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MONEY MARKET IN APRIL

Member bank reserve positions became progressively easier during April, as the volume of reserves available to the banking system expanded and the distribution of the reserves among banks improved. Reflecting these developments, average member bank borrowings from the Reserve Banks declined to the nominal figure of 136 million dollars for the four statement weeks ended April 28 while average free reserves (the difference between excess reserves and member bank borrowings) rose to 579 million, an increase of 147 million over the 432 million average for the five statement weeks of March. As a result, short-term open market money rates declined to the lowest levels in several years.

The Federal Reserve System did not add to member bank reserves by open market operations during April, but its policy of promoting credit ease was again reaffirmed by the second reduction this year in the discount rate. The Federal Reserve Bank of Chicago, with the approval of the Board of Governors of the Federal Reserve System, announced on April 13 that it was reducing its discount rate from 1¾ per cent to 1½ per cent effective April 14. The Federal Reserve Banks of New York and San Francisco made similar reductions in their rates effective April 16. Four other Reserve Banks followed on April 23, and by the end of the month all of the Reserve Banks except Philadelphia, Richmond, and Atlanta had made corresponding reductions in their rates. In February, all of the Reserve Banks had reduced their rates to 1¾ per cent from the 2 per cent level that had been in force since January 1953.

Market rates responded quickly to the easier reserve situation and to the latest reduction in the discount rate. The effective ceiling on the price of Federal funds declined with the discount rate, of course, and actual rates for Federal funds remained well below the ceiling at 1 per cent or less during most of the month. The prevailing quotation in New York on most bank loans to Government security dealers dropped from the 1¾ per cent rate prevailing during most of March to 1½ per cent and then to 1¼ per cent in April. But, again because of the ease in the money market, dealers were often able to get accommodation on short-term Government securities at rates well below these quotations; loans on Treasury bills were available at times at rates as low as ½ per cent and, on other securities maturing within one year, at 1 per cent. Commercial paper rates also declined further.

The only new development of major importance in the Government security market during April was the resumption of Treasury borrowing. Prices of intermediate and long-term issues continued to rise irregularly with the longest bonds gaining one half to three quarters of a point through April 29. On April 30, however, the prices of issues maturing or callable in the area of the new note which the Treasury announced that day it would offer rose sharply. Prices of short-term issues were fairly steady during most of April, but they, too, rose in the last part of the month. The Treasury's announcement on April 14 that it would offer 1 billion dollars of June tax anticipation bills for payment on April 27 and the announcement of April 30 confirmed the belief prevalent in the market that the Treasury would not issue a long-term bond this spring. This interpretation, of course, had a bullish influence on the longer end of the Treasury list.

On April 30 the Treasury announced that it will raise 2 billion dollars of new cash by the sale on May 4 of 1⅞ per cent four-year and nine-month notes. These notes will be dated May 17 and will mature February 15, 1959. It also announced that it would offer holders of the 4.9 billion dollars of certificates maturing on June 1 a choice of the new 1⅞ per cent notes, or a 1⅛ per cent one-year certificate. Holders of the 1.7 billion 2 per cent bonds maturing June 15 as well as the 373 million 2¼ per cent bonds of 1952-55 and the 312 million 2¼ per cent bonds of 1954-56 called for payment on

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Table I
Weekly Changes in Factors Tending to Increase or Decrease Member Bank Reserves, April 1954
(In millions of dollars; (+) denotes increase, (—) decrease in excess reserves)

Factor	Statement weeks ended				Four weeks ended
	Apr. 7	Apr. 14	Apr. 21	Apr. 28	Apr. 28
Operating transactions					
Treasury operations*	+154	− 69	+ 68	+ 78	+231
Federal Reserve float	+ 11	+ 53	+105	−171	− 2
Currency in circulation	− 94	+ 2	+120	+ 28	+ 56
Gold and foreign account	+ 4	+ 22	+ 27	− 25	+ 28
Other deposits, etc	− 27	+ 19	− 31	+162	+123
Total	+ 47	+ 28	+289	+ 71	+435
Direct Federal Reserve credit transactions					
Government securities					
Direct market purchases or sales	—	—	—	—	—
Held under repurchase agreements	—	—	—	—	—
Loans, discounts, and advances	+ 31	− 7	− 16	+ 62	+ 70
Total	+ 31	− 7	− 16	+ 62	+ 70
Total reserves	+ 78	+ 21	+273	+133	+505
Effect of change in required reserves	− 2	+125	− 24	−114	− 15
Excess reserves	+ 76	+146	+249	+ 19	+490
Daily average level of member bank:					
Borrowings from Reserve Banks	134	138	133	140	136
Excess reserves	587	553	758	963	715

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

June 15 will be offered the one-year certificate in exchange. Holders of the three bond issues had been offered an exchange into longer issues in February.

When figures for the full month of April become available, they will undoubtedly show some rise in the total loans and investments of the banks primarily as a result of bank purchases of the new tax bills, but data for the weekly reporting banks through April 21 (the latest date for which figures are available) indicate that bank loans, and most particularly business loans, continued to decline on balance and that only part of this contraction was offset by purchases of Treasury securities, other than bills, and municipal obligations.

Member Bank Reserve Positions

Although member bank reserve positions were fairly comfortable at the beginning of April, the banks continued to gain reserves throughout the month through the regular market factors. During the four statement weeks ended April 28, as Table I shows, excess reserves rose 490 million dollars while borrowings, which were at a relatively low level at the end of March, showed a moderate increase. The composition of the System Open Market Account was unchanged during April.

Several factors contributed to the growth of bank reserves in April, but the largest net gains accrued through Treasury operations. At the end of March, the Treasury's general account balance with the Reserve Banks was 722 million dollars. The Treasury generally tries to keep this balance around the half billion mark, and by limiting withdrawals from Tax and Loan Accounts during the first statement week of April it allowed the balance to drop back to a more usual level. During the next three weeks, the balance fluctuated within a fairly narrow range but, on balance, the market gained a further moderate amount of funds from this source.

The banks' reserve positions also benefited from a further minor return flow of currency, from a decline in foreign balances with the Reserve Banks, and from the "other" factors shown in Table I. Over the month as a whole, there was almost no net change in the volume of float; however, as is usual, the volume outstanding fluctuated fairly widely within the month. The banks gained from an expansion during the first three weeks of April and then lost reserves through a contraction in the fourth week. The effect of the contraction on their reserve positions in the final week, however, was offset by other factors.

Because of the increase in deposit liabilities resulting from bank purchases on April 27 of the second issue of June tax anticipation bills, required reserves rose at the very end of the four-week period under review. This increase offset declines earlier in the month resulting from a further contraction of bank loans, so that for the four weeks as a whole required reserves are estimated to have risen about 15 million dollars, net.

Treasury Financing and the Market for Government Securities

The Treasury's only financing operation in April other than weekly rollovers of maturing Treasury bills was the sale of 1 billion dollars of 52-day tax anticipation bills. These bills were dated April 27 and will mature on June 18, although they may be turned in at par on June 15 in payment of income taxes. In contrast to the June 24 tax bills that were issued on March 22 as well as the regular weekly issues of 91-day bills, payments for the new tax issue could be made by credits to Tax and Loan Accounts. This feature made the issue particularly attractive to the banks holding such accounts. Consequently, the issue was sold at an average rate of 0.726 per cent, compared with 0.956 per cent for the March 22 issue. Market quotations for the new issue, however, quickly moved into line with other bills (if allowance is made for the fact that the holders may turn the bills in at par three days ahead of maturity if the bills are used to pay taxes).

