951
(In millions of dollars; (+) denotes increase, (—) decrease in excess reserves)

Factor	Statement weeks ended				Four weeks ended July 25
	July 3	July 11	July 18	July 25	
Routine transactions					
Treasury operations*	+242	− 81	−359	+181	− 17
Federal Reserve float	− 40	+127	+285	−296	+ 76
Currency in circulation	−347	+ 55	+112	+ 75	−105
Gold and foreign account	+ 93	− 54	+ 44	− 12	+ 71
Other deposits, etc	+ 44	− 42	−117	+ 4	−111
Total	− 8	+ 5	− 36	− 47	− 86
Federal Reserve transactions					
Government securities	+134	+115	− 11	− 24	+214
Discounts and advances	− 39	+ 55	+ 63	−221	−142
Total	+ 95	+170	+ 52	−245	+ 72
Total reserves	+ 87	+175	+ 16	−292	− 14
Effect of change in required reserves	+ 34	+137	+ 10	−	+181
Excess reserves	+121	+312	+ 26	−292	+167

* Includes changes in Treasury currency and cash.
Note: Because of rounding, figures do not necessarily add to totals.

of the 460 million dollar increase in excess reserves in this period. This expansion of Federal Reserve credit reflected largely the means by which the larger city banks, and particularly those in New York City, adjusted their reserve positions in response to substantial losses of funds arising principally from Treasury operations. In the week ended July 25, much of the earlier rise in aggregate excess reserves was drawn down as the banks repaid advances at the Reserve Banks.

Treasury disbursements in the New York area were considerably smaller than receipts from the New York money market, and consequently there was a substantial shift of funds out of New York City to other parts of the country. Much of the increase in Treasury bills was purchased by the customers of New York banks. In addition, more than 40 per cent of the Treasury's heavy withdrawals from its "X" balances during July came from the New York City banks, which had received a very considerable share of these balances when they were being built up. The "X" balances arose, of course, from the recently adopted method of depositing large quarterly income tax checks of corporations and individuals in the banks upon which these checks were drawn, and there was inevitably a concentration of such tax deposits in the large City banks serving depositors with sizable tax liabilities. It is illustrative that data available for the Second District as a whole show that this District accounted for 45 per cent of all "X" balances throughout the country on June 30, 1951, as against only 25 per cent of the Treasury's regular Tax and Loan deposits.

As a result of the losses of funds sustained from Treasury and other transactions, the New York City banks were compelled to borrow from the Reserve Bank and in the Federal funds market in the three weeks ended July 18. Reserve positions of banks in other parts of the country, on the other hand, were eased, and out-of-town institutions were able to reduce part of their indebtedness to the Reserve Banks and to increase their excess reserves. They were also able, through the medium of the Federal funds market, to sell some of their gains of funds to New York City institutions. In the week ended July 25, the New York City banks continued to lose funds on Treasury account, particularly as a result of net purchases of new Treasury bills by their customers, but the loss of reserves was more than offset by an inflow of funds from other parts of the country. The City banks used these added funds, and also drew down their excess reserves (which were at a temporarily high level at the close of the preceding week), to repay the major part of their borrowings from the Reserve Bank. Thus, most of the decline for this final week in the total borrowings of member banks represented the operations of the New York City banks. Banks outside of New York City met the transfer of funds to New York by reducing their excess reserves.

Business Loans

Although business borrowing from the commercial banks does not customarily decline during July, there was a reduction of about 180 million dollars in the commercial, industrial, and agricultural loans of the weekly reporting member banks in the four weeks ended July 18. On the latter date, total business loans (19 billion dollars) were 225 million dollars below the peak reached on April 11 of this year. However, they were still 1.2 billion above the level at the end of 1950. Almost 90 per cent of the 180 million dollar decrease in business borrowing during the four weeks ended July 18 represented net repayments of loans at banks outside New York City. Liquidation of business loans at the New York City banks was but 22 million dollars. Data available for the New York banks for the week ended July 25 showed that net repayments came to 36 million dollars in this final statement week of the month.

Judging from data collected from approximately 220 of the larger weekly reporting member banks at the request of the Voluntary Credit Restraint Committee, the recent decline in business loans represents a liquidation of borrowing by nondefense industries, partly offset by new borrowing in the defense and defense-supporting industries. Thus, in recent weeks bank loans to food, liquor, and tobacco manufacturing companies, commodity dealers, sales finance companies, and wholesale and retail merchants have shown a tendency to decline. Manufacturers of metal and metal products and of textile and textile products, public utility corporations, and miscellaneous manufacturing and mining companies, on the other hand, have stepped up their borrowing, although not in sufficient quantity to offset the contraction in the other lines (a contraction which may have been slowed up by the accumulation of top-heavy inventories in some industries following the abatement of the consumer buying waves of last summer and winter).

The data collected for the Voluntary Credit Restraint Committee include only larger loans in order to limit the statistical burden on the reporting banks. In general, reported loans represent more than three quarters of the total business loan activity of the 220 reporting banks; and the total business loans of these banks are in turn about three quarters of the total for all commercial banks in the United States. The recent reports show clearly a downward trend of nondefense loans and a constant increase in defense and defense-supporting loans. In the four weeks ended July 18, reported loans of the 220 banks for financing defense contracts totaled over 75 million dollars. Those financing defense-supporting activities amounted to 55 million dollars, almost all of which provided funds for plant and equipment expenditures and presumably represented in some measure temporary borrowing pending the sale of long-term securities in the open market. In this same period, reported loans for inventory and working capital purposes in nondefense activities declined 225 million dollars while nondefense loans for plant and equipment purposes, also probably representing temporary accommodation, rose 10 million dollars.

BRITAIN'S INTERNATIONAL ECONOMIC POSITION

Chancellor of the Exchequer Gaitskell's recent announcement that Britain's gold and dollar reserves had increased by only 109 million dollars during the second quarter of 1951, as compared with an increase of 458 million in January-March,[1] has confirmed earlier official predictions that the rate of accumulation of reserves by the United Kingdom would probably fall off sharply during 1951. Since the beginning of the year, Britain's over-all trading position has also become increasingly strained, as receipts from exports have lagged behind swiftly rising import costs. According to Mr. Gaitskell, the less favorable influences contributing to this adverse shift in Britain's international economic position may well continue during the next few months.

The sweeping changes in Britain's international economic position since Korea reflect the extreme sensitivity of the British economy to variations in the international political and economic climate. Situated at a strategic crossroad of world trade and finance, the United Kingdom functions not only as a major producer and trader on its own account but also as the banker for the very large group of countries constituting the sterling area. In the latter role Britain serves as a clearing house for the overseas members of the sterling area, who settle their international receipts and payments through their sterling reserve balances in London. In the case of dollar transactions, the United Kingdom undertakes to provide, in exchange for sterling, the dollars required by these countries; the latter, for their part, deposit their current acquisitions of gold and dollars in London in exchange for credits to their sterling balances. The British gold and dollar position accordingly depends not only upon the net dollar balance of the United Kingdom itself but also upon the gold and dollar surpluses or deficits of Australia, India, Malaya, and the other overseas members of the sterling area.

Prior to the war, the dollar accounts of the sterling area were characterized by a triangular pattern of payments under which the usual gold and dollar surpluses of Overseas-Sterling-Area countries such as South Africa and Malaya served to finance the more or less normal deficits of the United Kingdom with the dollar countries. The triangle was completed by a British balance-of-payments surplus with the Overseas-Sterling-Area countries. This pattern of payments was disrupted by the war, thereby seriously complicating Britain's efforts to regain dollar viability. Although the dollar exports of the Overseas-Sterling-Area countries quickly recovered, their dollar imports rose even more swiftly, with the result that their traditional dollar surpluses shifted to heavy dollar deficits. This shift in the dollar balance of payments of the Overseas-Sterling-Area countries was one of the major causes of the British dollar crisis that culminated in the devaluation of sterling in September 1949.

Since the devaluation of the pound, the dollar balance of payments of the sterling area has passed through two distinct phases, the dividing line between them being marked by the outbreak of hostilities in Korea. In the first phase, from devaluation to Korea, the sterling area not only succeeded in closing the gap in its dollar accounts but did so without any major increase in its dollar exports. The adjustment, instead, was effected primarily by dollar-import cuts, initiated by administrative restrictions in the midsummer of 1949, and subsequently reinforced strongly by the concerted devaluation of the sterling area currencies. As a result, the triangular pattern of settlements that had been characteristic of the prewar period reappeared. The Overseas Sterling Area reverted to its traditional dollar surplus, which during the first six months of 1950 more than offset the much reduced deficits of the United Kingdom itself with the dollar area and of the entire sterling area with the nondollar countries.

Having thus regained a considerable measure of dollar viability before Korea, the sterling area has been able to devote the huge increases in its dollar-export earnings during the past year to strengthening its gold and dollar reserve position. In this second phase, the predominant development has been the spectacular rise in the value of raw material exports of the Overseas-Sterling-Area countries, their surplus with the dollar area increasing, as a result, to record levels during the winter months of 1950-51. Simultaneously, the more or less normal deficit of the United Kingdom with the dollar area became converted into a surplus of 124 million dollars in the second half of 1950. While an expansion of British dollar exports contributed to this surplus, an even more important factor seems to have been an influx of dollar funds probably attributable both to speculation during the autumn on a possible appreciation of the pound and to forward purchases by American importers who anticipated increases in sterling area commodity prices. Finally, in contrast to Britain's initial concern lest she should lose gold to the European Payments Union, the sterling area as a whole actually earned an EPU surplus of 635 million dollars' equivalent in the first nine months of the union's operations, and Britain received 89 million dollars from the EPU during that period. Favored by this unusual combination of circumstances, the gold and dollar surplus of the sterling area as a whole rose remarkably last winter, running at an annual rate of 1,516 million dollars during the six months from October 1950 to March 1951. Indeed the recovery of the sterling area's dollar position was so rapid as to permit the suspension of Marshall aid to the United Kingdom as of the beginning of 1951, eighteen months in advance of the scheduled termination date.

