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MONEY MARKET IN SEPTEMBER

The flow of funds through the money market was unusually large during the past month, as transactions associated with the sale of 3.3 billion dollars of new securities by the Treasury augmented the seasonally heavy volume of financial and other payments. Flows of funds are generally enlarged during September in any case as the result of quarterly corporate tax and dividend payments, the seasonal expansion of business, crop movements, and the post-Labor Day pickup in securities flotations. These vast shifts of funds took place during the month just completed in an atmosphere of continued monetary and credit restraint but without evidence of undue strain on the money market. The money market remained tight throughout, with the effective rate for Federal funds holding at 3½ per cent on almost every day, despite a sharp midmonth rise in float which helped to moderate the pressures on aggregate member bank reserve positions. However, there was a tendency for these reserve gains to accrue to country and reserve city banks, so that the reserve positions of the large banks in New York City and Chicago were kept under almost continuous pressure. Shorter term interest rates moved moderately higher during the first half of September, but then fell back as the month progressed; longer term yields remained relatively stable throughout.

After the close of the market on September 12 the Treasury announced that subscription books would be opened on September 16 for an offering of about 3 billion dollars of new securities for cash. Three issues, each carrying a 4 per cent coupon, were offered to investors: an additional 750 million dollars of the recently issued certificates of indebtedness due next August; 1,750 million dollars of new Treasury notes due in five years but redeemable in two and one-half years on three months' notice by the holder; and 500 million dollars of new Treasury bonds maturing in twelve years. All three of the issues were heavily oversubscribed, and both of the two longer maturities were initially quoted at a premium in "when-issued" trading. However, bid quotations on the new notes and bonds dropped to a small discount after allotments had been announced, and all three issues closed the month slightly below par. These and other developments are described more fully below.

MEMBER BANK RESERVE POSITIONS

Average member bank borrowings from the Reserve Banks declined slightly to 974 million dollars in the four-week period ended September 25, about 40 million dollars below the average for the previous four weeks. At the same time, average excess reserves expanded, to 590 million dollars from about 530 million. Net borrowed reserves thus averaged 384 million dollars during September, compared with 484 million during August. In good part the increased availability of reserves was due to the midmonth expansion of float, which rose by almost 500 million dollars on a daily average basis during the week ended September 18. The bulge in float came unusually early in September, partly because of check shipment delays due to bad weather, but the rise was prevented from reaching record proportions by accelerated check clearing processes instituted by the individual Reserve Banks.

Although the rise in float led to a sharply lower average of net borrowed reserves during the week ended September 18, such an average, taken alone, gives an inadequate picture of developments during the midmonth period. For one thing, day-to-day fluctuations in reserve positions were rather wide; while net borrowed reserves averaged below 260 million dollars for the week as a whole, they had risen to over 430 million by Wednesday, September 18. In addition, the aggregate reserve statistics obscured some of

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the significant shifts of funds during that week. In particular, reserve positions of banks in the central money market remained under rather heavy pressure, as they were throughout the month. Member banks outside New York and Chicago cut their average borrowings from the Reserve Banks from 666 million dollars in the week ended September 11 to 573 million dollars in the succeeding week, but the New York and Chicago central reserve city banks had to maintain their average indebtedness to their Reserve Banks at about 365 million dollars during both weeks. Apparently the reserve gains were concentrated at smaller banks and were not readily available to the money market.

An added factor influencing the reserve positions of the central money market institutions after the middle of the month was the movement in the Treasury's balances at the Reserve Banks, which rose sharply as tax receipts flowed in. Between September 16 and September 20, for example, the balance jumped from 501 million to 947 million, despite redeposits in the "C" depositaries. In part, this was responsible for an increased degree of pressure on the reserve positions of the New York and Chicago central reserve city banks during the last statement week of the month. These banks stepped up their average borrowings from their Reserve Banks to 500 million from about 365 million the preceding week; average borrowings by other banks, however, rose only slightly, from 573 million to 600 million.

Currency movements also were rather unusual during the month. The outflow of currency into circulation was

Table I

Changes in Factors Tending to Increase or Decrease Member Bank Reserves, September 1957

(In millions of dollars; (+) denotes increase, (—) decrease in excess reserves)

Factor	Daily averages—week ended Sept. 4	Sept. 11	Sept. 18	Sept. 25	Net changes
Operating transactions					
Treasury operations*	− 10	+ 60	− 73	− 261	− 284
Federal Reserve float	− 119	+ 95	+ 489	− 124	+ 341
Currency in circulation	− 147	− 111	+ 72	+ 132	− 54
Gold and foreign account	− 1	− 17	− 71	+ 44	− 45
Other deposits, etc.	− 7	+ 5	− 10	+ 39	+ 27
Total	− 285	+ 31	+ 410	− 172	− 16
Direct Federal Reserve credit transactions					
Government securities:					
Direct market purchases or sales	+ 248	− 96	− 81	− 113	− 42
Held under repurchase agreements	+ 43	− 16	− 15	− 12	—
Loans, discounts, and advances:					
Member bank borrowings	− 81	+ 199	− 81	+ 156	+ 193
Other	− 1	—	—	—	− 1
Bankers' acceptances:					
Bought outright	+ 4	− 1	− 1	− 4	− 2
Under repurchase agreements	+ 1	− 1	—	—	—
Total	+ 214	+ 85	− 178	+ 27	+ 148
Total reserves	− 71	+ 116	+ 232	− 145	+ 132
Effect of change in required reserves†	+ 65	+ 36	− 153	+ 72	+ 20
Excess reserves†	− 6	+ 152	+ 79	− 73	+ 152
Daily average level of member bank:					
Borrowings from Reserve Banks	826	1,025	944	1,100	974‡
Excess reserves†	455	607	686	613	590‡

Note: Because of rounding, figures do not necessarily add to totals.

* Includes changes in Treasury currency and cash.

† These figures are estimated.

‡ Average for four weeks ended September 25.

considerably lighter than normal before the Labor Day holiday, but subsequently expanded somewhat more than had been anticipated. On a daily average basis the movement of currency into circulation absorbed 258 million dollars of reserve balances over the two weeks ended September 11, 34 million less than in the corresponding period last year. In the succeeding two weeks, however, most of these reserve balances were restored as currency flowed back.