A strong nonbank demand for Treasury bills continued to be the principal feature of the short-term Government security market in April. But despite this demand and the ease in the money market, bill rates remained close to the 1 per cent level until the last week of the month when commercial banks became more active buyers. Average issuing rates on the regular Thursday issues were 1.013 per cent, 1.066 per cent, and 1.027 per cent for the issues dated April 8, 15, and 22, respectively, but for the issue dated April 29 the average rate dropped to 0.886 per cent. This was the first time in nine weeks that the average rate on the new 91-day issues had dropped below 1 per cent, and it was the lowest rate for a regular issue since October 30, 1947. Yields on market quotations for outstanding issues also dropped rather sharply.

A fairly substantial nonbank demand for other short-term issues also developed in the latter part of the month, particularly for notes and, to a lesser extent, for certificates. Some of these purchases reflected the temporary investment of the proceeds of new security offerings, and many of them were executed in a rising market.

In the early part of April a lengthening of maturities in the investment portfolios of many bank and nonbank investors created a considerable volume of business in the intermediate and long-term sectors of the Government security market. Most of these transactions represented switches, but there were also net purchases. The demand for issues in the middle maturities was largely taken care of by the switching operations themselves, while the residual long-term demand was met by liquidation of small amounts of securities by a number of institutional investors who were switching into mortgages or newly offered corporate or municipal bonds. Bond prices in general were strong, with increases ranging as high as five eighths of a point.

In the second week of the month, however, some congestion that had developed in the "municipal" and corporate new issue markets affected the Government security market, and surface weakness developed in Treasury bond prices. In many cases almost the entire gains of the previous week were wiped out. The disappointment felt in some sectors of the market at the System's failure to validate persistent rumors by reducing either the discount rate or reserve requirements also had a dampening effect. But in the third week the announcement of the discount rate reduction and the Treasury's offering of only very short-term tax bills restored confidence in the market, and prices again started to rise. This rise, although irregular, continued through the end of the month. Trading activity in the latter part of April, nevertheless, was light. Most investors were sitting on the sidelines waiting for the Treasury's announcement of its financing plans for the remainder of the fiscal year. Over the month as a whole, prices of intermediate issues rose as much as 1$\frac{4}{32}$ points while the longer issues were generally up about five eighths of a point. However, the 3¼ per cent issue of 1978-83, the price of which had lagged behind the rest of the market in March, rose almost a full point and closed on April 30, just a year after its issuance, at 110 even (bid).

MEMBER BANK CREDIT

In the four weeks ended April 21, the loans and investments of the weekly reporting member banks were down 389 million dollars, with the largest reduction occurring in commercial, industrial, and agricultural loans and in holdings of Treasury bills (see Table II). The loan contraction continued to be larger than in the comparable period of 1953, when, it may be remembered, the business loan contraction was smaller than seasonal; the decline in business loans in the four weeks ended April 21 totaled 473 million dollars against 181 million in the same period last year. The residual "all other" loan classification, the largest component of which is consumer loans, declined 50 million this year, whereas last year this classification increased 116 million. Total loans (net) were off 402 million during the four weeks ended April 21 of this year and 211 million last year. From the beginning of this year through the third week in April, the decline totaled 1,656 million, compared with an increase of 273 million in 1953.

One reason for the greater decline in commercial loans of the weekly reporting banks this year may be a shift in financing methods by a number of large concerns. The reduction in commercial paper rates in recent months and the fact that these rates are below the prime lending rates of the banks have encouraged a growing number of companies to sell their notes through dealers or directly to investors instead of obtaining loans from the banks. At the end of March, the total volume of commercial paper outstanding through reporting dealers had risen to 720 million dollars, 213 million above the figure at the end of March 1953 and the highest level since August 1925. While banks are the primary purchasers of commercial paper which is classified with their commercial loans, the principal holders are usually smaller banks that are not included in the weekly reporting series.

The biggest difference in the trend of bank earning assets in the past two Aprils, however, was not in loans but in changes in security portfolios. Last year at this time, the money market was approaching its tightest period and bank reserve positions were under considerable pressure. That pressure was reflected in a reduction of 936 million dollars in the bill holdings of the weekly reporting member banks during the four weeks ended April 22 and 1,185 million in their total security holdings. This year bills were reduced 277 million, but purchases of other types of obligations offset these sales, so that total investments rose by 13 million dollars.

Table II
Weekly Changes in Principal Assets and Liabilities of the Weekly Reporting Member Banks
(In millions of dollars)

Item	Statement weeks ended: Mar. 31	Apr. 7	Apr. 14	Apr. 21	Change from Dec. 30, 1953 to Apr. 21, 1954
Assets					
Loans and investments:					
Loans:*					
Commercial, industrial, and agricultural loans	− 58	− 49	−156	−210	−1,032
Security loans	− 49	− 101	+123	+138	− 351
Real estate loans	+ 5	+ 10	+ 10	+ 2	+ 63
Loans to banks	− 372	+ 431	−105	+ 30	− 49
All other loans (largely consumer)	+ 25	− 78	+ 4	− 1	− 269
Total loans, net*	− 449	+ 213	−124	− 42	−1,656
Investments:					
U.S. Government securities:					
Treasury bills	− 593	+ 410	−190	+ 96	− 177
Other	− 166	+ 258	− 30	+ 58	−1,171
Total	− 759	+ 668	−220	+154	−1,348
Other securities	+ 16	+ 142	+ 8	+ 4	+ 560
Total investments	− 743	+ 810	−212	+158	− 788
Total loans and investments	−1,192	+1,023	−336	+116	−2,444
Loans, net, and "other" securities	− 433	+ 355	−116	− 38	−1,096
Liabilities					
Demand deposits, adjusted	−1,513	+ 564	+557	+803	−2,481
Time deposits except Government	− 1	+ 91	+ 50	+ 9	+ 731
U. S. Government deposits	+ 478	− 491	−849	−265	− 358
Interbank demand deposits:					
Domestic	+ 510	− 135	+266	−315	−1,214
Foreign	− 2	+ 42	+ 16	− 30	− 37

* Figures for various loan items are shown gross (i.e., before deduction of valuation reserves); they therefore may not add to the total, which is shown net.

THE GROWING STRENGTH OF THE NETHERLANDS ECONOMY

Following a period of consolidation during 1951-52, the Netherlands economy has resumed the vigorous expansion that has made its postwar recovery one of the most striking in Western Europe. The devastation suffered by the Netherlands in World War II had been especially heavy, with losses estimated at nearly one third of the country's national wealth. In addition to the destruction at home, the Dutch merchant marine tonnage was virtually cut in half, the country's income from overseas investment was greatly reduced, and the German economy, to which Dutch prosperity is closely tied, was gravely dislocated. These difficulties were aggravated by the Netherlands population problem (its population density is the highest in the world), its lack of domestic raw materials, and its constant struggle with the sea. However, the country's often-proven capacity for meeting adverse circumstances, together with American aid and the recovery in the rest of Western Europe, has enabled it to stage a remarkable comeback. This resourcefulness of the Dutch population was illustrated once again by the speed with which it has made good the extensive flood damage in February 1953, when the dikes were breached by the heaviest blow that the sea had struck in five centuries.

The Recent Acceleration of Economic Growth

With the successful halting of the postwar domestic inflation[1] and the world-wide shift from a sellers' to a buyers' market after mid-1951, the Netherlands, like most other Western European countries, experienced a moderate slackening of economic activity. Consumption fell off somewhat, the building-up of inventories slowed down and was even reversed, and housing construction and new fixed investment in industry were reduced.

The decline in economic activity came to a halt in the second half of 1952, reflecting mainly a recovery in consumer purchases, an expansion in exports, and a rise in government defense expenditures. The vigorous upswing of industrial production, which began in the last quarter of 1952, was well maintained throughout 1953; the 1953 increase of 11 per cent was greater than in most other Western European countries and carried the industrial production index to 63 per cent above 1938, as against a rise of 41 per cent for the combined index of all countries belonging to the Organization for European Economic Cooperation.

The 1953 spurt in industrial production was fairly general throughout Dutch industry, in contrast to many Western European countries where the recovery of the capital goods industries lagged for the most part behind consumer goods production. Building activity also grew significantly, the number of dwellings completed in 1953 even exceeding the previous record reached in 1951.