[1] Figures include ERP aid to the United Kingdom and other sterling countries of 98 million dollars in the first quarter and 55 million in the second quarter.

This swift enlargement of Britain's reserves could not be maintained indefinitely, and for some time past there have been indications that the sterling area was moving toward a more balanced position in its dollar accounts. During the second quarter, the dollar earnings of the Overseas-Sterling-Area countries apparently have fallen off sharply. This decline is partly attributable to seasonal factors, it is true, but the recent recession in the prices of certain raw material exports of the Overseas Sterling Area, coupled with the curtailment of United States stockpiling and private inventory accumulation, may have exerted an even greater influence. Furthermore, the dollar imports of both the United Kingdom and the Overseas Sterling Area have risen substantially in recent months. Finally, Britain's dollar receipts from the EPU in settlement of the sterling area's payments surplus with the OEEC countries were only 17 million in April-June, compared with 76 million in the previous quarter. As a result of these and other unfavorable influences, the dollar surplus of the sterling area as a whole fell off abruptly during the second quarter of this year, as shown in the table.

Although the strength of sterling as an international currency has been greatly reinforced by the 1,445 million dollar addition to Britain's reserves since hostilities began in Korea, it should be noted that the United Kingdom has incurred in the process a very substantial increase in its sterling liabilities. As indicated above, the increase in Britain's reserves has been primarily attributable (apart from ERP assistance) to the gold and dollar surplus of the Overseas-Sterling-Area countries, which have accepted, in exchange for this surplus, credits to their sterling balances in London. In addition, the Overseas Sterling Area's sterling balances were augmented during 1950 by net payments of 179 million pounds from countries outside the dollar and sterling areas. Mainly as a result of these transactions, the sterling balances of the Overseas Sterling Area increased last year by almost 400 million pounds in spite of the 225 million pound surplus in the current account of Britain's balance of payments with her sterling area partners. It seems probable, moreover, that there has been a further substantial growth in the Overseas Sterling Area's sterling balances in the first half of 1951. This striking growth in Britain's sterling liabilities may well lead to heavier demands upon the United Kingdom's export capacity, already seriously strained, or alternatively to heavier conversion of balances for purchases in dollar markets.

Even more serious, the great expansion in world, and particularly United States, demand for primary commodities has brought in its train a rapid deterioration in Britain's terms of trade. Prices of Britain's imports, which already had moved sharply upward after devaluation, increased another 24 per cent during 1950, most of the rise being attributable to a 46 per cent increase in raw material prices. Although Britain's internal price level has been sheltered against much of this

Sterling Area Net Gold and Dollar Surplus (+) or Deficit (—)*

Quarter ended	Millions of dollars
1949-December	− 31
1950-March	+ 40
June	+180
September	+187
December	+398
1951-March	+360
June	+ 54

* Excludes ERP and other dollar assistance to the United Kingdom and Ireland.
Source: *United Kingdom Balance of Payments 1946 to 1950* (Cmd. 8201), page 25, and *The Times* (London), dated July 5, 1951.

external pressure by government subsidies, the cost-of-living indicators began to move upward after warfare began in Korea, and wage rates, which had been almost steady since devaluation, also rose significantly. Export prices have increased by only a fraction of the rise in import prices, and Britain therefore has had to export an increasing volume of goods in order to pay for even the existing volume of imports. Between 1949 and 1950 the index of the physical volume of British imports remained steady at 114 (1947=100), but their cost increased by 400 million pounds to 2,374 million. Despite a 16 per cent rise in the quantity of Britain's exports, the merchandise trade balance remained unchanged between the two years, and it was only because of a doubling of net earnings on "invisible" items that the country's balance-of-payments surplus on current account increased from 30 million pounds in 1949 to 229 million last year.

The deterioration in Britain's terms of trade continued during the early months of 1951. By May, import prices were 42 per cent higher than the 1950 average, while export prices had increased only 18 per cent. Such price increases had been anticipated by the government, whose *Economic Survey for 1951* had indicated that, although the volume of Britain's 1951 imports would increase only about 8 per cent over 1950, their cost would rise by some 900 million pounds to 3,300 million pounds (including strategic stockpiling), or by almost 40 per cent. The *Survey,* on the other hand, estimated that exports would at best increase only to 2,750 million this year, as the result of an average increase over 1950 of 18 per cent in prices and 5 per cent in volume. The prospective 400 million pound increase in the merchandise trade deficit was expected to be offset to only a small extent by a rise of net "invisible" earnings from 382 million to 450 million, and as a consequence the government estimated that Britain's balance of payments on current account might show a 100 million deficit in 1951.

Although a deterioration in Britain's balance-of-payments position of more than 300 million pounds between 1950 and 1951 has thus been allowed for, it is still a question whether the government's forecast will not prove over-optimistic. Imports, it is true, were running fairly close to the government's forecast during January-June. Commodity prices, moreover, have recently shown a downward tendency, which has retarded the rise in Britain's import prices. At the same time, export prices have continued to rise with the consequence that

in June there were signs that the deterioration of Britain's terms of trade might at least temporarily be halted. On the other hand, Mr. Gaitskell estimated late in July that, despite the fall in primary commodity prices, British imports might exceed the government's original estimate for 1951 by well over 100 million pounds. Moreover, the nationalization of the Anglo-Iranian Oil Company by Iran has injected an element of uncertainty into the government's forecast of net "invisible" earnings and in his recent statement to Parliament the Chancellor estimated that 1951 net earnings might reach only 400 million pounds. In addition, the value of exports in the first half of this year was running at an annual rate somewhat lower than the original target figure, though their volume, during January-May at least, was about 4 per cent higher than the 1950 average. Mr. Gaitskell has, therefore, called upon Britain's exporters to raise their sales target to 1,600 million pounds in the second half of this year, compared with the 1,300 million achieved in January-June.

The prospects for achieving such an increase in exports remain obscure. A strong buyers' market seems to exist, it is true, for a considerable range of British exports, despite the rise in their prices during the early months of 1951. Whether the new export target can be achieved would seem to depend primarily on the ability of British industry to expand output, and of the government to curtail domestic expenditure through its fiscal and monetary policies as well as its direct controls. During January-May, indeed, industrial production reached the government's target figure, and raw material supplies have recently become more plentiful. On the other hand, private consumption expenditures seem to be running somewhat above the corresponding 1950 levels, and the full impact of the expanded rearmament program has yet to be felt by the domestic economy. As defense production gets into full swing, it would, therefore, not be surprising if the country experienced difficulty in expanding exports to the required level.

The deterioration of Britain's terms of trade, the transformation of her over-all balance of payments from a surplus to a deficit, and the large rise in her external sterling debt, however, should not obscure the elements of strength in the position of sterling as an international currency. Over much of the nonsterling world, sterling remains relatively scarce, and the British Government has consequently found it expedient to relax further its exchange controls, thus increasing sterling's usefulness as an international currency. Moreover, the gold and dollar reserves are now about 60 per cent higher than a year ago and almost three times as high as at the time of devaluation. Finally, the pressure of rearmament on these reserves is being cushioned by continuing United States assistance under the Mutual Defense Assistance Program.

SECURITY MARKETS

Extraordinarily large capital expenditures of nonfinancial business corporations for the enlargement of defense and other facilities during the first seven months of 1951 made heavy demands on the capital markets. These demands were particularly large in spite of the substantial volume of "internal" funds available to corporations from their operations, as a result of the high level of undistributed corporate profits and unusually large depreciation allowances related to the accelerated amortization of defense facilities granted by the Federal Government. According to preliminary estimates, flotations of new corporate security issues during the first seven months of this year promised to be higher than for any comparable period since 1929. Financing of a large volume of State and local government public works and other public construction and residential construction added to the pressure on the capital market. As in the latter half of 1950, the demand for long-term and permanent capital pressed heavily upon the supply although some evidence of increased personal savings appeared in the late spring and early summer months. Beginning in March, initial steps were taken toward eliminating some demands of a particularly inflationary character through the program of voluntary restraint undertaken by the investment bankers.

Not only were the demands on the capital market, including the new issue market, unusually heavy during the first seven months of 1951, but the supply of available funds was being restricted. Following an accord between the Treasury and the Federal Reserve System, published March 4, the System was enabled to reduce the release of its own funds into the Government security market. The resulting curtailment of the volume of Federal Reserve credit, which had hitherto been made available indirectly for financing new corporate security issues, meant that the capital market was now more closely responsive to underlying supply and demand conditions. Demands on the market had to be satisfied more largely out of the savings made available to it. Institutional investors, which had made advance commitments in excess of the funds that were to become available to them, found they could liquidate long-term Treasury bonds to meet their excess commitments only at a loss.

The combination of heavier demand for long-term funds and more effective restraints on the supply was reflected in declines in prices of both new and outstanding bond issues of all types. Toward the end of the period under review, however, bond prices tended to recover somewhat, reflecting perhaps the influence of increased personal saving and a working down of the advance commitments of financial institutions. Beginning in May the higher cost of borrowed funds may have in-

duced some hesitation in the upward movement of common stock prices. Contributing to this hesitancy was the modification of inflationary pressures on the economy following the waves of consumer scare buying that had occurred last summer and in midwinter. A consequent accumulation of substantial business inventories, declining wholesale commodity prices, and developments in the Korean war leading to cease-fire negotiations (portending, in the opinion of many stock investors, some let-down in the rearmament program) were the major factors bringing about some liquidation in the stock market during May and June.