System holdings of Government securities showed a net reduction of 196 million dollars between August 28 and September 25, with outright holdings of Treasury bills declining by 160 million dollars and short-term Government securities held under repurchase agreements falling by 36 million. On a number of occasions during the middle of the month one-day repurchase agreements were made in order to moderate pressures converging on the central money market. Outright holdings of Treasury bills increased by 111 million dollars in the week ended September 4, as System purchases were made early in that week to meet the need for funds usually associated with the approach of the long Labor Day week end. Over the three subsequent weeks, however, sales and redemptions totaled 271 million dollars.

Government Securities Market

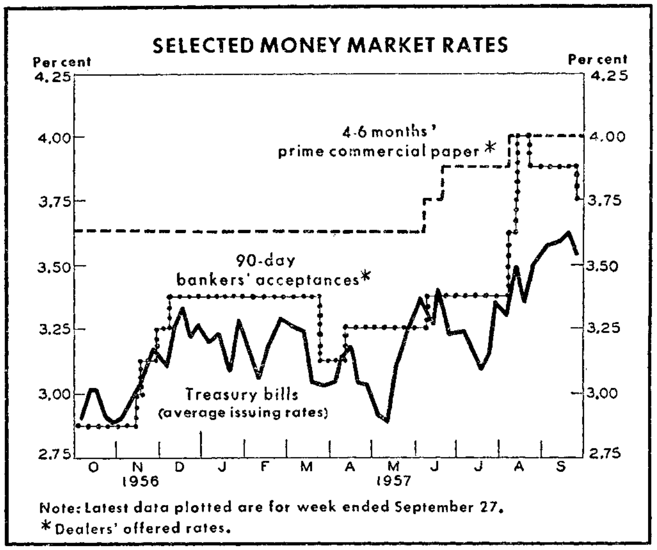
Attention in the Government securities market during much of September centered primarily on the Treasury's sale of 3.3 billion dollars of new securities for cash, the terms of which were made public on September 12. During the early part of the month activity was light and prices generally moved moderately higher. In general some feeling seemed to be developing that interest rates might have reached their cyclical peak, reflecting primarily less optimistic appraisals of the business outlook. For the most part trading in notes and bonds during this period was limited to tax switching by commercial banks and some professional short covering. The occasional investment buying interest that appeared centered in the two longest bonds.

As mentioned above, the Treasury's 3 billion dollar offering included a certificate maturing next August, a five-year note, and a twelve-year bond. The 4 per cent certificates were issued on September 26 and dated August 1, 1957, with an interest adjustment from that date; they will mature on August 1, 1958. The 4 per cent notes were dated September 26, 1957 and will mature on August 15, 1962; however, they are redeemable at the option of the holder at par plus accrued interest on February 15, 1960 upon three months' advance notice. The 4 per cent bonds were dated October 1, 1957 and will mature on October 1, 1969. Payment for the certificates and notes was due at issue on September 26. One half of the payment for the twelve-year bonds was due on October 1, but the remainder may be deferred if desired until not later than October 21, with an interest adjustment in the latter case for the interval between October 1 and the actual date of payment. In all cases, commercial banks were permitted to pay for their own and their customers' allotments by credit to Treasury Tax and Loan Accounts.

The subscription books for the financing operation were open only on Monday, September 16. Total subscriptions aggregated 13.8 billion dollars, of which 3.1 billion dollars were for the certificates, 6.1 billion for the notes, and 4.6 billion for the twelve-year bonds, the oversubscription reflecting mainly subscribers' expectations that only limited percentages of the amounts subscribed for would actually be allotted by the Treasury. Subscriptions of $100,000 or less were allotted in full for the certificates and notes, and $50,000 or less for the bonds, with 22 per cent of subscriptions in excess of these amounts allotted on the certificates, 28 per cent on the notes, and 10 per cent on the bonds. With a modest overallotment, a total of 3.3 billion of the securities was issued to the public: 833 million of the certificates, 1,901 million of the notes, and 557 million of the bonds. (In addition, 100 million dollars of each issue was allotted to Government investment accounts.)

Prices of outstanding bonds and notes moved lower for a few days after the announcement of the financing terms. No strong selling pressures were evident, however, and the favorable reception accorded the new issues seemed to bolster the confidence of dealers and investors in the current level of prices. Trading in the new securities on a "when-issued" basis began on September 17, with the notes rapidly moving to a $\frac{4}{32}$ premium bid and the bonds to about $\frac{10}{32}$ above par. The certificates, as widely anticipated, were bid slightly below par, since the market felt that the issue would have been taken chiefly by commercial banks who would in turn sell much of their allotments promptly at some discount, reflecting the advantage to subscribing banks of the Tax and Loan payment feature. Subsequently, the new notes and bonds also dropped slightly below par bid after the announcement of the percentage allotments, which were somewhat higher than some observers had anticipated. In addition, and perhaps more important, some offerings from speculative sources were prompted by uncertainties created by news of the rise of 2 percentage points in the Bank of England's discount rate on September 19. As the month progressed, however, sufficient demand appeared to absorb the intermittent supply and prices steadied at their new levels. At the close of the month the certificates were bid at $99\frac{29}{32}$, the new notes at $99\frac{30}{32}$, and the new bonds at $99\frac{31}{32}$.

Over the month as a whole, the prices of most Treasury bonds and notes maturing through 1962 showed mixed changes, ranging from losses of about ½ of a point to gains of about ⅜ of a point. Issues due after 1962 and through 1972 generally fell by ⅝ of a point to 1 point. The 3¼'s of 1978-83 closed at $93\frac{11}{32}$ (bid), up ½ of a point over the month, and the 3's of 1995 closed at $88\frac{14}{32}$, up $\frac{22}{32}$.



Treasury bill yields rose gradually over the first half of the month but then fell back. Nonbank demand contracted during much of the first half of the month, apparently reflecting the cash needs of corporations for quarterly tax and dividend payments. The average issuing rate in the weekly auction thus rose from 3.571 per cent in the last auction held in August to 3.575 per cent on September 9 and to 3.633 per cent on September 16. (The two longest bills, the March tax anticipation issue and the special April 15 bills, were both exceptions to this general heaviness of the bill market, with the former declining 7 basis-points to 3.94 per cent and the latter 17 basis-points to 3.93 per cent between September 9 and September 19.) Buying interest strengthened in the latter part of the month, however, partly as a result of reinvestment demand arising from holders of tax anticipation bills maturing on September 23, who had held the securities for cash redemption instead of using them to discharge tax liabilities. The average issuing rate thus declined slightly—for the first time since mid-August—to 3.534 per cent in the auction held on September 23 and then to 3.528 per cent on September 30.