[1] See "Control of Inflation in the Netherlands", published in this *Review* in March 1952.

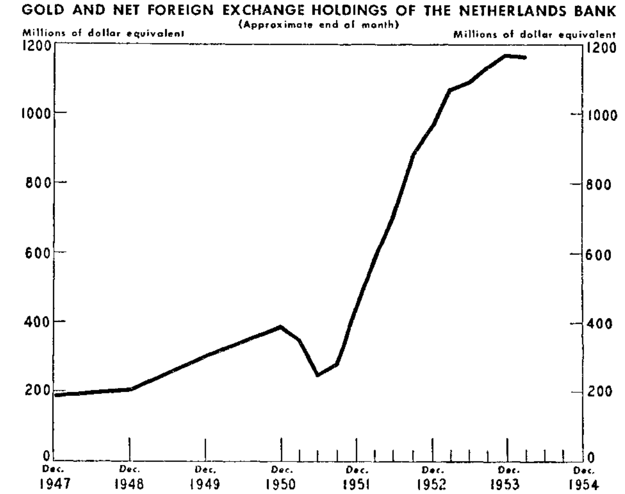
Continued Improvement in the External Balance

The recent acceleration of economic growth within the Netherlands has been paralleled by a continued strengthening in the country's external balance. As shown in the chart, the Netherlands Bank's gold and net foreign exchange holdings increased almost fivefold between June 1951 and December 1953. The balance of payments on current account changed from a deficit of 212 million dollars' equivalent in the first half of 1951 to a 145 million surplus in the second half of that year. Even larger surpluses were achieved in 1952 and the first half of 1953; however, in the second half of last year the surplus seems to have been smaller.

The principal factor in the shift in the balance of payments was a drop in imports, which fell 14 per cent from 1951 to 1952, partly owing to a running-down of stocks; at the same time exports rose by 9 per cent. In 1953 the current-account surplus continued despite an increase in imports; the total value of exports rose only slightly from the previous year, but their volume jumped by 14 per cent, undoubtedly an important factor in the upswing in industrial activity last year.

As regards the regional distribution of the balance-of-payments surpluses, the Netherlands, beginning in the second half of 1952, registered increasingly favorable current-account balances with the dollar area; this improvement reflected mainly the continuing fall of imports from, and the expansion of exports to, that area. With respect to the European Payments Union area, the Netherlands' sizable deficits came to an end in July 1951, when their cumulative total reached the equivalent of 267 million dollars. Subsequent surpluses caused the Netherlands to become a net EPU creditor in January 1952, and by May 1953 its cumulative accounting surplus reached 381 million dollars, or 26 million in excess of its 355 million quota. Since then the surplus has been somewhat reduced, amounting to 341 million after the settlement for March 1954;

GOLD AND NET FOREIGN EXCHANGE HOLDINGS OF THE NETHERLANDS BANK



Source: The Netherlands Bank.

nevertheless, the Netherlands remains one of the four major EPU creditors.

The remarkable improvement in the Netherlands balance-of-payments position and the continued rise in its gold and foreign exchange holdings have made possible many forward steps in the country's foreign economic policies. First, in early 1953 the government announced it would not seek further economic aid from the United States. Secondly, in advance of the maturity dates, it made several sizable repayments on its external indebtedness both in United States dollars and other currencies. Finally, considerable progress has been made in dismantling import and exchange controls. As from May 1953, the quota-free proportion of Dutch nongovernment imports from OEEC member countries was raised to 92 per cent (on the basis of 1948 trade); beginning in October 1953 the importation of dollar goods likewise was significantly liberalized. Among the most important modifications of the exchange controls were the granting in August 1953 of limited permission to business firms and individuals to hold foreign exchange balances abroad; the abolition in October 1953 of the dollar-export bonus scheme, established to promote exports to the dollar area; and in March 1954 the widening of investment opportunities in the Netherlands for foreign owners of Dutch securities, the freeing of the exports of such securities by residents of the dollar area and Switzerland, and the authorization of unrestricted capital transfer from the Netherlands by residents of other EPU countries. A beginning has also been made toward freeing capital movements among the Netherlands, Belgium, and Luxembourg within the framework of Benelux.

Elements of Strength

Of the factors responsible for the Netherlands' remarkable economic recovery, both domestically and internationally, the most fundamental one seems to have been the spirit of determination and sacrifice with which the Dutch people have met their country's postwar difficulties. In particular, they have been willing to accept a level of consumption low enough to enable a major part of the increase in the national income to be set aside for economic recovery and expansion. Without the positive response of all groups of the population to the challenge of postwar reconstruction, government policies, however well designed, could not have achieved such substantial results.

Because of the Netherlands' great dependence on foreign trade, the country's postwar comeback has also reflected in large measure the progress of the other countries of Western Europe and, in particular, the recovery of the neighboring West German economy. Finally, American economic aid to the Netherlands, aggregating about 1 billion dollars, has also been an important factor in the country's postwar recovery.

Three particular aspects of government policy point up the constructive manner in which the Dutch people have been tackling their economic problems—the successful administration of a system of wage controls, the adaptability of the government's fiscal policies, and the way in which monetary measures have been devised and effectively implemented in order to cope with changing conditions.

Wage Restraint

The government wage controls, which are the most important of the few remaining direct controls in the Netherlands, owe their success to the willing cooperation of the trade unions, which have shown an unusual understanding of their country's great dependence on foreign trade and its overwhelming need of high levels of investment. The relative stabilization of wages has helped the country to develop its competitive strength in foreign markets; moreover, by preventing consumption from rising unduly, it has made possible the balance-of-payments surpluses and has also provided resources for investment at home. The wage control system went hand in hand with a legal limitation on dividends until the end of 1953 when unrestricted dividend payments were again permitted.

Even though several general wage increases have been authorized by the government since 1945, in terms of purchasing power wages appear to have remained somewhat below the prewar level. Labor productivity, on the other hand, had exceeded the prewar level by the end of 1952 and has since risen to some 7 per cent above 1938. The most recent general wage increase, amounting to 5 per cent, together with special raises for skilled workers, was granted effective in January 1954. This wage raise was intended, according to an official announcement, as compensation for increases in rents, which are also still under government control, and for the loss of real wages that labor had accepted in March 1951 when it agreed to a wage increase much smaller than the rise in living costs. It is as yet uncertain to what extent these increases will affect domestic and export prices; however, in the early months of 1954 price increases have remained moderate.

The possibility of again permitting free collective bargaining has been under discussion in the Netherlands for some time. The government, according to a recent statement, has an open mind in regard to a modification of the existing system, and many observers believe that under present conditions a return to free collective bargaining would not result in significantly greater wage increases than under government wage controls.

The Role of Fiscal Policy

The manner in which the fiscal policies of the Dutch Government have been modified to cope with changing economic conditions has apparently been an important element in the recent economic upsurge of the Netherlands economy. This adaptability indicates recognition by the Netherlands authorities of the strategic role of the government budget, with receipts and expenditures equal to about 30 per cent of national income, even though it is also realized that in a country as dependent on foreign economic conditions as the Netherlands business fluctuations cannot be counteracted solely by domestic measures. For example, when business slackened and unemployment rose during 1951-52, budgetary policy was reversed in three successive phases beginning in the spring of 1952. Government disbursements for housebuilding, public works, and defense were speeded up, while certain taxes were reduced. Subsequently, expenditure estimates for 1953 were further increased.

In February 1953 the flood disaster suddenly called for large government emergency outlays. These, together with private repairs of flood damage, boosted economic activity, especially in construction. Presumably with the intent of maintaining balance in the economy, the government, at the same time that it stepped up these emergency outlays, suspended some of the earlier employment-stimulating appropriations.