Bond Market

The announcement of the Treasury-Federal Reserve "accord" on March 4 was followed by a considerable downward adjustment in bond prices. Between March and the closing days of June, prices of most long-term restricted bond issues 15 years and over (including the "bank" 2½'s of September 1967-72) declined, with a concomitant increase of about ¼ of 1 per cent in yield. The rise in yields on top quality corporate (Aaa and Aa) bonds over this same period was about 0.30 per cent, while the average yield on the A and Baa corporate bonds rose about 0.35 of one per cent, and that on high-grade municipal issues about 0.60 per cent. As compared with yields prevailing just before the invasion of South Korea, however, yields on Baa corporate and on high-grade municipal bonds showed the smallest increases. These changes are summarized in the table below; changes in yields over a longer period of time are shown in the accompanying chart. Reflecting perhaps the increase in personal savings or a better balance between the demand for and supply of funds, bond yields declined slightly in the first three weeks of July.

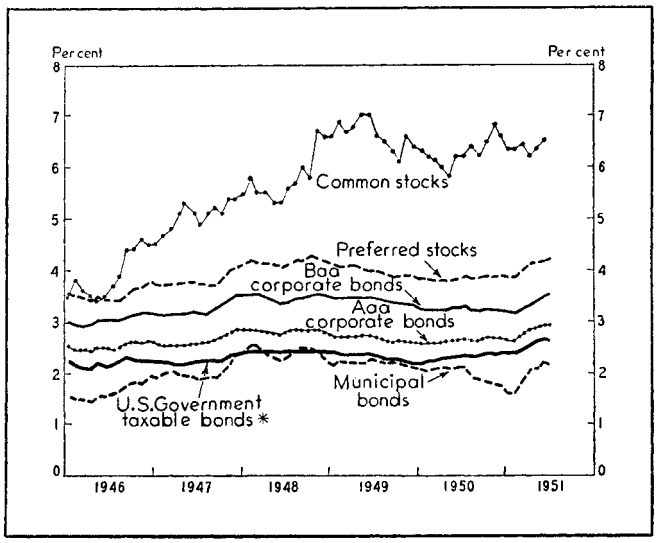
As a result of the decline in bond prices, particularly Government bond prices, it became much more difficult and costly for institutions to liquidate long-term bonds in order to meet the heavy demands for their funds. During a considerable part of the last four months, sales of restricted Government bonds could be made only at losses of 3 per cent or more of the par value of bonds sold, and there were few buyers. As a result, a number of institutions, which had made forward commitments in excess of funds becoming available currently, began to offer for sale in the market corporate bonds which they had held for some period of time and which they could still sell at some profit or at only a slight loss. It is reported in the market that some issues were sold which had originally been placed privately with a few investors.

Yields on Long-Term Bonds by Class of Bonds for Recent Selected Dates
(In per cent)

Class of bond	June 23, 1950 ("Pre-Korea")	March 2, 1951 ("Pre-Accord")	June 27, 1951	Change: March 2, 1951 to June 27, 1951	Change: June 23, 1950 to June 27, 1951
Government					
Taxable Treasury bonds, fifteen years or more....	2.34	2.41	2.66	+0.25	+0.32
Corporation					
Aaa.....	2.61	2.69	2.99	+0.30	+0.38
Aa.....	2.69	2.75	3.06	+0.31	+0.37
A.....	2.89	2.91	3.26	+0.35	+0.37
Baa.....	3.29	3.18	3.55	+0.37	+0.26
Municipal					
Actual yield.....	2.09	1.65	2.26	+0.61	+0.17
Taxable equivalent*	4.35	4.02	5.51	+1.49	+1.16

* Equivalent yield on taxable bonds based on combined normal and surtax rates payable by taxpayers filing joint returns on taxable income of $50,000. Yield for June 23, 1950 is based on combined normal and surtax rates under the Revenue Act of 1948, others on rates in force under the Revenue Act of 1950.
Source: Government, Board of Governors of the Federal Reserve System; corporation, Moody's Investors Service; municipal, Standard & Poor's Corporation.

Yields on Long-Term Bonds and Stocks, 1946-51



* Fifteen years and over.
Source: U. S. Government bonds, Treasury Department; 15 high-grade non-callable preferred stocks and municipal bonds, Standard & Poor's Corporation; Aaa corporate bonds, Baa corporate bonds, and 200 common stocks, Moody's Investors Service. For common stocks, latest figure is for end of June 1951; for all other data, July 1951 (estimated by the Federal Reserve Bank of New York).

The restriction of the volume of credit in the market had perhaps its severest impact on the municipal bond market. Over the four months ended in June, high-grade municipal bond yields lost all the sizable gains that had been made in the eight months following the invasion of South Korea. The increase in the yield on high-grade, tax-free municipal obligations was even greater than seems apparent, since Federal tax rates on personal and corporate incomes were raised in 1950. Actually, as the table shows, the equivalent yield on taxable bonds for individual taxpayers in the $50,000 income bracket (filing joint returns) was more than 1⅛ per cent higher at the end of June 1951 than the "pre-Korean" yield.

One major factor in the marked decline in municipal bond prices (rise in yields) was the drying up of commercial bank funds after Federal Reserve credit became restricted. Sales of most of the banks' holdings of Government securities could be made only at a loss and many banks were reluctant to obtain

added funds through sales under these circumstances. Thus for a time, the banks, which have been the major class of investors in municipal securities, practically withdrew from the market. Furthermore, short-term municipal issues, which usually comprise the bulk of the banks' purchases, had to compete with rising and attractive yields on short-term Treasury securities and corporate issues, such as the near-term maturities of railroad equipment trust certificates.

The Stock Market

The decline in bond prices may have contributed to the reaction in the stock market, and, after a rise of almost two years from mid-June 1949 to early May 1951, stock prices moved irregularly lower in a narrow range until early in July. Prices of Standard and Poor's broad index of 416 issues fell about 6 per cent from the May 9, 1951 peak of 179.3 (1935-39=100) to 169.0 two weeks later on May 23, and were at this same lower level on July 3. By July 25 prices had recovered to 177.0, approximately 1 per cent below the 1951 peak. The latter was about two-thirds higher than the mid-June 1949 low and 10 per cent above the figure for the end of 1950.

Public participation in the stock market tended to recede during the period of irregularity in price movements. The volume of trading on the New York Stock Exchange between May 9 and July 18 averaged 1,300,000 shares daily, about 500,000 shares per day less than in the preceding part of the year. Through the middle of July 1951 turnover of shares was 5 per cent below the same period of last year. Some portion of the liquidation came from margin traders, as debit balances of customers of New York Stock Exchange member firms declined about 135 million dollars, from 1,410 million at the end of January 1951 to 1,275 million at the end of June. Free credit balances of customers fell about 110 million dollars to 840 million at the end of June, indicating some withdrawals of funds by investors, perhaps to take advantage of the more attractive yields that had become available in the bond market.

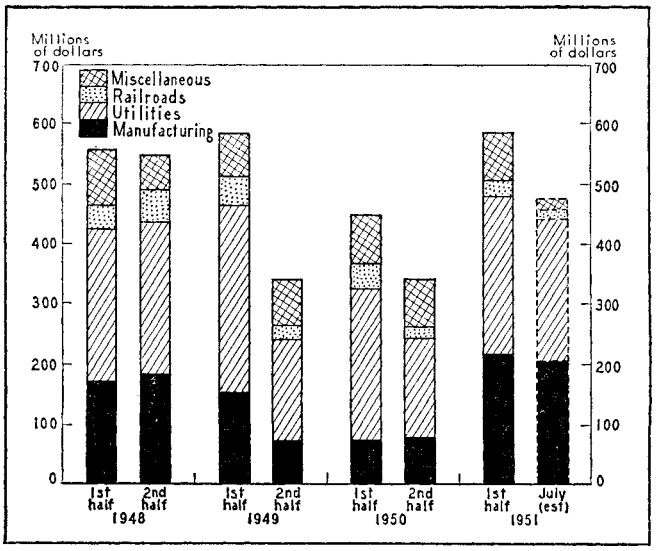
Among the factors inducing the increasing caution with which investors and traders approached the stock market after the early part of May were the apparent relaxation of inflationary pressures, expectations of reduced corporate profits (owing, in part, to a reduction in, or elimination of, inventory profits and in part to higher Federal corporate income taxes) and apprehensions of a possible resultant decline in dividend payments. In general, higher-grade stocks resisted the downward movement most successfully, while lower-priced shares showed the greatest markdowns. Lower-priced shares along with the railroad stocks were the only major groups whose prices were at or below quotations prevailing toward the close of 1950. The railroad shares fell about 13 per cent from the May 9 high point, considerably more than the average decline for the market as a whole. Disappointing first-quarter earnings reports in view of the large volume of traffic handled, a rejection of requested increases in freight rates, and a general feeling among investors that a slowdown of the rearmament program would follow cease-fire negotiations in Korea and would have an adverse effect on carloadings were principal factors in the decline in railroad share prices. The utility shares, on the other hand, which had been considered a poor inflation hedge and had risen only 15 per cent during the preceding upswing showed great resistance to a downward movement, and prices of these issues were at their high points toward the close of July.