Other Securities Markets

The corporate and municipal bond markets were generally steady during September, despite a heavy volume of new flotations. Investor reception accorded new corporate issues was rather selective, with yield usually taking precedence over quality, as measured by ratings, so that a number of high-grade issues moved slowly. By and large, however, the distribution of new issues was successful, particularly in view of the heavy volume, and by the end of the month most issues that had moved slowly originally had been largely distributed. Public offerings of corporate bonds for new capital purposes are estimated to have totaled 590 million dollars during the month, 120 million above the August volume and 110 million more than in September 1956. New public municipal offerings amounted to 355 million dollars, compared with 490 million the previous month and 300 million in September of last year.

Initial investor response to new high-grade issues was less than enthusiastic in many cases, but nevertheless, in the general feeling of confidence in the market regarding the stability of current yield levels, underwriters bid rather aggressively for the successive new offerings at fairly steady rates. This atmosphere was reflected in the secondary markets, as indicated by the decline of 1 basis-point in Moody's index of yields on seasoned long-term Aaa-rated corporate bonds, from 4.13 per cent at the end of August to 4.12 per cent at the end of September. This was in marked contrast to the almost steady advance which had taken place between the 3.66 per cent of mid-April and the 4.13 per cent at the end of August. The long-term Aaa-rated municipal bond index closed the month 4 basis-points lower at 3.41 per cent. In mid-April yields as measured by this index averaged 2.84 per cent and during the month of August alone rose 20 basis-points.

On September 11, a 30 million dollar flotation of 36-year Aaa-rated public utility debentures was poorly received when reoffered to yield investors 4.75 per cent. This yield was 32 basis-points above the yield on the preceding Aaa-rated corporate flotation which had been marketed early in July. (However, the July issue, which had been priced to yield somewhat less than similar offerings marketed in mid-June, had also encountered a poor response. In mid-June two Aaa-rated issues had moved well when priced to yield 4.80 and 4.85 per cent.) As the month progressed, three additional Aaa-rated corporate offerings were marketed at successive reoffering yields of 4.63 per cent, 4.86 per cent, and 4.71 per cent, with the differences related to some extent to call features. They all moved slowly at first, as investors seemed inclined to favor the lower rated but higher yielding flotations. Thus a 110 million dollar Baa-rated issue of 5½ per cent debentures moved quickly when reoffered at par shortly before midmonth, as did a later similarly rated 20 million dollar flotation priced to yield 5.70 per cent.

Table II

Changes in Principal Assets and Liabilities of the Weekly Reporting Member Banks

(In millions of dollars)

Item	Statement week ended Aug. 28	Sept. 4	Sept. 11	Sept. 18	Change from Dec. 26, 1956 to Sept. 18, 1957
Assets					
Loans and investments:					
Loans:					
Commercial and industrial loans	− 207	+ 33	+ 227	+ 320	+1,315
Agricultural loans	+ 2	+ 1	+ 6	+ 4	− 25
Security loans	+ 43	− 105	− 34	+ 129	− 496
Real estate loans	+ 14	− 13	+ 25	+ 10	− 134
All other loans (largely consumer)	+ 18	+ 11	+ 28	+ 19	+ 346
Total loans adjusted*	− 129	− 71	+ 251	+ 482	+ 820
Investments:					
U. S. Government securities:					
Treasury bills	− 295	− 150	− 4	− 11	− 478
Other	− 94	+ 23	− 21	− 4	−1,429
Total	− 389	− 127	− 25	− 15	−1,907
Other securities	+ 15	+ 9	+ 74	+ 4	+ 214
Total investments	− 374	− 118	+ 49	− 11	−1,693
Total loans and investments adjusted*	− 503	− 189	+ 300	+ 471	− 873
Loans to banks	− 20	+ 307	− 376	− 1	− 102
Loans adjusted* and "other" securities	− 114	− 62	+ 325	+ 486	+1,034
Liabilities					
Demand deposits adjusted	+ 491	− 560	+1,258	− 577	−3,120
Time deposits except Government	+ 23	+ 32	+ 80	+ 18	+1,677
U. S. Government deposits	− 477	− 445	−1,182	+1,024	− 333
Interbank demand deposits:					
Domestic	− 329	+ 673	+ 235	+ 93	− 353
Foreign	− 125	+ 37	− 13	− 27	− 29

* Exclusive of loans to banks and after deduction of valuation reserves; figures for the individual loan classifications are shown gross and may not, therefore, add to the totals shown.

On September 6, three of the major finance companies that sell their short-term obligations directly to investors announced increases in the rates paid on their paper, following the upward movement in other short-term rates during the preceding six weeks. They were joined on September 10 and 11 by the two other large companies. Rates on paper maturing up to 239 days were raised by ¼ of 1 per cent, on 240 to 270-day paper by ⅛ of 1 per cent. These changes brought the rate to 3¾ per cent for 30 to 89-day paper, 3⅞ for 90 to 179 days, 4 per cent for 180 to 239 days, and 4⅛ per cent for 240 to 270 days. On the other hand, on September 20 dealers in bankers' acceptances reduced their rates by ⅛ of 1 per cent on all maturities, the second reduction in four weeks after three increases earlier in August. This move, which was in response to increased investor demand for acceptances, brought quotations on 90-day maturities down to 3⅞ per cent bid and 3¾ per cent offered, still ⅜ per cent above the August 1 level.

Member Bank Credit

Total loans and investments of the weekly reporting member banks expanded by 79 million dollars during the four weeks ended September 18. Loans rose by 533 million, but this was in large part offset by a 454 million dollar drop in securities holdings.

Loans declined by almost 130 million dollars in the week ended August 28, as heavy business loan net repayments overshadowed increases in other types of loans. A large part of the business loan decline in this week was accounted for by net repayments by sales finance companies and by concerns in the petroleum and related industries. Subsequently, however, business loans advanced, rising by 580 million dollars in the three following weeks. Sales finance companies stepped up their borrowings, and food processors and trade concerns also contributed substantially to the increase. Over the complete four-week period business loans expanded by 373 million dollars.