The effect of these shifts in budgetary policy on the Dutch Treasury's cash position was not immediately apparent. Owing mainly to tax-arrear payments, the government's budgetary operations in 1952 resulted in a much larger cash surplus than in 1951. It was only in 1953 that the surplus fell, primarily because of heavy expenditures on flood rehabilitation, increased defense disbursements, and a reduction of tax-arrear payments.

The government has planned for a substantial cash deficit in 1954, which it expects to finance through long-term loans. The deficit would be the result of a speeding-up of actual defense outlays, the ending of tax-arrear payments, and a broad program of tax reduction. The latter is designed to achieve three purposes: first, to offset part of the increase in rents that went into effect at the beginning of 1954; secondly, to lighten the tax burden of individuals, especially in the lower and middle-income brackets; and, thirdly, to provide incentives for productive investment in order to create employment for the growing labor force. The first two aims are to be attained by a reduction of income taxes and of a number of indirect levies. Investment is to be stimulated mainly through the lowering of the corporation tax from 45-52 per cent to 42½-46 per cent, and through accelerated depreciation allowances, special tax concessions for new capital expenditures, increased provision for writing off past losses against current profits, and the abolition of the speculative-profits tax.

New Monetary Measures

Dutch monetary policies seem likewise to have been particularly well adapted to meet changing circumstances. The continued gold and foreign exchange inflow, which has permitted both a relaxation of external controls and a stimulation of domestic activity, has also created new problems of monetary management. The latter have been met in a way that promises, in the long run, to strengthen the country's monetary system.

In the spring of 1952 the Netherlands Bank suspended the emergency monetary restrictions imposed at the beginning of 1951. By April 1953 it had reduced its discount rate, in three stages, to the pre-Korea level of 2½ per cent from the 4 per cent to which the rate had been raised in 1951. Meanwhile, the persistent rise in the country's foreign assets led to a large and continuing increase in the liquidity of the banking system, which was already excessive as a result of the inflationary policies followed during the German occupation.

As the banks' liquidity mounted and it became apparent that the Netherlands Bank's holdings of government securities were insufficient for effective open market sales, the Netherlands Bank initiated discussions with the commercial banks and agricultural credit institutions on new and more suitable methods of coping with the gold and foreign exchange inflow. Under an agreement reached in February 1954, the Netherlands Bank has established cash reserve requirements which previously had not existed in the Netherlands. Under the new agreement the banks are now required to keep 6 per cent of their total sight and time deposits in the form of balances with the central bank, which may, however, vary the reserve requirements over a range of 0-15 per cent. Two other monetary arrangements have been agreed upon by the Dutch banks at the same time. First, the banks have agreed to subscribe to a special funding issue of medium-term government bonds marketable only among banks. Secondly, the banks have cooperated with the Netherlands Bank in working out so-called "over-all liquidity" requirements (in the form of balances with the central bank, short-term Treasury paper, and other liquid assets) and general credit ceilings that the Netherlands Bank can impose in case of need, under the stand-by powers of the 1952 legislation on the supervision of the credit system.

The immediate result of the establishment of the cash reserve requirements and of the debt funding has been the reduction in the excessive liquidity of the banks, and thus an alleviation of the danger of a potential inflationary credit expansion. The reserve requirements are also designed, however, to help prevent fluctuations in the country's gold and foreign exchange holdings from giving rise to serious debt management problems for the Treasury, as has happened in the past when the banks kept virtually all their liquid assets in the form of Treasury paper. In addition, now that open market operations can be used in conjunction with the cash reserve requirements, more effective use of such operations in the future appears to have been made possible.

The reduction of the banks' excess liquidity led to a marked tightening of the Dutch money market by the second half of last March. Not only has a healthier monetary climate been created without throttling the flow of bank credit to business, but a firmer basis has been provided for further progress toward convertibility of the guilder and the reemergence of Amsterdam as an important international financial center.

Some Longer-Term Problems

Even though the current position of the Netherlands economy is favorable, the country faces considerable longer-term problems in maintaining and improving its living standards. The Netherlands has one of the fastest-growing populations in Western Europe. After allowing for emigration, its labor force increased by 2¼ per cent a year during 1947-52, an increase that is expected to continue even if at a somewhat slower rate.

The resulting need for new employment opportunities calls, in the opinion of the Dutch Government, for an expanding industrialization program, particularly since rising agricultural productivity reduces employment on the land. The recent industrial growth has been remarkable, as is evidenced by the fact that employment in manufacturing industries has risen by over 50 per cent since 1938, or more than twice as fast as the over-all labor force. The problem created by the rapid population growth is brought out by the fact that in spite of the substantial per capita increases in production and real income as compared with prewar, per capita consumption apparently remains somewhat below the level achieved in the late thirties.

Further progress in economic growth appears to be conditional primarily upon two factors. First, the rate of growth is largely governed by the country's ability to increase its exports, since some 50 per cent of increases in domestic expenditures takes the form of higher imports. The achievement of progressively higher export levels calls for unremitting efforts by the Netherlands. In addition, it presupposes continued high levels of world economic activity, further economic growth of the other countries of Western Europe, and steady progress toward the reduction of international trade barriers. This last is of particular significance for the Netherlands because agricultural and food products, which are especially subject to trade restriction, constitute almost half of total Dutch exports. The second essential prerequisite of economic growth is a continuing large volume of industrial investment. In the last two years the rate of fixed investment in industry has fallen below the level considered necessary by the authorities, but the decline appears to have been halted. The new tax measures may well be successful in stimulating private investment, and ample private savings are now apparently available for investment financing.

Conclusion

The vigorous upswing of production achieved by the Netherlands in the last two years confirms the country's position as one of the leaders in the postwar recovery of Western Europe. These impressive gains have been made without imperiling internal financial stability. Moreover, the relationship of wages to prices and productivity appears to have remained unusually favorable, thus buttressing the country's foreign trade position. Dutch monetary and fiscal policies seem to have been another crucial factor in the achievement of a strong balance of payments. This strength is evidenced by the fact that a significant relaxation of trade and exchange controls has become possible and that sizable gold and foreign exchange reserves have been built up. The country thus appears well equipped to weather any losses of foreign exchange that may result from the fluctuations in a dynamic world economy.

Not only has the Netherlands achieved a very real postwar recovery, but its policies also seem well adapted to cope with the overriding, longer-term problem of population pressure. Continued success in maintaining and raising living standards does not, however, depend only on the hard work, the spirit of enterprise, and the sense of order of which the Dutch nation has given such signal proof in the postwar period. It also requires that the free world achieve progressively higher levels of income, and freer trade and investment, and thus a greater measure of economic cohesion. Significantly, the Netherlands is in the forefront of the movement toward greater Western European economic, military, and political integration, and is among the European countries that are farthest along the road toward full currency convertibility.