New Issues

Financing of record-breaking plant and equipment expenditures brought a very sharp expansion in the offerings of new bonds and stocks. It is estimated that securities floated for new capital purposes aggregated 3.8 billion dollars in the first seven months of 1951, which if realized will be the largest total on record with the exception of 1929, and more than one-third greater than the flotation in the corresponding months of 1950 (2.8 billion dollars). Reflecting especially heavy capital outlays for new manufacturing facilities, related in considerable part to the defense program, new securities offered by manufacturing corporations increased most rapidly, as shown in the accompanying chart. Offerings of manufacturing corporations in the first seven months of this year exceeded those for the entire year of 1950. New public utility issues rose less rapidly, reflecting the greater stability of that industry's capital expansion program. Despite higher capital disbursements, the railroads actually floated 30 per cent less securities than last year. Part of these capital expenditures were financed through the banks and other institutions on conditional sales contracts.

With the obvious exception of refunding issues, which fell

Corporate Security Issues for New Capital by Industry
(Monthly averages; half-year periods from 1948, and July 1951)



Source: *Commercial and Financial Chronicle*, classified by industry by the Board of Governors of the Federal Reserve System. First half of 1951 partly estimated by the Board of Governors; July 1951 estimated by the Federal Reserve Bank of New York.

by about 70 per cent from last year's total, declining bond prices failed to reduce the volume of corporate financing. The volume of bond issues was almost 50 per cent higher in the first seven months of 1951 than in the same period last year. Decreased prices, however, did increase the difficulties of marketing new securities. Higher yields had to be conceded in order to move new bond issues, and the differential in yields between new and outstanding bond issues has widened considerably since February. Thus, the somewhat higher yields, as compared with seasoned issues, customarily offered on new issues as an inducement to investors to buy, had to be increased. The spread between large new and outstanding corporate bond issues rose to as much as 20 basis-points in the second quarter of 1951, more than three times the average spread for the final quarter of 1950. There were also numerous instances in which new issues had to be sold by underwriters at large concessions from original offering prices. In addition, a number of new issues were postponed or canceled. In most instances, postponement of new long-term financing that had already reached the issuing stage was only temporary, with some corporations seeking short-term credit accommodation from the banks, pending a stabilization of bond market conditions. In a few cases, fully prepared capital projects were suspended altogether. No data can be assembled, of course, for the borrowing projects which were only in the process of initial formulation, and which have since been postponed or suspended. With the improvement in prices of outstanding bonds in July, the new issue market developed a better tone. New flotations of corporate securities (and municipal issues as well) were received favorably by investors.

The fact that new issues, particularly bond issues, continued to be offered in large volume even though prices were declining during most of 1951 is attributable not alone to the huge corporate capital expenditures programmed for the year, but also may be traced to some extent to the fact that much current corporate financing had been privately arranged for with life insurance companies early this year or in the closing months of last year, and was not affected by subsequent interest-rate developments since the terms of financing are usually set at the time such arrangements are made. As a consequence, new privately placed issues during the first half of 1951 accounted for 40 per cent of total corporate financing, as against 30 per cent in the corresponding period of 1950.

For those new issues not covered by commitments, the deterrent effect of the increased borrowing cost for new projects may have been more than offset by the high Federal tax on corporate incomes, including the excess profits tax. Under the new excess profits tax, in certain instances, the reduction in taxes resulting from increased borrowing may offset, or even exceed, the interest charges on the new money.

Lenders have apparently been satisfied to obtain higher rates for their funds without seeking more restrictive terms from corporations, except for insisting upon higher call prices to minimize the calling of securities (and their refunding at lower rates) in the event of an upturn in the bond market at some future time. New bond issues in the last three months have generally carried the same maturities as in preceding months, and there appears to have been no acceleration of amortization payments (which might have been a further deterrent to new financing). In addition, a large proportion of new bond offerings represented the financing of defense facilities which had to be effected despite increases in interest costs.

Nevertheless, it was more difficult to obtain new money where borrowers had not previously arranged for commitments from institutional investors. As already noted, the restriction of Federal Reserve credit and declining bond prices made it more difficult and costly for institutions which had not covered their excess commitments by accumulating Treasury bills, other short-term securities, and extra cash, to dispose of long-term Treasury bonds to meet the heavy demands on their funds. Thus, corporations which had not obtained commitments for financing in advance found that money was not readily available during the second quarter of the year (although some improvement in availability took place in July). The chief source of uncommitted funds was the pension funds, which could at best provide only a relatively small volume of funds over any short period of time. Some of the smaller life insurance companies which do not have ready access to private placements were also in a position to take on new, publicly offered corporate bonds, but again, the aggregate volume of their purchases was not large.

The tightness in the bond market may have been responsible for some part of the increase in corporate issues of new common stocks that took place in the second quarter of the year. However, that period is usually one of seasonal increase in new stock offerings, and the fact that stock prices were high, having reached a new peak in May, also stimulated equity capital financing. Much of the new stock financing, furthermore, consisted of public utility issues undertaken by gas and electric utility companies which had recently increased their flotations of bond issues and were therefore meeting additional needs for funds through stock offerings to maintain an appropriate balance in their capital structures as between debt and equity issues. One further stimulant to the sale of new common stock issues is the fact that stockholders are permitted under Regulations T and U to subscribe for and carry them at the low margin of 25 per cent, thus providing a substantial yield on funds invested in such issues. This has been considered an important factor in the success of such stable dividend issues as those of the public utility corporations.

The combined volume of new preferred and common stock issues (estimated at 839 million dollars) in the seven months of this year was only 7 per cent higher than in the corresponding period of 1950. However, common stock issues alone in January through July of this year exceeded the corresponding total for the first seven months of 1950 by more than two

fifths, and just about equaled the total for the entire year of 1950. Flotations of new preferred stocks in the first seven months of 1951, on the other hand, were considerably less than for the same period of last year, reflecting a drop of eight per cent in the average prices of better-grade preferred stocks since the end of 1950, in sympathy with the decline in prices of high-grade bonds.

Rising bond yields may have had some effect on new municipal financing, and there have been some rejections of proposed offerings as a result of the voluntary credit restraint program. The volume of State and local government securities for new capital purposes was estimated at 1.7 billion dollars for the first seven months of 1951, 500 million, or somewhat less than one fourth, below the 2.2 billion dollars floated in the corresponding period of 1950. This decline in new offerings came in the face of an expansion of State and local public construction of about one sixth. More than one half of the decrease in new issues, however, was due principally to the fact that last year's total included one especially large bonus issue. As a partial offset, however, this year's total included the first offering of 171 million dollars of local public housing bonds secured by a pledge of annual contributions of the Federal Public Housing Authority, virtually guaranteeing payment of debt service on the bonds being floated.

Although the supply of new tax-exempt issues in the first seven months of 1951 was considerably below the volume of the corresponding period of 1950, the decreased volume had to be distributed principally among individual investors and, because of the progressive nature of Federal tax rates on personal incomes, sharp increases in yield were necessary. Moreover, municipal dealers had built up substantial inventories during the bull market of the second half of 1950, and these inventories, in the face of the competition of the new offerings and the diminished demand, added to the pressure on prices.

TREASURY FINANCING IN THE FISCAL YEAR 1951

Despite a rise of 8.9 billion dollars in national defense and related outlays in the first year of our rearmament effort, the Treasury in the fiscal year ended June 30, 1951 obtained a cash surplus of 7.6 billion dollars. In the preceding fiscal year, the Treasury had disbursed 2.2 billion dollars more than it had received from the public. Thus, the net change in the cash position from fiscal 1950 amounted to some 9.8 billion dollars. This is the fourth time in the six years since the end of World War II that the Treasury's cash income exceeded its outgo.

The change to a cash surplus in the twelve months ended June 30 from a cash deficit in fiscal 1950 reflected both changed economic conditions and the higher tax rates imposed by Congress to help defray the costs of the rearmament program. When the new tax programs were adopted, it was estimated that somewhat less than 4.0 billion dollars additional income would be raised from the change in the tax structure, on the basis of the estimates of personal and corporate income then considered likely. Higher tax rates had also been expected to provide a small additional amount during fiscal 1951 from old-age insurance contributions. Both private and corporate incomes rose throughout the year, however, and by the end of June the Treasury had collected 12.5 billion dollars more from the public than in fiscal 1950. At the same time, income-responsive expenditures contracted substantially as the need for Federal aid declined, and 5.5 billion dollars less was disbursed in fiscal 1951 by the Government for such programs (including price-support purchases of farm products, international economic and veterans' aid, and unemployment insurance compensation) than in the preceding year when the economy was gradually recovering from the inventory recession of 1949. Also, a sizable nonrecurring reduction in outlays by the National Service Life Insurance Fund occurred. In the preceding fiscal year, this Fund had disbursed some 2.6 billion dollars in payment of a large accumulated special dividend, whereas in fiscal 1951 only some 200 million was paid in dividends. Altogether, these changes improved the cash position by over 20.5 billion dollars. The steady rise in national defense outlays, of course, added 8.9 billion dollars to expenditures in fiscal 1951 and other cash expenditures required some 1.8 billion dollars more than in the preceding fiscal year. Almost half of the additional nondefense outlays were made for higher old-age benefits under the amendments to the Social Security Act adopted last summer. Also in fiscal 1951 the cashing of outstanding checks

Government Financing, Fiscal Years 1951 and 1950
(In billions of dollars)

Source of funds and change in debt	1951	1950
Cash income	53.5	41.0
Cash outgo	45.9	43.2
Net cash income (+) or outgo (−)	+ 7.6	− 2.2
Change in General Fund*	− 1.8	− 2.0
Cash redemptions (−) or borrowings (+)	− 5.8	+ 4.2
Government corporation debt	+ 0.4	†
Direct public debt	− 6.2	+ 4.2
Nonmarketable#	− 2.4	+ 4.0
Marketable	− 3.8	+ 0.2
Attrition	− 3.9	− 1.8
Scheduled borrowing (+) or repayment (−)	+ 0.1	+ 2.0
Direct noncash borrowing	+ 4.0	+ 0.3
Direct cash borrowing	− 6.2	+ 4.2
Direct public debt	− 2.1	+ 4.6
Balance in the General Fund, June 30	7.4	5.5

* The minus signs indicate the use of a surplus or borrowed funds to increase the balance.
\# Includes market purchases of Treasury securities by Government corporations and trust funds.
† Less than 50 million dollars.
Note: Because of rounding, figures do not necessarily add to totals.
Source: *Daily Statement of the United States Treasury* and *Treasury Bulletin*. Partly estimated by the Federal Reserve Bank of New York.

added over 200 million dollars to expenditures, whereas in the preceding fiscal year there was an accumulation of nearly 500 million in uncashed checks; this shift in outstanding checks accounted for 700 million dollars of the increase in disbursements.