Investment holdings of the reporting banks decreased by 454 million dollars over the four weeks, mainly because of a sharp sell-off of Treasury bills in the weeks ended August 28 and September 4. Treasury bill holdings had increased by almost 750 million dollars in the week ended August

21, primarily reflecting bank acquisition of the new 237-day bills that had been auctioned by the Treasury in mid-August. The decline in holdings in the two weeks ended September 4 presumably represented some distribution of these securities to nonbank investors by banks which had bid for the issue, in effect as underwriters, because of the Tax and Loan payment feature.

Thus far this year, total loans adjusted have grown by 820 million dollars at the weekly reporting banks, with business loans expanding by 1.3 billion and unclassified (largely consumer) loans by 346 million. Securities loans and real estate loans, on the other hand, have declined by 496 million and 134 million, respectively. Through the similar interval last year, total loans had grown by 3.2 billion dollars, business loans by 3.1 billion, consumer loans by 684 million, and real estate loans by 651 million. Securities loans had declined by 1.0 billion dollars. Investment holdings of the reporting banks have fallen by 1.7 billion dollars during the first thirty-eight weeks of 1957; in the corresponding period last year they had declined by 4.1 billion. Taking total loans and investments together, the decline amounts to 873 million dollars thus far this year, almost the same as the 893 million dollar contraction in the similar period last year.

INTERNATIONAL MONETARY DEVELOPMENTS

Monetary Trends and Policies

The United Kingdom. Effective September 19, the Bank of England raised its discount rate by 2 per cent to 7, the highest since 1921; the rate previously had been reduced ½ per cent to 5 last February. In announcing this exceptional increase—the rate had been raised 2 per cent only twice before since the beginning of the century, on the eve of the first and the second world wars—the Chancellor of the Exchequer stated that it was "made necessary because of the heavy speculative pressure against sterling". At the same time, however, he emphasized that a rise was required "in any event" to support other measures for restraining monetary expansion in the private and public sectors: the banks have been requested to hold their advances during the coming year to the average level of the past twelve months, while investment in the public sector, which had been expected to rise substantially, is to be kept at this year's level in 1958 and 1959. As the Chancellor stated, "there can be no remedy for inflation and the steadily rising prices which go with it which does not include, and indeed is not founded upon, a control of the money supply. So long as it is generally believed that the Government are prepared to see the necessary finance produced to match the upward spiral of costs, inflation will continue and prices will go up". In discussing the new monetary restraints at the annual meeting of the International Monetary Fund, the Chancellor reiterated these views and added that "I am confident that they will be effective. They will be pushed to the lengths necessary for that purpose".

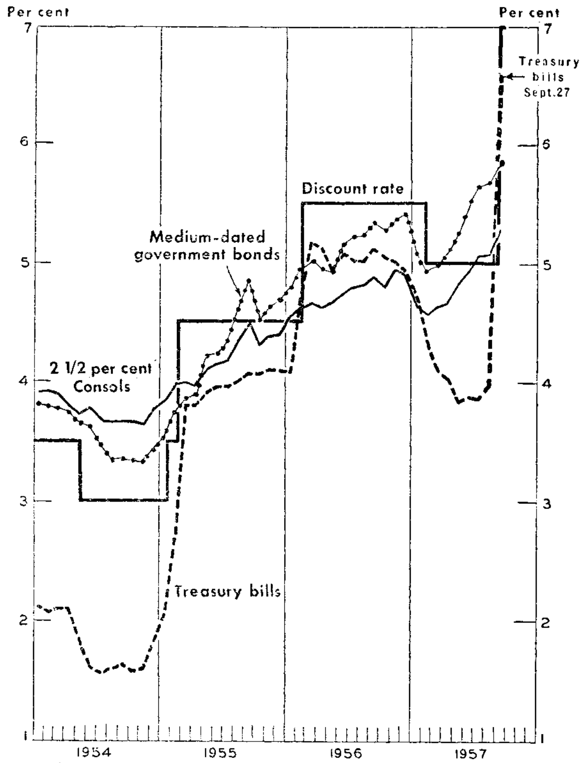
In August, Britain's reserves of gold and United States and Canadian dollars declined by 225 million dollars—a fall that wiped out most of the increase of the preceding six months and reduced total reserves to 2,142 million dollars. The speculative origin of the present exchange crisis is apparent in that Britain is running a substantial surplus in its balance of payments on current account; the surplus amounted to around 600 million dollars during the year ended June 1957. "The evidence of the United Kingdom's balance of payments and trade figures", the Chancellor pointed out, supports the view that the existing exchange rate parity is "right" and therefore "the Government intend to maintain the existing exchange rate parity of $2.80 to the pound, and they do not intend to allow the margins to widen". To underline Britain's determination to maintain the present value of the pound, the Chancellor announced on September 24 that Britain's reserves would be buttressed by drawing on the 500 million dollar line of credit opened by the United States Export-Import Bank last February.

Domestically, the pace of economic activity has quickened this year but, while production has revived substantially after having changed little during 1956, there has been a still more rapid growth in demand. Although investment has been expanding, the major source of inflationary pressure in the British economy has been the rise in consumption as wages have been pushed upward; weekly wage rates rose 5 per cent during the first eight months of this year.

The steady rise in demand has pressed hard against the authorities' monetary restraint policy. There has actually been a substantial expansion of the money supply and of bank credit this year; in the five months ended mid-July, the net deposits of the London clearing banks increased by 286 million pounds, compared with 89 million a year earlier. In the four weeks ended mid-August, however, bank credit contracted, partly because of a decline in the banks' liquid assets associated with the foreign exchange drain, and partly because of the continuation of the decline in advances which began in July. However, the recent decline in advances has only partly offset the increase in the first half year, and the latest analysis of advances reveals that the seasonal decline in private borrowing during May-August was substantially less than in 1956.

In the money market, the recent upward movement of interest rates was sharply accentuated following the discount rate increase (see chart); the average Treasury bill tender rate rose from 4.23 per cent on September 13 to

BRITISH INTEREST RATES



Consols: monthly averages. Medium-dated bonds: 3 per cent Savings bonds, 1965-75, monthly averages. Treasury bills: weighted monthly averages of weekly allotment rates. September data partly estimated.
Source: Central Statistical Office, Monthly Digest of Statistics.