OWNERSHIP OF DEMAND DEPOSITS IN THE SECOND FEDERAL RESERVE DISTRICT

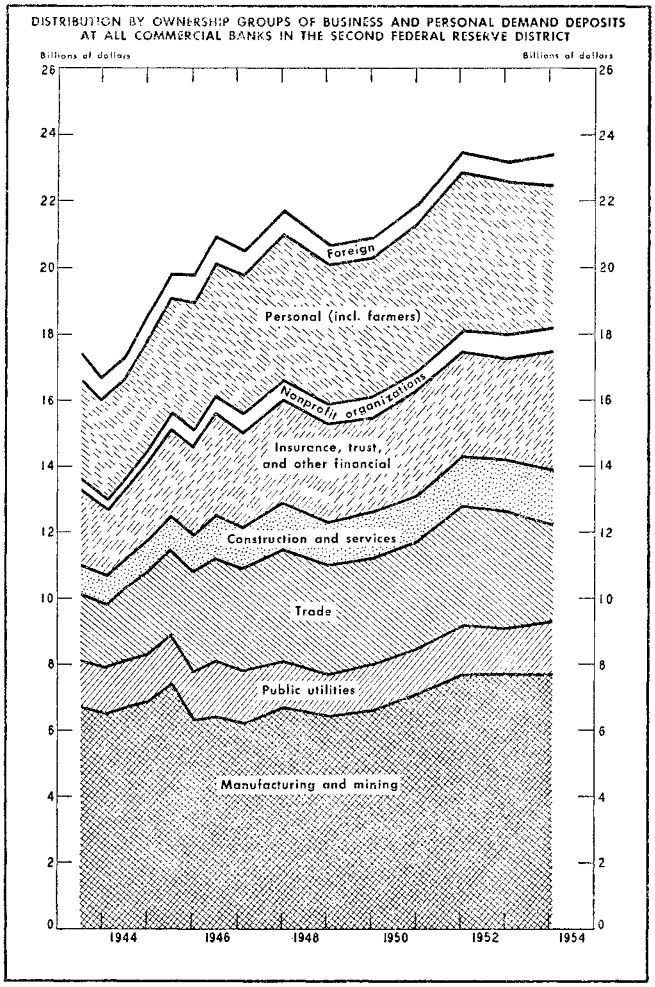
Demand deposits of individuals, partnerships, and corporations[1] in commercial banks in the Second Federal Reserve District reached an estimated total of 23,333 million dollars on January 31, 1954. This is 162 million dollars higher than a year previous and represents a growth of 6 billion dollars since 1943, when the first survey of demand deposit ownership was made. As the accompanying chart indicates, the growth in Second District demand deposits came in two major waves, with peaks in January 1948 and January 1952 and with the largest increases occurring in balances held by financial and trade enterprises and in personal and farm accounts.

The annual survey of ownership of demand deposits in this District is part of a nation-wide project undertaken each year by the Federal Reserve System to obtain information on changes in deposit balances held by major segments of the economy. This year's survey incorporates several changes in methods of reporting and processing the data that were made to improve the accuracy of the survey results and to give those results greater usefulness. In 1954, for the first time, checking accounts of all sizes were included. Previous surveys were limited to accounts with balances over specified amounts (depending on the size of the bank). Also, data are now obtained in such a form as to permit accurate estimates not only of the dollar amount of deposits, as heretofore, but also

[1] All subsequent references to demand deposits refer to demand deposits of individuals, partnerships, and corporations.

REVISION OF VELOCITY SERIES

The monthly series on velocity of demand deposits which appear in the Selected Economic Indicators table of this *Review* have been revised back to January 1943; in addition, revisions have been made in the seasonal adjustment factors for some of the bank debits series. The figures which appear in this month's table are on the revised basis, and those series formerly shown for the United States excluding New York City (344 centers) are now shown for 338 centers; this excludes six leading financial centers other than New York City. Current figures and back data for these six leading centers and for all centers excluding New York City as well as for all series which regularly appear in the table are available upon request from the Financial Statistics Division of this Bank. A descriptive article is scheduled to appear in a future issue of the *Monthly Review.*



of the number of accounts in which those deposits are held.[2]

Public utilities, insurance companies and other financial businesses, and foreign accounts showed the largest increases in their demand deposit balances during the past year. Balances of wholesale and retail trade concerns were substantially reduced, and the total of personal and farm accounts also declined appreciably. Table I gives the details of these changes among banks of different size. It shows that insurance companies and financial institutions provided the greatest source of increased deposits for Second District commercial banks. A great deal of the savings of the District, and for that matter of the country as a whole, are channeled through these institutions, and the growth in the volume of their operations during the past year was accompanied by an increase in their demand balances with commercial banks.

Accounts of foreign individuals and corporations also rose substantially in this District. This undoubtedly reflected in part the broad improvement in foreign dollar positions. The greater part of the foreign deposits are carried with the large New York City banks, however, and Second District banks outside New York City shared only to a minor degree in foreign deposit growth. The accounts of nonprofit organizations —hospitals, churches, clubs, labor unions, etc.—have grown steadily over the years. In the past year, banks of all sizes

[2] Because the new methods and broader coverage of this year's survey make its results more reliable than the figures reported last year, some year-to-year changes derived by comparing this year's figures with last year's may be overstated, while others may be understated. But tests by approved statistical methods indicate that these misstatements of change are generally small. And the more accurate data now being obtained will be fully comparable on a year-to-year basis from this year on.

Table I

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

(Dollar amounts in millions)

Type of owner	All commercial banks			Banks with total demand deposits of individuals, partnerships, and corporations on December 31, 1945* of:									
	Jan. 31, 1954	Jan. 1953 to Jan. 1954		Under $1 million		$1—10 million		$11—100 million		$101—300 million		Over $300 million	
	Dollar balance	Dollar change	Per cent change	Dollar balance	Per cent change	Dollar balance	Per cent change	Dollar balance	Per cent change	Dollar balance	Per cent change	Dollar balance	Per cent change
Manufacturing and mining	7,743	+ 21	+ 0.3	25	− 21.8	399	− 5.1	591	− 5.9	716	+ 3.2	6,011	+ 1.1
Public utilities	1,577	+ 185	+13.3	6	+ 1.9	67	− 3.4	120	+ 24.3	108	+12.3	1,276	+13.6
Trade	2,889	− 599	−17.2	49	− 4.3	330	−14.7	484	− 12.6	326	−13.0	1,700	−19.9
Construction and services	1,665	+ 51	+ 3.1	32	+ 48.9	185	+18.0	236	+ 23.9	166	+27.0	997	− 8.0
Total nonfinancial business accounts	13,874	− 342	− 2.4	112	+ 2.8	981	− 5.2	1,481	− 1.3	1,316	+ 1.5	9,984	− 2.9
Insurance companies and other financial businesses	3,211	+ 493	+18.1	9	− 29.4	154	+14.5	397	+ 22.1	227	+ 7.1	2,424	+19.2
Trust funds of banks	359	− 25	− 6.5	2	+100.0	8	+50.5	37	+ 36.1	41	+46.1	272	−12.9
Total financial business accounts	3,570	+ 468	+15.1	11	− 8.4	162	+ 7.3	434	+ 23.3	268	+11.7	2,696	+14.9
Personal accounts (including farmers)	4,324	− 291	− 6.3	145	+ 2.3	892	− 5.6	802	+ 7.9	452	− 7.8	2,033	−11.4
Nonprofit organizations	709	+ 68	+10.6	13	+ 56.6	119	+30.0	144	+ 7.0	61	+17.7	372	+ 4.8
Foreign accounts	855	+ 259	+43.5	0	—	0	—	3	+150.7	4	+25.3	848	+43.4
Total demand deposits of individuals, partnerships, and corporations	23,333	+ 162	+ 0.7	280	+ 2.8	2,154	− 3.0	2,863	+ 4.8	2,102	+ 1.0	15,934	+ 0.4

Note: Because of rounding, figures may not add to totals shown.

* The same size-groups of banks (based on deposits as of December 31, 1945) are used each year to make the data comparable.