While rising incomes and inflationary conditions in fiscal 1951 were largely responsible for improving the Treasury's net cash receipts from regular operations, the changed economic situation and the measures taken to restrain the inflationary forces, on the other hand, produced a large drain on the Treasury's cash assets through its transactions in the public debt. Whereas in fiscal 1950 the Treasury had obtained 4.2 billion dollars from the net sale of securities, largely on the initiative of private investors who purchased substantial amounts of Savings notes and bonds during a period of declining market rates, in the past fiscal year the Treasury was required to redeem, net, some 5.8 billion dollars of Government securities. Attrition (i.e., the unexchanged portion) on maturing or called securities alone required 3.9 billion dollars; customary rates of cash redemptions were exceeded, as investors found the terms offered by the Treasury unattractive in view of the rise in market yields on other securities. Rising market rates and inflationary conditions also contributed to the dampening of investor interest in the nonmarketable fixed-rate Savings bonds and notes, and the Treasury redeemed, net, 1.1 billion dollars of these securities. Thus, the Treasury actually retained only 1.8 billion dollars of its large cash surplus from regular operations, and by the end of the fiscal year it held some 7.4 billion in the General Fund to cover operations in the coming months. In the January *Budget,* at the beginning of 1951, a balance of 5.5 billion dollars was indicated as desirable.

Official statements suggest that the Treasury now expects to disburse around 6 billion dollars more than it will receive in cash operating income under existing tax legislation in the current fiscal year. An anticipated gain in receipts, arising from the full impact of the tax changes made last year and a prospective rise in incomes in this period, is expected to cover less than half of the 25 billion dollar rise in cash outlays anticipated as the defense program moves from the retooling to the mass production stage. With a favorable exchange experience on the over 55.1 billion dollars in issues (aside from bills) maturing or becoming callable in the current fiscal year, the Treasury would have to redeem close to 3 billion dollars from attrition on marketable issues. Whether transactions in Savings bonds and notes will require or provide additional large amounts of cash is not clear at this time. But aside from its results with Savings bonds and notes, the Treasury under current expectations would need to borrow over 7 billion dollars, unless new taxes are imposed, to cover both operating and debt requirements and keep a General Fund balance of 5.5 billion dollars in the current fiscal year.

Budget Accounts

Budgetary receipts in the past fiscal year ended in June amounted to 48.1 billion dollars and, since expenditures of 44.6 billion dollars were charged to these accounts, the Treasury in fiscal 1951 recorded a budgetary surplus of 3.5 billion dollars (as contrasted with the over-all cash surplus of 7.6 billion dollars). Nearly all of the budgetary receipts are obtained from the public but a sizable amount of the budgetary expenditures, including transfers and interest payments to trust accounts and the net accrued interest on Savings bonds, are not paid to the public. Thus, while the Treasury recorded a budgetary surplus of 3.5 billion dollars, the cash surplus in the regular budget accounts amounted to 6.1 billion dollars (and in the trust and clearing accounts, to 1.5 billion dollars).

Budgetary receipts in the past fiscal year ended in June were some 11.1 billion higher than in the preceding fiscal year and cash receipts increased by almost the same amount. Budget expenditures in fiscal 1951, at 44.6 billion dollars, were 4.5 billion dollars higher than in the preceding year but cash outlays were around 5.0 billion dollars higher. Noncash outlays, on the other hand, declined some 600 million dollars.

The Treasury collected over 23.2 billion dollars from individuals and 14.5 billion from corporations in the past fiscal year and these taxes alone were some 9.5 billion dollars higher than in fiscal 1950. Higher personal incomes and an increase in tax rates during nine months of the year added some 5.8 billion dollars to individual income taxes, while record profits, the acceleration of tax payments under the Mills Plan, and the imposition of excess profits taxes and higher tax rates on ordinary corporate income raised collections of corporate taxes by about 3.6 billion dollars.

Higher incomes were primarily responsible for the rise in other budgetary receipts in fiscal 1951. Miscellaneous internal revenue (mostly excise taxes), at around 9.4 billion dollars, provided over 1.1 billion dollars more than in fiscal 1950, reflecting mainly the war-inspired spending sprees of both business and consumers, while customs receipts, at over 600 million dollars, were almost 50 per cent higher than in the preceding year, largely as a result of an increase in stockpiling of raw materials by business after the outbreak of the Korean conflict.

Despite a rise of 8.9 billion dollars in expenditures for defense and related programs, budget cash expenditures in fiscal 1951 were only 5.0 billion dollars higher than in the preceding year. Substantial declines in the several budgetary "aid" programs offset more than half of the rise in the defense programs. International economic aid and veterans' aid in fiscal 1951 were around 1.8 billion dollars lower than in the preceding fiscal year, and Government corporations obtained around 300 million in receipts, whereas in fiscal 1950 they had spent 2.1 billion dollars in support programs.

The primary security programs, including defense-related

outlays and international economic aid, amounted to 25.6 billion dollars, or 61 per cent of budget cash expenditures in fiscal 1951. Spending for veterans' aid, interest, and the several support programs administered by Government corporations required another 9.0 billion, or 22 per cent, while the remaining cash programs and the administrative costs of operating the Government amounted to 7.2 billion dollars, or 17 per cent, of budget disbursements.

As the nation moved to support the fight against aggression in Korea and to increase the level of preparedness of our Armed Forces and those of our allies, defense expenditures, including spending for strategic and critical materials, atomic energy, mutual defense assistance, and several smaller but related programs, as well as the military activities of the Defense Department, jumped from 13.3 billion dollars to over 22.1 billion dollars in fiscal 1951. These expenditures rose steadily throughout the year, and by June were at an annual rate of nearly 34 billion dollars.

Economic cash aid to foreign countries (including some 300 million charged to the budget and left in Special Deposits in the trust funds) amounted to 3.4 billion dollars. This represented a decline of nearly 1 billion dollars from the preceding year and was largely accounted for by cutbacks in economic aid through the Economic Cooperation Administration and in spending for government services and relief in foreign countries. It should be noted, however, that total American cash aid to foreign countries, including defense assistance, showed only a small decline in fiscal 1951, the decrease in economic aid being almost offset by the increase in military aid under the Mutual Defense Assistance Program, which is included in defense and related outlays.

Veterans' cash aid still required 5.2 billion dollars despite the decline of 800 million which occurred mainly in the outlays for benefits under the "G. I. Bill". The shift in the transactions of Government corporations arose almost entirely from a change in the activities of the Commodity Credit Corporation. In the twelve months ended June 30, the CCC obtained nearly 600 million dollars from net sales of commodities, whereas in fiscal 1950 it had spent over 1.7 billion dollars, net, for price-support purchases of farm commodities. The Export-Import Bank increased its loan disbursements, and the Home Owners' Loan Corporation, which had largely liquidated its portfolio in the preceding year, showed a drop in receipts from mortgage resales, but these changes were about offset by shifts in the transactions of "Fannie May" (Federal National Mortgage Association) and the Reconstruction Finance Corporation. Net disbursements by "Fannie May" for secondary purchases of guaranteed mortgages, at around 400 million dollars, were somewhat lower than in fiscal 1950 despite a small increase in purchases. Private investors repurchased sizable amounts of mortgages in the early months of the fiscal year before the rise in interest rates on other types of investments made mortgages a relatively less attractive investment. Also, the RFC obtained some net receipts from its activities in fiscal 1951, whereas it had made small net disbursements in the preceding year.

Despite the rise in interest rates during the year, cash interest payments, at over 4.1 billion dollars, were somewhat lower than in fiscal 1950, partly reflecting the decline in the amount of debt outstanding. As in earlier years, a large part of interest, including such payments as interest to the trust accounts and the excess of accrued interest over interest paid on Savings bonds redeemed, did not require an immediate outlay of cash. The noncash interest (1.6 billion dollars in fiscal 1951), in effect, is reinvested immediately in Government securities.

Other budgetary cash expenditures, at 7.2 billion dollars, were about 400 million dollars higher than in the preceding year. The principal increases in cash outlays occurred in spending for public housing and the administration of the Defense Production Act.

The noncash items in the 1951 fiscal budget expenditures, as a whole, amounted to 3.0 billion dollars, or around 600 million less than in fiscal 1950. The decline reflected both a sharp drop in payments to the National Service Life Insurance, following a nonrecurring transfer in fiscal 1950 to cover a revision in the estimates of the war costs, and the issuance of noninterest-bearing notes to the International Monetary Fund in fiscal 1950 when part of the original United States cash subscription was returned. Aside from the interest payments, mentioned above, the noncash charges in the budget expenditures consisted mainly of the transfers made to the trust funds to cover both receipts (the railroad retirement taxes and payroll deductions for Civil Service retirement) and the Government's absorption of a share of the costs of the several funds.