6.60 per cent on September 20 and again on September 27, its highest since February 1921. The gilt-edged securities market had been weak for several months, and prices fell further following the discount rate increase; the yield of 2½ per cent Consols rose to a record high of 5.56 per cent on September 19 but declined somewhat thereafter and stood at 5.46 per cent on September 30.

Germany. The German Federal Bank lowered its discount rate to 4 per cent from 4½, effective September 19; this was the third ½ per cent decrease since early September 1956, when the rate was 5½ per cent. In the background of the discount rate reduction is the slackening of the pace of economic expansion in Germany in recent months. There has recently been a more-than-seasonal decline in investment activity in several important sectors, and consumption has increased more slowly than had been expected. Also in the background of the reduction of the discount rate is the rapid increase in the liquidity of the banking system this year, as a result of which commercial bank borrowing from the central bank has dwindled sharply and day-to-day money rates have dropped considerably, ranging as low as 2¼ per cent toward the end of August. The central bank has endeavored to offset the increase in liquidity by open market sales totaling 3.9 billion marks this year through the middle of September. As on four occasions earlier this year, the Treasury agreed in September to replenish the central bank's portfolio by converting 1 billion marks more of the so-called equalization claims into marketable short-term paper. The authorities have had to contend with an inflow of foreign exchange that has raised Germany's gold and foreign exchange reserves this year by 1.4 billion dollars' equivalent to almost 5.7 billion in mid-September and has had serious international as well as domestic repercussions. The German Federal Bank has estimated that about half of the exceptional 538 million dollar net increase in its gold and foreign exchange holdings in July and August may be attributed to the intensification of speculation, largely prompted by rumors about a possible appreciation of the German mark—rumors that have been forcefully denied by the German authorities.

Netherlands. Following up their increase in the discount rate in August, the Dutch authorities last month announced further measures of monetary and fiscal restraint to combat domestic inflationary pressures and improve the balance of payments. To prevent a further expansion of bank credit beyond what is necessary to meet seasonal business needs, the Netherlands Bank has requested the commercial banks to hold their lending to the private sector during the last half of this year to an average of not more than 2 per cent above the level of the preceding quarter; banks that are deemed not to have complied fully with this request may be charged a penalty rate of 1 per cent above the normal rate when borrowing from the central bank. Under the 1958 budget presented to Parliament last month the government, by increasing taxes further on nonessential consumer goods, proposes to reduce substantially the budgetary deficit next year. A reduction of the central government's borrowing requirements would leave more room on the capital market for the municipalities, whose extensive short-term borrowings have been a major source of credit expansion. The reduction of the municipalities' short-term borrowing is reportedly also to be facilitated by an upward revision of the present limits on the rate of interest at which they may borrow at long term. Meanwhile, the speculative pressures on the guilder, which caused a nearly 15 per cent drain in the official gold and foreign exchange reserves in August, seem to have abated; in the first three weeks of September, there was a net decline of only about 6 million dollars' equivalent in the central bank's reserves, after allowing for the Netherlands' 69 million dollar drawing from the International Monetary Fund.

Exchange Rates

American-account sterling continued weak during the first half of September, largely as the result of substantial commercial offerings and widespread rumors of a widening of the margins within which the pound is permitted to fluctuate. Spot sterling was maintained at the support level of about $2.78¼, with the exception of September

3 and 17 when short covering raised the quotation to \$2.78⅜ and \$2.78$\frac{7}{16}$, respectively. After the British Government's measure of September 19 (see above) and the subsequent announcement of restrictions on the credit facilities available to nonresidents of the sterling area, the quotation rose to \$2.79$\frac{9}{32}$ on September 24. At the month end, the rate stood at \$2.79⅝. In the forward market the discounts on three and six months' sterling moved erratically, with the spreads narrowest at 2½ cents and 3$\frac{11}{32}$ cents early in September and widening at midmonth to 4¼ and 6$\frac{3}{16}$—the widest spreads since December 1951. The discounts subsequently narrowed to 2¾ and 4$\frac{1}{16}$ on September 24, and at the month end stood at 3$\frac{1}{16}$ and 4$\frac{7}{16}$ cents.

Transferable sterling moved within the narrow range of \$2.75-\$2.7535 during the first half of the month in a rather inactive market. At midmonth, however, as the rate began to weaken again toward the lower level, bidding reportedly from London developed, strengthening the rate to \$2.7560 on September 17. The rate further improved to \$2.7720 on September 24 on covering of short positions. On September 30 the rate was quoted at \$2.7745.

Securities sterling generally held at about the \$2.68½ level until midmonth in a relatively inactive market. Thereafter, the quotation moved upward, as demand developed, reaching \$2.73 on September 24. By September 30, however, the rate had eased to \$2.71.

The Canadian dollar weakened in the first half of September. Following the September 7 address of the Canadian Prime Minister in which he mentioned the uneasiness in Canada "over the political implications of large-scale and continuing external ownership and control of Canadian industries", a strong demand for United States dollars developed in Canada, and the Canadian dollar declined from \$1.05$\frac{3}{16}$ at the beginning of the month to \$1.03$\frac{51}{64}$ on September 16. The rate recovered to \$1.04$\frac{9}{32}$, however, on September 18 under strong demand for Canadian dollars from London and offerings of United States dollars from Canada. It then dipped to \$1.03$\frac{11}{16}$ at the month end.

RECENT TRENDS IN UNITED STATES FOREIGN TRADE

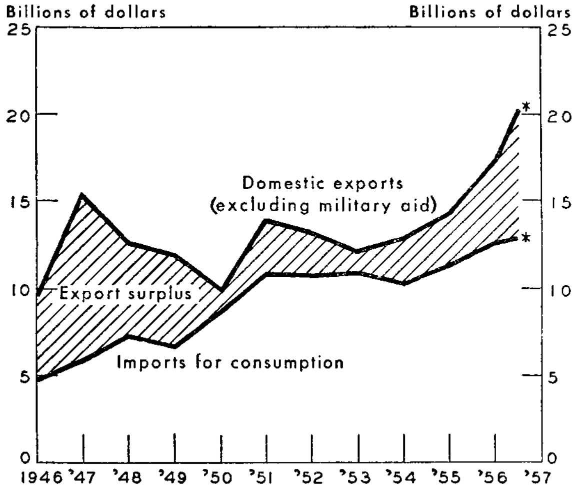
The vigorous economic expansion of the world overseas in recent years has had its favorable counterpart in the domestic economy of the United States. Our nonmilitary exports have forged ahead impressively in the years since 1953. In the short space of three years our merchandise shipments abroad rose some 41 per cent to 17.2 billion dollars in 1956; the first six months of 1957 witnessed a further sharp rise to an annual rate of 20.2 billion. United States exports over the period rose proportionately more than the aggregate of world trade, testifying to our significant stake in the continued growth of the world economy. Our share of world exports rose between 1953 and 1956 from 17 per cent to 19 per cent of the total (excluding our own military shipments but not those of other countries).