Table II

Percentage Distribution of Business and Personal Demand Deposits in All Commercial Banks in the Second Federal Reserve District

(As of January 31, 1954)

Type of owner	Banks with total demand deposits of individuals, partnerships, and corporations on December 31, 1945 of: Under $1 million		$1—10 million		$11—100 million		$101—300 million		Over $300 million		All commercial banks	
	Number of accounts	Dollar amount	Number of accounts	Dollar amount	Number of accounts	Dollar amount	Number of accounts	Dollar amount	Number of accounts	Dollar amount	Number of accounts	Dollar amount
Manufacturing and mining	0.9	9.0	1.3	18.5	1.9	20.6	3.8	34.1	5.1	37.7	4.0	33.2
Corporate	0.6	8.3	0.9	16.6	1.4	19.1	2.6	30.9	3.9	37.0	3.0	32.0
Noncorporate	0.3	0.7	0.4	1.9	0.5	1.5	1.2	3.2	1.2	0.7	1.0	1.2
Public utilities	0.5	2.0	0.4	3.1	0.4	4.2	0.5	5.1	1.1	8.0	0.8	6.8
Corporate	0.2	1.8	0.3	2.8	0.3	3.8	0.3	4.9	0.8	7.9	0.6	6.6
Noncorporate	0.3	0.2	0.1	0.3	0.1	0.4	0.2	0.2	0.3	0.1	0.2	0.2
Trade	5.2	17.4	5.0	15.3	5.7	16.9	6.9	15.5	7.9	10.7	7.0	12.4
Corporate	1.1	6.5	1.4	8.1	2.3	11.6	2.2	11.0	3.4	9.3	2.8	9.6
Noncorporate	4.1	10.9	3.6	7.2	3.4	5.3	4.7	4.5	4.5	1.4	4.2	2.8
Construction	0.7	3.8	0.7	3.0	1.1	4.7	1.0	2.7	0.8	1.3	0.9	2.0
Corporate	0.3	2.3	0.3	1.6	0.6	3.5	0.4	1.8	0.5	1.1	0.5	1.5
Noncorporate	0.4	1.5	0.4	1.4	0.5	1.2	0.6	0.9	0.3	0.2	0.4	0.5
Services	3.1	7.5	2.8	5.6	2.7	5.3	3.4	5.2	4.8	4.9	4.0	5.1
Corporate	1.0	3.6	0.5	1.7	0.6	2.3	0.7	2.6	1.6	3.5	1.2	3.1
Noncorporate	2.1	3.9	2.3	3.9	2.1	3.0	2.7	2.6	3.2	1.4	2.8	2.0
Financial (excluding trust accounts)	0.7	3.1	1.3	7.2	2.3	13.9	2.5	10.8	4.4	15.2	3.4	13.8
Corporate	0.3	2.0	0.6	4.8	1.3	10.8	1.5	8.7	2.9	12.0	2.2	10.8
Noncorporate	0.4	1.1	0.7	2.4	1.0	3.1	1.0	2.1	1.5	3.2	1.2	3.0
Total business accounts	11.1	42.8	11.5	52.7	14.1	65.6	18.1	73.4	24.1	77.8	20.1	73.3
Corporate	3.5	24.5	4.0	35.6	6.5	51.1	7.7	59.9	13.1	70.8	10.3	63.6
Noncorporate	7.6	18.3	7.5	17.1	7.6	14.5	10.4	13.5	11.0	7.0	9.8	9.7
Personal accounts	82.8	51.8	82.6	41.4	82.3	28.0	78.2	21.5	71.8	12.7	75.7	18.5
Regular—farmers	9.6	11.4	3.0	2.7	0.7	0.4	0.7	0.3	—	—	0.6	0.5
Regular—others	44.5	35.3	46.9	34.7	39.0	24.4	36.5	18.9	28.9	11.8	33.6	16.4
Special checking	28.7	5.1	32.7	4.0	42.6	3.2	41.0	2.3	42.9	0.9	41.5	1.6
Nonprofit organizations	5.8	4.8	5.9	5.5	3.6	5.0	3.6	2.9	1.8	2.4	2.8	3.0
Trust accounts (own)	0.3	0.6	—	0.1	—	0.2	—	0.2	—	0.1	—	0.1
Trust funds of other banks*	—	—	—	0.3	—	1.1	—	1.8	—	1.6	—	1.4
Foreign accounts	—	—	—	—	—	0.1	0.1	0.2	2.3	5.4	1.4	3.7
Total of all accounts (per cent)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total number of accounts (thousands)	348		1,651		1,359		725		1,680		5,763	
Dollar volume of accounts (millions)		$280		$2,154		$2,863		$2,102		$15,934		$23,333

* Banks had the option of reporting trust accounts either separately or in total. If they reported in total, the data were included as a single account under "Trust funds of other banks".

shared in a growth in deposits from this source that amounted to 68 million dollars for the District as a whole.

The greatest loss of deposits, and one common to all sizes of banks, stemmed from trade accounts. Personal checking accounts also declined, but the changes in these accounts among banks of different sizes were erratic and reflected local variations in the liquidity position of individuals. A continued drift of deposits into savings accounts was probably responsible for some of the decrease. Accounts of farmers, which are important in the smaller banks of the District, declined considerably with the fall in farm prices and incomes during the year.

The distribution by ownership groups and by size of bank of the number and dollar volume of demand deposits in the Second District is shown in Table II, which indicates that business accounts, though much fewer in number than personal accounts, comprise almost three quarters of the total dollar volume of demand deposits. Business accounts range from 43 per cent of the dollar volume of demand deposits in the smallest banks to 78 per cent in the largest.

Manufacturing and mining accounts are about six times more numerous and four to five times larger in dollar volume, in relation to the total number and amount of all accounts, in the largest banks than in the smallest ones. Trade accounts are important in all banks. The larger banks have more of them, but they constitute a larger part of total demand deposits in the smaller banks.

In all but the very largest banks, unincorporated businesses have relatively more checking accounts than corporations do. Corporations generally keep higher balances, however, and their deposits represent a larger proportion of total demand deposits. For the District as a whole, corporation accounts constitute over 60 per cent of all demand balances whereas the balances of unincorporated businesses amount to only 10 per cent.

Personal checking accounts, though they amount to over three fourths of the total number of all checking accounts, add up to less than 20 per cent of the total dollar volume of Second District demand deposits. They are more important in small banks than in large ones, averaging 52 per cent of demand deposit dollar volume in the smallest banks but only 13 per cent in the biggest ones.

As Table III indicates, special checking accounts represent 42 per cent of the total number of business and personal checking accounts in the Second District, and regular checking accounts of $1,000 or less add up to an additional 30 per cent. These accounts constitute 23 per cent of total demand

Table III

Percentage Distribution by Size of the Number and Dollar Volume of Business and Personal Checking Accounts in All Commercial Banks in the Second Federal Reserve District

(As of January 31, 1954)

Size of account	Banks with total demand deposits of individuals, partnerships, and corporations on December 31, 1945 of:										All commercial banks	
	Under $1 million		$1—10 million		$11—100 million		$101—300 million		Over $300 million			
	Personal accounts	Other accounts	Personal accounts	Other accounts	Personal accounts	Other accounts	Personal accounts	Other accounts	Personal accounts	Other accounts	Personal accounts	Other accounts
	Number of accounts											
Special checking accounts*	28.7		32.7		42.6		41.0		42.9		41.5	
Regular accounts:												
$250 and under	29.3	6.2	22.3	5.1	13.9	3.0	12.3	4.3	3.7	3.0	8.7	3.4
$251 to $500	9.2	2.8	8.9	2.4	6.4	1.5	7.1	2.3	4.4	2.4	5.6	2.2
$501 to $1,000	6.7	2.4	8.0	2.4	6.4	2.0	6.9	2.9	6.4	3.5	6.6	3.0
$1,001 to $3,000	6.7	3.1	7.2	3.5	8.3	4.4	6.9	4.9	7.3	5.6	7.4	5.1
$3,001 to $10,000	1.9	2.0	2.9	2.7	3.7	3.9	3.1	4.0	4.3	4.6	3.8	4.2
$10,001 to $25,000	0.2	0.5	0.5	0.8	0.8	2.1	0.7	2.2	1.5	2.6	1.2	2.3
$25,001 to $100,000	0.1	0.2	0.1	0.4	0.1	0.7	0.2	0.9	1.2	4.0	0.7	2.6
Over $100,000	0	—	—	0.1	—	0.2	—	0.3	0.1	0.9	0.1	0.6
Foreign accounts*		0		0		—		—		1.6		1.0
Total (per cent)	82.8	17.2	82.6	17.4	82.2	17.8	78.2	21.8	71.8	28.2	75.6	24.4
Total (number)	348,317		1,650,999		1,359,411		724,570		1,679,615		5,762,912	
	Dollar volume											
Special checking accounts*	5.1		4.0		3.2		2.3		0.9		1.6	
Regular accounts:												
$250 and under	3.1	0.7	1.6	0.3	0.6	0.1	0.4	0.2	—	—	0.3	0.1
$251 to $500	4.3	1.3	2.4	0.7	1.0	0.2	0.7	0.2	0.1	0.1	0.6	0.2
$501 to $1,000	6.1	2.2	4.1	1.2	2.0	0.6	1.5	0.6	0.3	0.2	1.1	0.4
$1,001 to $3,000	14.0	7.3	8.9	4.5	5.5	2.8	3.5	2.6	0.9	0.7	2.6	1.6
$3,001 to $10,000	11.7	13.6	10.8	10.9	7.4	7.7	4.6	6.5	1.6	1.9	3.6	4.0
$10,001 to $25,000	4.3	9.4	5.2	9.4	4.6	12.4	3.5	11.2	1.6	3.0	2.5	5.5
$25,001 to $100,000	3.2	11.0	3.7	14.8	2.6	16.4	3.1	15.5	3.8	16.4	3.6	16.0
Over $100,000	0	2.7	0.7	16.8	1.1	31.7	1.9	41.6	3.5	61.1	2.7	50.9
Foreign accounts*		0		0		0.1		0.1		3.9		2.7
Total (per cent)	51.8	48.2	41.4	58.6	28.0	72.0	21.5	78.5	12.7	87.3	18.6	81.4
Total (dollar volume—thousands)	$279,699		$2,154,554		$2,862,920		$2,101,979		$15,933,607		$23,332,759	