SUBSCRIPTIONS TO MONTHLY REVIEW

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The Federal Reserve Bank of New York also publishes an *Annual Report,* which appears usually in March or April. Upon written application to the Press and Circulars Division, the *Annual Report* will be sent without charge to those interested.

Trust Accounts

Trust account receipts in fiscal 1951, at 7.8 billion dollars, included nearly 900 million in interest and some 1.4 billion in transfers and other payments from the budget accounts. The cash receipts, at 5.6 billion dollars, exceeded cash disbursements from these accounts by 1.7 billion dollars.

Cash receipts from the public by the trust accounts in fiscal 1951 rose by more than 1.5 billion dollars. Contributions to the Old Age and Survivors Insurance Trust Fund alone were some 1.0 billion dollars higher than in the preceding fiscal year, largely as a result of the higher contribution rate (effective for a full year, compared with six months in fiscal 1950) and the greater number of people covered by the program (beginning January 1, 1951) under the 1950 amendments to the Social Security Act adopted last August. The tax rates had been increased on January 1, 1950 to 1.5 per cent from 1 per cent, each, on employers and employees. To some extent, increased employment also was responsible for the rise in these contributions. Deposits by States for unemployment insurance rose nearly 300 million dollars, owing partly to higher employment and partly to the higher rates imposed by several States to restore reserves after the poor employment experience in the preceding fiscal year. A noticeable increase also occurred in premiums received by the National Service Life Insurance Fund, reflecting both the policies taken out by the new members of the Armed Forces and the larger policies obtained by the men already in service in this period of hostilities and rearmament.

Cash payments to the public by the trust funds in fiscal 1951 declined sharply and, at 3.9 billion dollars, were some 3.0 billion dollars less than in the preceding fiscal year. The decline reflected mainly the payment in the preceding fiscal year of a large accumulated special dividend by the National Service Life Insurance Fund. (In fiscal 1950 these payments had amounted to over 2.6 billion dollars, whereas in fiscal 1951 only some 200 million was disbursed.) A substantial decline of 1.0 billion dollars also occurred in withdrawals by States for the payment of unemployment compensation, but this decline was offset to a large extent by a rise in benefit payments by the Old Age Fund resulting from the revised benefit scale and the liberalization of the eligibility qualifications under the revisions enacted in August 1950.

Changes in the Public Debt

Cash redemptions of debt and market purchases amounted to nearly 6.2 billion dollars during the year. Noncash borrowing mainly from the trust funds and the net increase in accrued interest, however, amounted to 4.0 billion dollars in fiscal 1951. Thus, the Public Debt declined only 2.1 billion dollars and on June 30 it amounted to 255.2 billion dollars.

A substantial shift from marketable to nonmarketable debt occurred during the year as a result of the exchange on April 1 of nearly 13.6 billion dollars of the longest-term bank-restricted bonds of June 15 and December 15, 1967-72 for a new issue of 2¾ per cent nonmarketable bonds callable in 1975 and maturing in 1980, and exchangeable for marketable five-year 1½ per cent notes (at the option of the holder). Almost 8.0 billion of the new nonmarketable bonds were taken by private investors, while the Federal Reserve Banks and Treasury trust accounts took the remainder.

Another novel financing offer by the Treasury in this period was made to the holders of the Series E bonds which began maturing in May. On January 18, the Treasury announced it planned as an alternative to cash redemption, if the holders so desired, to continue automatically the interest on these issues or to exchange the bonds into current income Series G Savings bonds. The automatic extension of interest became possible under a law signed by the President on March 26. Preliminary reports indicate that most holders of the E bonds which matured in May and June accepted the extension offer.

ELECTRIC POWER OUTPUT

The indexes of electric power output in the United States and in New York and New Jersey which appear in the table of Business Indicators measure changes in the daily average production of electric energy by utilities. Basic data for these series are released regularly by the Federal Power Commission in the form of total monthly production measured in kilowatt-hours. This bank converts the basic data to index numbers. The first step is to determine average daily production for each month (Saturdays, Sundays, and holidays are given lesser weights than regular working days in computing the averages). These averages are then put on a 1935-39 base, and are adjusted for seasonal fluctuations. This procedure improves the value of the data as indicators of business conditions, because electric energy production is significantly affected by the number of working days per month and by normal seasonal differences in the need for light, heat, and industrial power.

The Federal Power Commission supplies statistics on electric energy produced by both electric utility companies and power plants of industrial establishments. The index numbers shown here are based on the output of utilities only. Privately owned utility companies are covered as well as the publicly owned group, which includes municipal electric utilities, Federal projects, rural electrification cooperatives, power districts, State power projects, and "noncentral stations". The noncentral stations provide power chiefly for public street lighting, water pumping, sewage disposal, and similar functions. The statistics are compiled from monthly reports submitted to the FPC by substantially all electric utilities. Power generated by indus-

trial firms for their own use and energy used by street and interurban railways and electrified steam railroads, which combined account for about 15 per cent of all electric power production, are excluded from the data upon which the indexes are based because comparable figures are not available prior to 1945.

The index numbers presented in the table of Business Indicators are available for both the United States and for New York-New Jersey from January 1935 to date, and may be obtained from the Domestic Research Division, Research Department, of this bank on request. Annual indexes for the United States date back to 1920. The basic statistics are published monthly by the FPC in a release entitled *Production of Electric Energy in the United States,* and are subject to minor revisions for a period of one or two years. An annual publication by the same agency, *Production of Electricity and Capacity of Generating Plants,* gives detailed information by States on electric utility generation and capacity by type of prime mover and by class of ownership. Weekly statistics with similar coverage are prepared by the Edison Electric Institute.

The significance of these indexes as indicators of business trends stems from the almost complete dependence of modern industrial methods upon electricity. In the past, there has been a high degree of correlation between short-term movements in seasonally adjusted electric power output and changes in business activity. Industrial users, however, absorb only about a half of total output; and commercial and residential users, the remainder. Commercial and residential consumption of electricity is only slightly affected by changes in business conditions, and fluctuations in total electric power ouput are thereby moderated. In addition, over short periods electric power use may be affected by abnormal weather conditions.

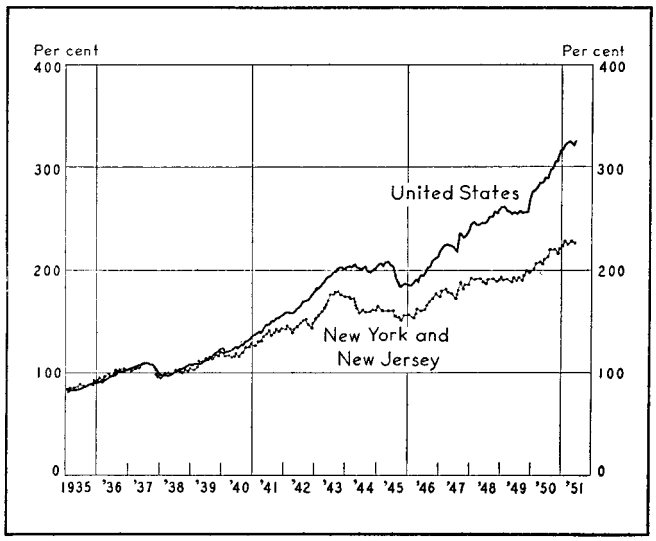
In using these indexes as business indicators, allowance should be made for the strong upward trend in electric power sales. As shown in the accompanying chart for the years since 1935, electric power production has expanded sharply and almost consistently. In June of this year the index of electric power ouput in the United States was 325 (1935-39=100). In comparison, the index of industrial production, also on a 1935-39 base, was 222. Part of this tremendous growth is