The export boom since 1953 has been an important expansionary force in the growth of total output and employment. Overseas sales began to pick up vigorously early in 1954 from the levels to which they had declined from their Korean war highs. This export rise was one of the significant stimulating factors in the recovery of the economy from the 1953-54 decline in business activity. The advance in merchandise exports continued at a moderate pace through 1955 with export prices as a whole exhibiting considerable stability. This movement became a strong upward surge in 1956 as foreign economies continued to expand rapidly, United States capital flowed abroad at a record pace, and special Government programs boosted agricultural exports. The volume of goods shipped rose 16 per cent in 1956 over 1955 and export unit values moved upward 4 per cent. The export boom continued on into the first half of 1957, with the value of exports rising 14 per cent above the rate of the preceding six months. Suez-induced shipments of fuels and special agricultural programs played a considerable role in this movement. Since the first quarter, exports have receded as special factors have spent their force, but continue at a high level.

While expansion abroad enlarged our foreign sales, expansion of domestic economic activity also lifted our own purchases of foreign raw materials and consumer goods. United States imports for consumption advanced 16 per cent over the three years to 12.5 billion dollars last year. In 1953 they had remained at the 10.8 billion dollar level achieved in the two preceding years (see chart). By that time, raw material prices had fallen sharply from their post-Korea heights, and the value of raw material imports had slipped below the totals of earlier years despite the greater volume associated with a high level of domestic business activity and continued Government stockpiling.[1] Buoyed by high domestic income, imports of foodstuffs were maintained in 1953, with their prices strong, while foreign manufactures were entering in increasing volume. The 1953-54 United States recession caused imports to slip in 1954 as raw material purchases were cut back. However, the renewal of the advance of the domestic economy in the fourth quarter of 1954 brought in its train a general increase in most of our imports. The volume of goods arriving from abroad rose one fifth between 1954 and 1956 with import prices advancing slightly. In the first half of 1957 the value of imports edged ahead to a 12.8 billion dollar annual rate. Purchases of crude

[1] See "Recent Trends in United States Imports", *Monthly Review*, July 1956.

UNITED STATES MERCHANDISE TRADE



*January-June 1957 at annual rate.
Sources: United States Department of Commerce, Total Export and Import Trade of the United States, January-December 1956, and United States Foreign Trade (FT 900 E and I), January-June 1957.

materials declined, presumably because of a cessation in the build-up of some kinds of inventory associated with the leveling-off in domestic business activity.

The vigorous growth of our nonmilitary exports in combination with the much more modest rise in our merchandise imports has resulted in a widening trade gap (see chart). In 1953 the export surplus was down to 1.4 billion dollars from a Korean war high of twice that in 1951, but by 1956 it had grown to 4.7 billion dollars. The impact of the Suez situation and of surplus shipments helped lift the trade surplus even higher this year, to an annual rate of 7.5 billion dollars in the first six months. Surpluses of such size have not been experienced since the immediate postwar period of reconstruction. The rising outflow of United States capital—both private and governmental—has facilitated this growth, but recently several foreign countries have had to draw upon the International Monetary Fund and their own international reserves. Obviously, there are limits to the length of time such reserves can be drawn down. Indeed, several important countries abroad have already found it necessary to initiate policies aimed at curbing inflation and curtailing imports. In time such measures and the lessening of special stimuli can be expected to cut into our present export surplus.

The Commodity Composition of United States Exports

A closer look at the export boom since 1953 shows it to be the product of notable advances scored by three major groups of United States products: agricultural products, nonagricultural industrial raw materials, and capital goods. Conspicuous individual items notwithstanding, only a very small part of total export gains took the form of overseas sales of finished consumer goods by which the American "way of life" is so widely identified. A small part of the gains discussed below reflect higher prices; the bulk, and almost all of the gains for agricultural products, represent increased quantities exported.

The higher levels of foreign output is the common cause, although each group of exports is affected by other influences as well. Agricultural exports—cotton, wheat, coarse grains, dairy products, and the like—benefited particularly from the economic expansion in Western Europe and Japan as well as from the large-scale surplus disposal program of the United States. The world-wide advance of industrial production gave a similar impetus to our export sales of nonagricultural industrial raw materials—notably chemicals, coal, and nonferrous metals. A large increase in United States direct investment abroad and further progress in the economic development of less fully developed regions produced a substantial increase in shipments of industrial machinery and other capital equipment.

The gains scored by agricultural exports have been quite imposing. Between 1953 and 1956 such exports advanced from 2.8 to 4.2 billion dollars; in the first five months of 1957 they were running at an annual rate of 4.9 billion. Although agricultural exports were low in 1953, most of the increase has occurred since 1955 when such exports were 3.2 billion dollars.

While the growth of foreign economies and populations has been basic to the rise in foreign requirements for agricultural products, special programs of the United States Government have been a major factor in translating foreign needs into effective demand for our farm commodities. In fiscal years 1956 and 1957 some 40 per cent of all agricultural exports moved under legislation permitting domestic agricultural surpluses to be sold for foreign currencies or raw materials, or to be donated for specified purposes. Agricultural exports under these programs rose by about 1.3 billion dollars between the 1952-53 and 1956-57 fiscal years, while commercial sales were increasing by only about 550 million dollars. Larger surplus sales against foreign currencies were the biggest factor in the export gain. In addition to these special programs, the Commodity Credit Corporation has sold substantial quantities of several commodities from its stocks at competitive prices for export for dollars. These pricing policies have generally been cited as responsible for an increase in United States raw cotton exports from 3.8 million bales in fiscal years 1954 and 1955 to 7.9 million bales in the year ended June 30, 1957.