* Represents deposit accounts reported in total.

deposits in banks with total deposits of less than 1 million dollars, but less than 2 per cent in the biggest institutions.

The largest accounts (with balances over $100,000) are relatively few in number, but they are the backbone of the District's deposit structure, amounting to 50.9 per cent of total demand deposits. There are slightly more than 2,500 personal accounts with balances over $100,000 in the Second District. Of this number, 84 per cent are held in the largest banks (with total deposits of over 300 million dollars). The rest are scattered among banks of intermediate size. Business accounts with balances of $100,000 or more are about nine times more numerous than personal accounts. There are 22,480 such accounts, of which 15,600 are held by the largest banks.

Accounts of manufacturing businesses are concentrated especially heavily in New York City, although there are substantial numbers and amounts of such accounts in other principal cities. Trade and service accounts are more important elsewhere than in New York City, particularly in Buffalo, Syracuse, on Long Island, and in the Albany-Troy-Schenectady area. Accounts of building contractors make up an unusually large part of total demand deposits on Long Island. And the proportion of "financial" accounts is somewhat greater in Jersey City and Newark than in New York City, although the total dollar volume of these accounts in New York is, of course, very much larger. Personal checking accounts are a little more numerous, relatively, in Syracuse than in other cities, though they constitute the largest proportion of total demand deposits in Albany-Troy-Schenectady and on Long Island. Outside New York City, the largest average dollar balances in both business and personal accounts are maintained in Jersey City and Newark.

DEPARTMENT STORE TRADE

Data now available for the first five weeks of the 1954 Easter season (including four weeks before Easter and one week after) indicate that sales of Second District department stores exceeded by about 3 per cent those for the same season last year. However, this favorable comparison may be in part due to the fact that Easter this year came almost two weeks later than in 1953, and the normal spring upswing in department store trade probably benefited sales during the Easter season relatively more in 1954 than last year. Also, major promotions in New York City during the last week of March and the first week of April contributed to the year-to-year increase, although storms in Upstate New York areas during the same period were a depressing influence.

During the entire month of April, Second District department store sales (on a seasonally adjusted basis, including an allowance for the shifting date of Easter) exceeded March sales of this year by about 1 per cent, according to preliminary estimates. However, seasonally adjusted sales in April 1954 are estimated at approximately 2 per cent under the same month a year ago. Sales had also fallen below comparable 1953 figures (by 3 per cent) in March, after year-to-year increases in January and February.

Changes in Sales by Departments in 1953

Breakdowns of aggregate department store sales by departmental classifications are not only indispensable for identifying particular areas of strength or weakness in department store sales, but at times may also prove useful as an indication of changes in over-all patterns of consumer buying. The data on the distribution of department store sales that are published by each of the Federal Reserve Banks (such as the breakdowns for the Second Federal Reserve District discussed in this article) constitute one of the few sources of information on consumer preferences that are available on a regional basis.[1]

There are, however, certain limitations upon the use of department store statistics as indicators of trends in total consumer buying. Some of the most important types of merchandise purchased by consumers (such as food and automobiles) are not sold by department stores to any extent, so that department store statistics fail to reflect developments in these sectors of retail trade. In the Second Federal Reserve District, moreover, department store sales of certain types of merchandise have in recent years suffered considerably from inroads made by vigorously competing specialty stores, perhaps most spectacularly in the field of major electrical appliances. Declines in sales of these types of merchandise by Second District department stores cannot, therefore, be regarded as necessarily typical of the experience of all retailers in this area. Finally, the data on the distribution of sales by departments are based upon reports from a sample of stores and may not be entirely representative of department stores in the District as a whole, largely because branch stores—which have grown rapidly in importance in recent years—are not adequately covered in the sample.

The data now available for the full calendar year 1953 suggest that no pronounced changes in the distribution of sales by departments accompanied the modest (less than 1 per cent) rise in total department store sales in the Second Federal Reserve District. Sales in each of the major groups of departments in 1953 were within 2 per cent of their 1952 levels.[2] Men's and women's apparel and accessory items, which together account for about 50 per cent of all sales in department stores, showed more than average strength and were responsible for by far the largest share of the gain in total sales. Women's, misses', and juniors' apparel lines, which constitute about two fifths of all apparel and accessory sales, performed better than any major departmental grouping, although even they rose by only 2 per cent between 1952 and 1953. Only the "small wares" and "piece goods and household textiles" groups declined.

1 Detailed distributions of sales by departmental classifications for 1953 for the Second Federal Reserve District are available on request from the Domestic Research Division of the Federal Reserve Bank of New York.

2 Throughout this discussion, main store and basement departments have been combined wherever possible.

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

Area	Net sales			Stocks on hand Mar. 31, 1954
	Mar. 1954	Jan. through Mar. 1954	Feb. through Mar. 1954	
Department stores, Second District	−5	−2	−2	−1
New York—Northeastern New Jersey Metropolitan Area	−3	−1	−1	−2
New York City	−3	−1	−1	−4
Nassau County	—	—	—	—
Westchester County	−1	+2	+2	+4
Northern New Jersey	−5	−3	−2	0
Newark	−4	−3	−1	0
Fairfield County	−14	−10	−11	−10
Bridgeport	−14	−10	−11	—
Lower Hudson River Valley	−11	−4	−4	+7
Poughkeepsie	−13	−4	−5	+8
Upper Hudson River Valley	−5	−5	−3	−4
Albany-Schenectady-Troy Metropolitan Area	−4	−4	−2	−5
Albany	−6	−5	−3	−10
Schenectady	−1	−4	−2	+4
Central New York State	−12	−6	−7	+7
Utica-Rome Metropolitan Area	−13	−9	−8	−1
Utica	−10	−6	−5	−2
Syracuse Metropolitan Area	−12	−5	−6	+12
Northern New York State	−20	−18	−20	+4
Southern New York State	−9	−6	−5	+2
Binghamton Metropolitan Area	−9	−5	−5	+4
Elmira	−12	−11	−10	−1
Western New York State	−11	−5	−6	+5
Buffalo Metropolitan Area	−14	−8	−9	+5
Buffalo	−15	−8	−10	+5
Niagara Falls	−1	−3	−1	—
Rochester Metropolitan Area	−6	0	+1	+5
Apparel stores (chiefly New York City)	−10	−4	−5	+3

Indexes of Department Store Sales and Stocks Second Federal Reserve District

(1947-49 average=100 per cent)

Item	1954			1953
	Mar.	Feb.	Jan.	Mar.
Sales (average daily), unadjusted	85	83	81	93
Sales (average daily), seasonally adjusted	99	102	101	102r
Stocks, unadjusted	116	104	98	117
Stocks, seasonally adjusted	111	107	111	112

Revised.