Business Indicators

Item	Unit	1951 June	1951 May	1951 April	1950 June	Percentage change: Latest month from previous month	Percentage change: Latest month from year earlier
UNITED STATES							
Production and trade							
Industrial production*	1935-39 = 100	222*p*	223	223	199	#	+ 12
Electric power output*	1935-39 = 100	325	320	325	289	+ 2	+ 13
Ton-miles of railway freight*	1935-39 = 100	190*p*	200*p*	220	179*r*	− 5	+ 6
Manufacturers' sales*	billions of $	23.0*p*	23.9	22.4	19.8	− 4	+ 16
Manufacturers' inventories*	billions of $	39.8*p*	38.9	37.8*r*	30.0	+ 2	+ 33
Manufacturers' new orders, total	billions of $	23.4*p*	23.3	23.9	20.7	− 4	+ 8
Manufacturers' new orders, durable goods	billions of $	12.1*p*	11.8	12.6	9.8	+ 3	+ 23
Retail sales*	billions of $	11.9*p*	12.1	12.0	11.7	− 2	+ 1
Residential construction contracts*	1923-25 = 100	295*p*	276	283	325	+ 7	− 9
Nonresidential construction contracts*	1923-25 = 100	447*p*	430	446	262	+ 4	+ 71
Prices, wages, and employment							
Basic commodity prices†	Aug.1939 = 100	351.2	367.1	373.9	266.4	− 4	+ 32
Wholesale prices†	1926 = 100	181.7*p*	182.9	183.6*r*	157.3	− 1	+ 16
Consumers' prices†	1935-39 = 100	185.2	185.4	184.6	170.2	#	+ 9
Personal income* (annual rate)	billions of $	—	249.5*p*	249.0	219.0	#	+ 15
Composite index of wages and salaries*	1939 = 100	—	223*p*	222	207	#	+ 8
Nonagricultural employment*	thousands	46,467*p*	46,472	46,372*r*	44,010	#	+ 6
Manufacturing employment*	thousands	16,002*p*	16,067	16,074*r*	14,802	#	+ 8
Average hours worked per week, manufacturing†	hours	40.8*p*	40.7	41.0	40.5	#	+ 1
Unemployment	thousands	1,980	1,609	1,744	3,384	+23	− 41
Banking and finance							
Total investments of all commercial banks	millions of $	71,190*p*	70,600*p*	71,040*p*	76,972	+ 1	− 8
Total loans of all commercial banks	millions of $	55,040*p*	54,460*p*	54,350*p*	44,796	+ 1	+ 23
Total demand deposits adjusted	millions of $	89,470*p*	89,500*p*	89,500*p*	85,040	#	+ 5
Currency outside the Treasury and Federal Reserve Banks*	millions of $	27,686	27,516	27,398	27,162	+ 1	+ 2
Bank debits* (U. S. outside New York City)	billions of $	85.7	88.2	85.4	74.9	− 3	+ 14
Velocity of demand deposits* (U. S. outside New York City)	1935-39 = 100	102.8	102.8	105.1	93.5*r*	#	+ 10
Consumer instalment credit outstanding†	millions of $	—	12,913*p*	12,905	12,105	#	+ 11
United States Government finance (other than borrowing)							
Cash income	millions of $	7,441*p*	4,148	2,960	4,687	+79	+ 59
Cash outgo	millions of $	5,297*p*	5,154	4,144	4,061	+ 3	+ 30
National defense expenditures	millions of $	2,803*p*	2,679	2,386	1,107	+ 5	+153
SECOND FEDERAL RESERVE DISTRICT							
Electric power output*‡ (New York and New Jersey)	1935-39 = 100	227	229	227	211	− 1	+ 8
Residential construction contracts*	1923-25 = 100	—	175*p*	182*r*	186	− 4	− 6
Nonresidential construction contracts*	1923-25 = 100	—	201*p*	215	186	− 6	− 6
Consumers' prices† (New York City)	1935-39 = 100	180.5	181.4	180.6	167.0	#	+ 8
Nonagricultural employment*	thousands	—	7,305.3*p*	7,319.6	7,001.3	#	+ 5
Manufacturing employment*	thousands	2,672.2*p*	2,661.5	2,670.9	2,475.9	#	+ 8
Bank debits* (New York City)	billions of $	45.0	46.3	46.4	40.5	− 3	+ 11
Bank debits* (Second District excluding N. Y. C. and Albany)	billions of $	3.7	4.0	3.7	3.2	− 6	+ 15
Velocity of demand deposits* (New York City)	1935-39 = 100	119.5	111.6	119.9	106.5*r*	+ 7	+ 12

p Preliminary. *r* Revised. † Seasonal variations believed to be minor; no adjustment made.
* Adjusted for seasonal variation. ‡ Corrected series.
\# Change of less than 0.5 per cent.
Source: A description of these series and their sources is available from the Domestic Research Division, Federal Reserve Bank of New York, on request.

Electric Power Output
(Adjusted for seasonal variation; 1935-39 average=100 per cent)



Source: Converted to a 1935-39 base and adjusted for seasonal variation by the Federal Reserve Bank of New York from basic data released by the Federal Power Commission.

explained by the intensified use of electric power, development of new uses, and the extension of electric facilities to hitherto unelectrified areas over the years. Despite these drawbacks to their use as a measuring rod, the electric power data are easily and directly obtained and may be used as a check against more complex indicators of business activity—such as industrial production and personal income—which are compiled from many different sources and involve painstaking computations.

Electric Power Output
(Adjusted for seasonal variation; 1935-39 average=100 per cent)

Month	United States	New York and New Jersey*
1950		
January	276	199
February	277	201
March	280	206
April	284	207
May	284	206
June	289	211
July	288	213
August	297	219
September	298	220
October	306	220
November	306	217
December	316	221
1951		
January	318	224
February	322	228
March	323	225
April	325	227
May	320	229
June	325	227

* Revised indexes.
Source: Converted to a 1935-39 base and adjusted for seasonal variation by the Federal Reserve Bank of New York from basic data released by the Federal Power Commission.

Growth in electric power output in the New York-New Jersey area since 1935 has been much slower than in the nation as a whole, chiefly because this heavily industrialized area was already largely electrified by the mid-1930's. The index for this area in June was 227, compared with 325 for the United States. Indexes of electric power production in the United States during 1950 and the first six months of 1951, together with revised indexes for New York and New Jersey, are shown in the table.

DEPARTMENT STORE TRADE

Faced with the extremely difficult task of "beating last year's figures", merchandisers in many Second District department stores attempted to do just that during July with extensive promotions, which in some instances were virtually store-wide. The degree of success of these promotional efforts is indicated by the comparison of department store sales during July with the inflated dollar volume associated with the "scare buying" of July 1950. According to preliminary data, Second District department store sales fell only about 6 per cent short of equaling the dollar volume of July 1950. It should be pointed out, however, that the rise in prices of department store merchandise of approximately 10 per cent since July 1950 was a major influence in achieving this relatively favorable comparison with the July 1950 level of department store sales.

Department Store Credit

One of the more noteworthy aspects of department store trade in this District during the first half of 1951 was the gradual decrease of instalment sales as a per cent of total sales during a period of relatively strong retail activity in the major household durables lines. As indicated in the accompanying table, the relation between instalment sales and total sales has recently been virtually the same as that prevailing during the

Sales by Type of Transaction and Sales of Durable Goods* at Second Federal Reserve District Department Stores, January-June 1951

Month	Cash sales	Charge account sales	Instalment sales	Durable goods sales
	Percentage change, 1950 to 1951			
January	+23	+45	+23	+41
February	+15	+23	+19	+29
March	+ 4	+15	+ 5	+ 2
April	− 1	+ 2	+ 5	+24
May	+ 8	+ 4	− 3	− 6
June	+15	+ 5	+ 7	+19

Percentage of total sales

	1951	1950	1951	1950	1951	1950	1951	1950
January	59	62	30	27	11	11	19	17
February	60	62	28	26	12	12	21	20
March	60	62	29	27	11	11	16	17
April	60	61	29	28	11	11	17	14
May	61	60	29	29	10	11	14	15
June	64	62	26	28	10	10	15	14

*Includes only data for furniture and bedding, domestic floor coverings, major household appliances, and radio and television sales.

first six months of 1950. The decline in the importance of instalment sales in Second District department stores in recent months is significant in that during the last half of 1950 instalment sales were as high as 14 per cent of total sales, principally because of the intensive purchasing of consumer durables which occurred after the start of the Korean war.

As previously mentioned, the leveling off of the relative importance of instalment purchases in Second District department stores, during the first half of this year, was not accompanied by a similar movement in the sales of consumer durables. As a matter of fact, retail purchases of this merchandise surpassed year-ago levels both in dollar volume and as a proportion of total sales. Inasmuch as instalment transactions normally account for the major share of the sales of household durables, the increased importance of the sales of this merchandise and the concurrently declining position of instalment sales as a percentage of total sales are indicative of a tendency on the part of consumers to make less use of instalment credit rather than a lack of consumer interest in these goods. Moreover, these may suggest the unwillingness of some consumers (in view of the currently large holdings of individual liquid assets and the high level of personal income) to pay service charges on instalment purchases which now require substantial down payments and shortened repayment periods. Under these conditions, instalment buying for some consumers may appear nearly as burdensome financially as cash or charge account payments. There is little doubt, however, that there have been some deferments of durable goods purchases owing to the down payment requirements and shortened repayment schedules called for under the terms of Regulation W.

While the proportion of instalment sales to total sales had remained fairly constant, charge account purchases during the first quarter of this year increased sharply from year-ago levels, not only in terms of dollar volume, but also as a per cent of total sales. As a result, the proportion of *credit* sales—charge account plus instalment—to total department store sales was somewhat higher than in the corresponding period a year ago. By the end of the second quarter, however, the proportion of *cash* sales to total sales had risen above the comparable year-earlier level largely as a result of the "price war" which occurred in New York City during June. The merchandise affected by the "price war" included few, if any, "big-ticket" items; hence, watchful customers were well able to make immediate cash purchases when the price was "right".

As a result of the decline in the importance of instalment sales at Second District department stores, the value of instalment accounts outstanding at the end of May, although considerably above the May 1950 level, was well below the amount uncollected on December 31, 1950. The index of instalment accounts receivable of Second District department stores was 190 per cent of the 1941 average on May 31, 1951, or 14 per cent lower than the level of December 31, 1950. Moreover, at the May 1951 rate of collection, instalment accounts outstanding on May 1 would be liquidated in about 11½ months, or only about 1½ months longer than at the same time last year.

By the end of May there had also been a marked drop in charge account receivables, due primarily to a sharp increase in the rate of collection during the preceding three months. This increase in the collection ratio reduced the average repayment period on charge accounts outstanding to 65 days, or 6 days less than the average repayment period of May 1950.

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

Item	1951			1950
	June	May	April	June
Sales (average daily), unadjusted	254	238	232	229r
Sales (average daily), seasonally adjusted	267	243	252	241r
Stocks, unadjusted	274	294	306	209
Stocks, seasonally adjusted	290	290	297	222

r Revised.