A breakdown of the main commodity groups involved in the export advance shows that four major agricultural categories were responsible for over one fourth of the total gain between 1953 and 1956 (Table I). Cotton shipments in 1956 did not fully reflect the effects of the special competitive pricing program until the last five months of the period. Even so, the year witnessed a volume of export sales appreciably greater than that of 1953 in the case of Europe and far above in the case of the Far East, especially Japan. Exports in the first half of 1957 rose still further as restocking abroad continued. Shipments of fats, oils, and oilseeds made even larger gains as world consumption continued to expand; Western Europe provided the chief market. Wheat, flour, and coarse grains accounted for most of the 280 million dollar increase recorded in exports of grains and preparations; Western Europe, which had a poor harvest in the 1956 season, took most of the increase in shipments. Overseas sales of other foodstuffs—meat and dairy products, lard, vegetables, and fruits—made the largest advance of all over the 1953-56 period, increasing by 480 million dollars to virtually double the 1953 figure. Greater trade liberalization as well as short crops helped such shipments to increase to Europe, while the Far East also took larger quantities.

The United States has been called upon increasingly to provide fuel and raw materials for industrial growth abroad which, in important instances, has outstripped the short-run capacities of foreign economies. The vigorousness of overseas growth is evidenced by the fact that manufacturing production in December 1956 stood above the 1953 average by 30 per cent in the OEEC countries of Western Europe and by 59 per cent in Japan, compared with a rise of only 10 per cent in the United States. The pattern of United States exports reflects the supply bottlenecks abroad produced by the rapidity of this advance (Table I). Coal shipments to Western Europe rose from 74 million dollars in 1953 to 445 million dollars in 1956, accounting for nearly all of the global gain in coal shipments. Our foreign sales of chemicals expanded over 50 per cent during the period; Japan and Europe accounted for about half of the increase, Latin America for one quarter. Copper and copper-base alloys, iron and steel scrap, and nonferrous metals were also in strong demand by industrial areas abroad.

Table I

United States Exports by Selected Commodity Groups, 1953 and 1956*

Group/Item	1953	1956	Increase 1953 to 1956	Share of total increase
	In millions of dollars		Per cent	Per cent
Agricultural products	**2,407**	**3,734**	**55**	**26.9**
Cotton (unmanufactured)	521	729	40	4.2
Fats, oils, and oilseeds	318	675	112	7.2
Foodstuffs other than grains, fats, or oils	509	992	95	9.8
Grains and preparations	1,059	1,338	26	5.7
Nonagricultural raw materials	**1,262**	**2,255**	**79**	**20.1**
Chemicals and related products	800	1,235	54	8.8
Coal and related products	346	745	115	8.1
Copper and copper-base alloys	116	275	137	3.2
Capital goods	**2,304**	**3,645**	**58**	**27.2**
Commercial trucks	264	440	67	3.6
Industrial machinery	1,545	2,137	38	12.0
Iron and steel-mill products	495	1,068	116	11.6
Other exports	**5,675**	**6,950**	**22**	**25.8**
Total exports	**11,648**	**16,584**	**42**	**100.0**

* Includes re-exports but excludes all "special category" items. Domestic exports (including "special category" items but excluding military aid) totaled 12.1 billion dollars in 1953 and 17.2 billion in 1956.

Sources: *Foreign Commerce Weekly*, May 9, 1955 and April 29, 1957.

The accelerated pace of investment overseas in plants, equipment, mines, and public works provides the third key to our recent export boom. As a result of this massive investment effort, part of it the result of American lending and direct investment abroad, our exports of industrial machinery rose by 38 per cent to 2.1 billion dollars last year and this upward movement was extended in the first half of 1957. Construction, excavating, and mining machinery scored the largest gains, with Canada and Latin America the principal markets. Iron and steel-mill products—a category which includes raw as well as fabricated steel—were in heavy demand in nearly all world markets. Our exports of these products more than doubled during the 1953-56 period; in the first five months of 1957 they ran at an annual rate 50 per cent above the 1956 level. Shipments to the Far East, principally Japan, and Western Europe made particularly large percentage advances, but our older markets in Canada and Latin America also absorbed substantially larger amounts. Foreign purchases of commercial trucks rose by 180 million dollars and of civilian aircraft by half that amount.

A brief word is also in order about those export products which showed little gain or receded over the recent period. Tractors and farm implements lost ground, partly at least because of increased deliveries from American-owned plants established abroad. Textile manufactures have dipped a bit since 1953 as well, but some crosscurrents are also in evidence since exports of synthetic fabrics have increased slightly. Agricultural products have also not all advanced; for instance, sales of tobacco products in 1956 remained at about their 1953 level.

The Changing Pattern of Export Markets

The outstanding change of the past few years in the geographic picture of our overseas markets has been the re-emergence of Western Europe as the largest outlet for United States products. The striking advance scored by exports to Western Europe lifted the area from third place in 1953 to its leading position in 1956 (Table II). Shipments to other regional markets rose less than half as rapidly although all shared in the general increase. Canada yielded first place but enlarged its margin slightly over the American Republics. Sales to other areas kept pace with those to Canada.

In the three years ended in 1956 our exports (excluding military aid) to Western Europe rose almost 80 per cent to a total of 5.1 billion dollars. This advance reflected larger European dollar receipts from commercial sales to the United States and from capital outflows from this country, and a greater use of these receipts to make dollar

Table II
United States Exports by Destination, 1953 and 1956*

Area	1953	1956	Increase	Share of increase
	In millions of dollars		Per cent	Per cent
Western Europe	2,868	5,122	78	45
Canada	2,996	3,972	32	20
American Republics	2,921	3,680	26	15
Far East	1,908	2,531	33	13
Other	954	1,276	34	7
Total	**11,648**	**16,584**	**42**	**100**

* Includes re-exports but excludes all "special category" items.
Sources: See Table I.

purchases. A sharp decline in United States grant assistance was largely offset by a rise in the expenditures of the armed forces overseas. As may be surmised from the foregoing discussion, shipments of agricultural products and industrial raw materials—both crude materials and semimanufactures—provide the principal explanation for Europe's gains. Grains, other foodstuffs, and oils alone accounted for over one third of the export advance. Chemicals, coal, iron and steel-mill products, and copper and copper-base alloys made up another third. Exports of machinery and other finished manufactures made only modest advances to this highly industrialized area.