As might be expected, the sales experience of the departmental subgroups showed larger year-to-year variations than the major groupings. While the changes were in general not so large as in many recent years, certain tendencies which have been characteristic of these years were still apparent in 1953. Among the more important ready-to-wear lines, sales of women's and misses' blouses, skirts, and sportswear—presumably benefiting from a trend toward informality in clothing—had the best record, rising by 6 per cent in 1953 to about one-third above the level recorded in 1947. Sales of dresses and coats and suits, the other most important women's, misses', and juniors' apparel lines, rose only slightly more percentagewise than total sales; while these lines were able to regain some of the ground they had lost relative to total sales since 1948, they continued to exhibit less strength than departments catering more specifically to the desire for less formal attire. The most striking declines in any major apparel line in 1953 were found in main store sales of furs, which dropped 10 per cent below 1952, and in sales of hosiery, which fell 5 per cent. Fur sales have been declining since 1947, while hosiery fell by 11 per cent between 1951 and 1952 after reaching a high point in the former year.

Sales of homefurnishings continued well below the levels attained in 1950 and 1951. However, after falling sharply (by over 10 per cent) between 1951 and 1952, total homefurnishings sales were pushed somewhat above year-ago levels in 1953 by increases in sales of the important main store housewares and furniture lines of 5 and 2 per cent, respectively. Only the continuing slump in sales of major household appliances and the radio, phonograph, and television departments held the rate of increase in all homefurnishings departments combined to about the same figure as registered for the entire store. In 1953, department store sales of major appliances were barely 40 per cent of their estimated peak dollar volume in 1947, and radio, phonograph, and television lines accounted for less than half of their record sales attained in 1950. In large part, the persistent declines in sales of these items in Second District department stores (a development that roughly parallels the experience of department stores in the country as a whole) represent losses to competing outlets rather than a lack of consumer demand for these articles. It may be noted that the experience of appliance and radio stores in the country has been in sharp contrast to that of department store appliance and radio-television departments; sales of such specialty stores rose 9 per cent between 1952 and 1953, bringing the total increase since 1948 to over 50 per cent.

SELECTED ECONOMIC INDICATORS
United States and Second Federal Reserve District

Item	Unit	1954			1953	Percentage change	
		March	February	January	March	Latest month from previous month	Latest month from year earlier
UNITED STATES							
Production and trade							
Industrial production*	1947-49 = 100	123*p*	124	125	135	− 1	− 9
Electric power output*	1947-49 = 100	165	162	164	159	+ 1	+ 4
Ton-miles of railway freight*	1947-49 = 100	—	89*p*	93	102	− 4	−10
Manufacturers' sales*	billions of $	24.0*p*	23.6	23.9	25.8	+ 2	− 7
Manufacturers' inventories*	billions of $	45.7*p*	46.1	46.4	44.8	− 1	+ 2
Manufacturers' new orders, total*	billions of $	23.0*p*	22.0	20.7	25.1	+ 5	− 8
Manufacturers' new orders, durable goods*	billions of $	10.3*p*	9.6	8.5	12.5	+ 7	−18
Retail sales*	billions of $	13.7*p*	13.9	13.6*r*	14.4	− 1	− 5
Residential construction contracts*	1947-49 = 100	202*p*	201	185	176	#	+15
Nonresidential construction contracts*	1947-49 = 100	192*p*	192	202	178	#	+ 8
Prices, wages, and employment							
Basic commodity prices†	1947-49 = 100	89.8	88.0	88.1	90.1	+ 2	#
Wholesale prices†	1947-49 = 100	110.6*p*	110.5	110.9	110.0	#	+ 1
Consumer prices†	1947-49 = 100	114.8	115.0	115.2	113.6	#	+ 1
Personal income (annual rate)*	billions of $	—	282.9*p*	283.7	283.6*r*	#	+ 1
Composite index of wages and salaries*	1939 = 100	—	253*p*	254	246	#	+ 4
Nonagricultural employment*	thousands	47,842*p*	48,154	48,339*r*	49,148*r*	− 1	− 3
Manufacturing employment*	thousands	15,906*p*	16,057	16,234	17,168*r*	− 1	− 7
Average hours worked per week, manufacturing†	hours	39.4*p*	39.6	39.4	41.1	− 1	− 4
Unemployment**	thousands	3,725	3,671	3,087	1,674	+ 1	—
Banking and finance							
Total investments of all commercial banks	millions of $	75,740*p*	78,030*p*	78,870*p*	74,830	− 3	+ 1
Total loans of all commercial banks	millions of $	67,050*p*	66,870*p*	66,460*p*	65,170	#	+ 3
Total demand deposits adjusted	millions of $	96,670*p*	99,570*p*	102,300*p*	97,370	− 3	− 1
Currency outside the Treasury and Federal Reserve Banks*††	millions of $	30,010*p*	30,084	30,222*r*	29,962	#	#
Bank debits (338 centers)*§	millions of $	64,116	62,406	59,396	61,653	+ 3	+ 4
Velocity of demand deposits (338 centers)*§	1947-49 = 100	122.5	118.1	113.8	121.9	+ 4	#
Consumer instalment credit outstanding†	millions of $	20,900	21,151	21,444	19,391*r*	− 1	+ 8
United States Government finance (other than borrowing)							
Cash income	millions of $	12,260*p*	6,530*p*	4,602	11,042	+88	+11
Cash outgo	millions of $	6,231*p*	5,302*p*	4,749	6,970	+18	−11
National defense expenditures	millions of $	4,125*p*	3,714*p*	3,603*p*	4,503	+11	− 8
SECOND FEDERAL RESERVE DISTRICT							
Electric power output (New York and New Jersey)*	1947-49 = 100	137	138	144	139	− 1	− 1
Residential construction contracts*	1947-49 = 100	—	194*p*	185	181	+ 5	+11
Nonresidential construction contracts*	1947-49 = 100	—	177*p*	217	198	−18	+ 1
Consumer prices (New York City)†	1947-49 = 100	112.4	112.8	113.0	111.2	#	+ 1
Nonagricultural employment*##	thousands	—	7,526.5*p*	7,569.0	7,628.1	− 1	− 1
Manufacturing employment*##	thousands	—	2,667.4*p*	2,699.9	2,827.6	− 1	− 5
Bank debits (New York City)*††	millions of $	64,069	62,350	60,491	50,847	+ 3	+26
Bank debits (Second District excluding New York City)*	millions of $	4,450	4,377	4,183	4,324*r*	+ 2	+ 3
Velocity of demand deposits (New York City)*‡	1947-49 = 100	166.0	167.2	166.2	138.2	− 1	+20

Note: Latest data available as of noon, May 3, 1954.
p Preliminary. *r* Revised.
* Adjusted for seasonal variation.
† Seasonal variations believed to be minor; no adjustment made.
‡ Series revised January 1943 to date.
§ Previously reported for United States outside New York City. Now excludes New York City and six other leading financial centers.
# Change of less than 0.5 per cent.
** Unemployment figures for March 1953 are on the basis of the old sample and, therefore, not necessarily comparable with those for the first three months of 1954 which are on the new sample basis; consequently, a per cent change from year ago is not shown.
†† The seasonal adjustment factors for this series have been revised.
Series revised back to January 1952.
Source: A description of these series and their sources is available from the Domestic Research Division, Federal Reserve Bank of New York, on request.