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

Locality	Net sales		Stocks on hand June 30, 1951
	June 1951	Jan. through June 1951	
Department stores, Second District	+11	+12	+31
New York City	+14	+12	+34
Nassau County	+15	+21	+21
Northern New Jersey	+ 9	+14	+34
Newark	+11	+14	+35
Westchester County	+34	+20	+21
Fairfield County	+ 5	+13	+23
Bridgeport	+ 6	+14	+24
Lower Hudson River Valley	− 3	+ 4	+18
Poughkeepsie	− 3	+ 5	+21
Upper Hudson River Valley	+ 6	+14	+17
Albany	+ 9	+17	+22
Schenectady	− 1	+10	+13
Central New York State	+ 6	+11	+34
Mohawk River Valley	+ 6	+ 9	+23
Utica	+ 9	+ 8	+24
Syracuse	+ 6	+12	+41
Northern New York State	+11	+ 9	+14
Southern New York State	− 1	+11	+19
Binghamton	− 4	+ 9	+16
Elmira	+ 1	+16	+25
Western New York State	+ 4	+11	+27
Buffalo	+ 4	+12	+29
Niagara Falls	+ 5	+ 9	+26
Rochester	+ 3	+11	+25
Apparel stores (chiefly New York City)	− 3	+ 5	+23

NATIONAL SUMMARY OF BUSINESS CONDITIONS

(Summarized by the Board of Governors of the Federal Reserve System, July 30, 1951)

Industrial production in June was at about the same level as during the first five months of this year, but a somewhat more than seasonal decline is indicated in July. Prices of raw materials have decreased further in the first three weeks of July owing in part to prospects of near record crops. Consumer buying of automobiles and department store goods has been maintained, however, for this season of the year. The rate of Federal defense expenditures has continued to rise considerably.

Industrial Production

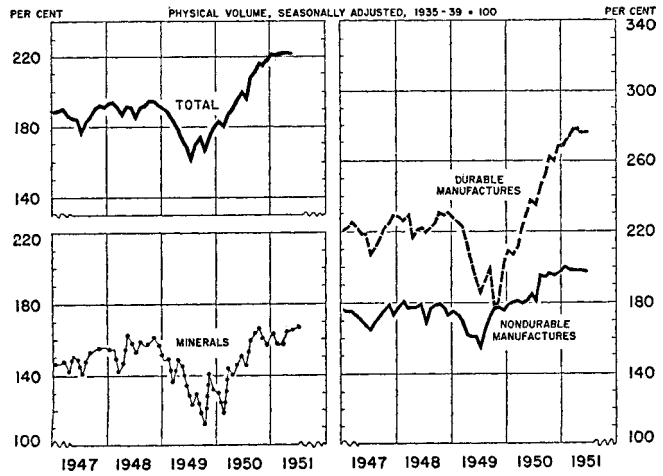
The Board's index of output at factories and mines in June was 222 per cent of the 1935-39 average, and 12 per cent greater than a year ago. Preliminary indications are that the index may decline to around 215 in July owing mainly to vacation shutdowns in nondurable goods industries, which are not currently allowed for in the index, and a further restricted volume of auto assemblies.

Total durable goods output was maintained in June as further increases in industrial and military equipment offset additional curtailments in output of furniture and other household goods. Although increasing only moderately in recent months, machinery output has risen more than 25 per cent in the past year. Output of aircraft and ordnance has practically doubled since last June. Reflecting capacity limitations, production of basic metals has changed little in recent months.

A slight decline in nondurable goods production reflected largely a further easing in demand for textile and paper products. By June, output of these and some other nondurable goods was only moderately below earlier peak rates but larger than seasonal declines are indicated in July.

Output at mines was at a record level in June, reflecting an increase in coal in anticipation of the vacation period for miners in July, and a slight further expansion in crude petroleum.

INDUSTRIAL PRODUCTION



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

Construction

Construction contract awards, which rose to an unprecedented total in May as a result chiefly of almost 1 billion dollars of publicly financed Atomic Energy awards, declined in June to about the April total. Private awards also fell off following a marked rise in May. Private housing starts in June remained substantially below last year's high level, but because of an exceptionally large volume of publicly financed units started, the total was only moderately below a year ago.

Employment

Employment in nonagricultural establishments in June, after adjustment for seasonal variation, was maintained at the record May level. The workweek in manufacturing industries continued to average close to 41 hours; average hourly earnings advanced further by about 2 cents to $1.60 per hour. Unemployment this June was at the lowest level for any June since 1945.

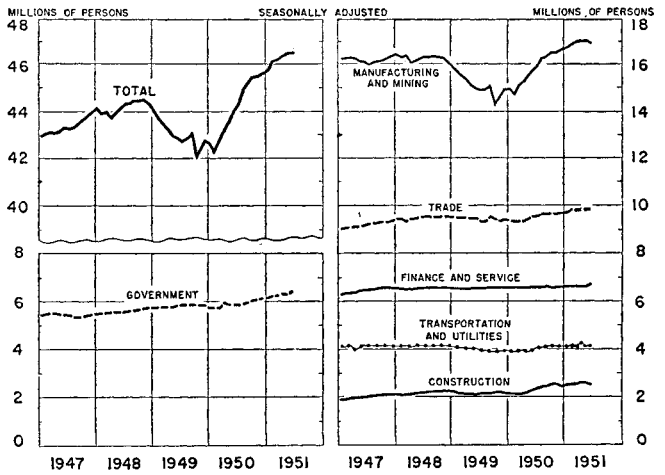
Agriculture

Crop production, based on July 1 conditions, was officially forecast to be close to the 1948 record and 7 per cent above last year. Cotton acreage was indicated to be three-fifths greater, and somewhat larger hay and grain crops were forecast. Milk and egg production in June was at last year's level. Marketings of meat animals, however, in June and the first three weeks of July have fallen about 5 per cent below year-ago levels.

Distribution

The seasonally adjusted total value of retail sales has continued to show little change from the reduced level reached in April. Durable goods sales were somewhat lower in June owing largely to a further decline in sales of building materials

EMPLOYMENT IN NONAGRICULTURAL ESTABLISHMENTS



Bureau of Labor Statistics' estimates adjusted for seasonal variation by Federal Reserve. Proprietors and domestic servants are excluded. Mid-month figures; latest shown are for June.

and hardware. Department store sales showed somewhat less than the usual seasonal decline from June to the first three weeks in July. Value of department store stocks declined moderately further in June, but was still about 30 per cent above a year ago.

Commodity Prices

The general level of wholesale commodity prices has declined since mid-June, to a level about 3 per cent below the high reached in mid-March. As during earlier months, the recent decline has reflected chiefly decreases in prices of industrial materials. Spot cotton prices, which had held at ceiling levels until July 3, dropped rapidly following the release on July 9 of the Government acreage report, which indicated a crop even larger than had been anticipated earlier. Wholesale prices of most finished goods have been maintained, although reductions have recently become more numerous reflecting reduced inventory demands and further declines in prices of some materials.

Consumer prices eased slightly in June, but the index was 9 per cent above June 1950. Only rents increased slightly further.

Bank Credit and the Money Supply

Business loans outstanding at banks in leading cities increased in June but declined somewhat in the first half of July. Loans for defense-supporting activities, including principally loans to metal manufacturers and public utilities, expanded further, while loans to processors of agricultural commodities were reduced further.

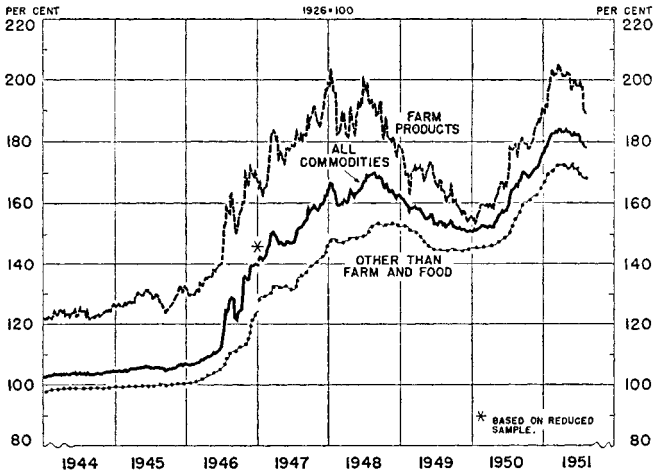
Deposits and currency held by businesses and individuals increased somewhat during June but showed little further change in early July. In June, the rate of use of demand deposits at banks in leading cities outside New York, on a seasonally adjusted basis, remained at the high May level.

Average interest rates charged by commercial banks on short-term business loans rose slightly further from March to June in all areas of the country.

Money Markets

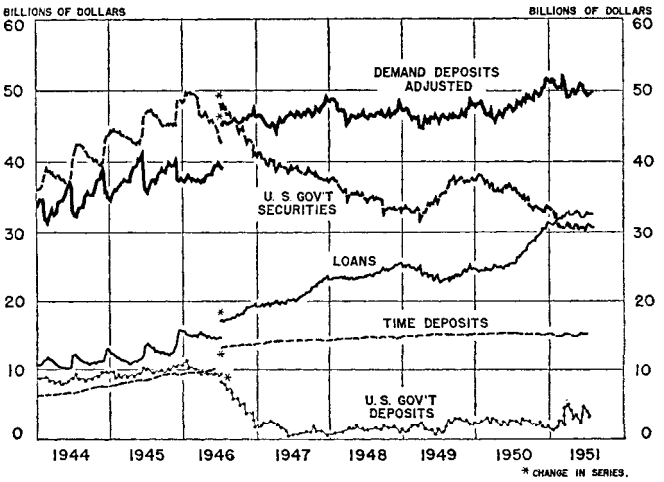
Yields on Government securities generally declined slightly in the first three weeks of July. The Treasury increased the bill offering by 200 million dollars each week. On July 12 the Secretary of the Treasury announced the offering of an 11-month 1⅞ per cent certificate of indebtedness to holders of the Treasury notes maturing August 1.

WHOLESALE COMMODITY PRICES



Bureau of Labor Statistics' indexes. Weekly figures; latest shown are for week ended July 24.

MEMBER BANKS IN LEADING CITIES



Wednesday figures; latest shown are for July 18.