The investment boom in both Canada and Latin America was the chief force behind the rise in our shipments to these areas. Machinery and iron and steel-mill products accounted for over half of the export gains in both cases. Some part of this expanded flow of capital goods probably reflects the accelerated pace of direct investment by United States concerns in both areas as well as the markedly larger volume of Canadian securities floated in the United States in 1956. Chemicals and related products also enjoyed strong demand in the markets of the Western Hemisphere, and some foodstuffs moved in somewhat larger volume.

Agricultural products were important in the increased sales to the Far East and the rest of the world. Cotton and foodstuffs accounted for almost one third of the increased shipments to the Far East, foodstuffs about one quarter of the gains to the rest of the world (principally the Near East and Africa). Machinery and iron and steel-mill products needed for economic development loomed large in Far Eastern gains but were much less important elsewhere. Chemical products also moved strongly to Asian markets, while automobiles and trucks were second only to foodstuffs in accounting for the export rise to the Near East and Africa.

The Commodity Pattern of Recent Import Gains

The economic growth of recent years has left its mark not only on the structure of our export trade but upon the composition of our imports as well. The expansion of United States production and resulting higher personal incomes appear to be the dominant factors behind the recent increases in our foreign purchases (Table III). The moderate 16 per cent rise in United States imports over the three years ended in 1956 was chiefly the result of a greater inflow of raw materials, petroleum and petroleum products, and manufactured consumer goods. Imports of crude and manufactured foodstuffs, which made up one quarter of our total imports last year, failed to advance in dollar value over the period.

Taking a longer view, as domestic industrial production has expanded in recent decades, there has been a marked tendency for the United States to turn to foreign sources of supply for a part of its growing needs. This has been the natural result of the gradual depletion of some of the richer mineral deposits within our borders. Recourse to foreign sources has helped hold down the rise in domestic costs which would necessarily have accompanied sole reliance on domestic supplies. Variations in business activity and the volatility of raw material prices make it difficult to observe this process in operation within a brief period, but its fundamental importance requires that it be borne in mind when import developments are examined.

The recent increase in our intake of iron ore and concentrates does, however, provide a good example of this process at work. Over this period such imports, drawn chiefly from Canada and Venezuela, rose from 97 million dollars in 1953 to 250 million in 1956. Nonferrous metals and ferroalloys, on the other hand, have as a group made only minor gains, although this may reflect a decline in Government stockpiling rather than stable commercial demand. Within the group copper imports, principally from Chile, rose in dollar value as steep price rises up through 1956—subsequently reversed—more than offset a decline in volume. Ferroalloy imports dropped in both price and volume. In contrast, our purchases of lead, nickel, and

Table III
United States Imports for Consumption by Selected Commodity Groups, 1953 and 1956

Group/Item	1953	1956	Increase or decrease 1953 to 1956	Share of total increase
	In millions of dollars		Per cent	Per cent
Foodstuffs	**3,096**	**2,966**	**− 4**	**− 7.5**
Coffee	1,468	1,458	− 2	− 1.7
Cane sugar	425	437	3	0.7
Other foodstuffs	1,203	1,091	− 9	− 6.5
Fuels and raw materials	**3,785**	**4,719**	**25**	**54.5**
Crude rubber	351	598	20	3.9
Iron ore and concentrates	97	250	158	8.9
Nonferrous metals and ferroalloys	1,661	1,710	3	2.9
Paper and paper materials	934	1,092	17	9.2
Petroleum and products	762	1,269	66	29.6
Finished manufactures	**817**	**1,279**	**56**	**27.0**
Machinery and vehicles	353	631	79	16.2
Textile manufactures	464	648	40	10.8
Other imports	**3,081**	**3,526**	**14**	**26.0**
Total imports	**10,779**	**12,490**	**16**	**100.0**

Sources: See Table I; United States Department of Commerce, *Total Export and Import Trade of the United States*, January-December 1956.

zinc rose as both prices and volume advanced. United States demand for Canadian newsprint, paper base stocks, and sawmill products lifted our imports of these products by 228 million dollars. Imports of natural rubber, which is meeting stiff competition in the domestic market from the synthetic product, declined in volume but advanced in value as prices rose above the depressed 1953 level. Wool imports declined both in volume and dollar value.

Imports of petroleum and petroleum products scored very sharp gains over the 1953 to 1956 period, rising by two thirds to almost 1.3 billion dollars. Over one quarter of the over-all three-year increase in imports was contributed by this category alone. In the first five months of 1957 petroleum replaced coffee as our largest import. The strength of this inward movement, which has led to official efforts to control petroleum imports, reflects the low production costs of Venezuelan and Middle Eastern oil.

An outstanding feature of the developing import picture has been the sharp advance made in recent years in United States imports of finished manufactures. Such imports, exclusive of newsprint and jute burlaps which may be considered raw materials, rose from 1.5 billion dollars in 1953 to 2.4 billion last year. These gains were extended in the first half of 1957, bringing manufactured imports to two and a half times their 1950 level. Expanded domestic production and greater prosperity appear basic to this development, but the easing of United States trade restrictions has probably also facilitated import gains. Sales here of foreign industrial, electrical, and office machinery have grown steadily. Textile imports, largely from Japan and the United Kingdom, accounted for one tenth of the three-year increase in all imports but have not risen further in 1957 because of steps taken on behalf of the United States industry. European producers of automobiles have made a very successful entry into the domestic market. Their sales almost tripled to 145 million dollars in 1956 and climbed further to an annual rate of 280 million dollars in the first five months of this year. A wide range of other consumer items mostly from Europe and Japan also enjoyed substantial increases in sales here over the period.

In contrast to the fine showing made by many manufactured consumer items, imports of foodstuffs have exhibited little buoyancy over the past several years (Table III). Over the period as a whole, a modest decline in food prices has practically offset a small rise in import volume. In the case of coffee which makes up almost half of our import bill for food, slightly lower prices caused the import value to slip a little to 1.4 billion dollars despite a small rise in volume. Both lower prices and reduced volume were behind the decline in cocoa imports. The volume of sugar imports, however, rose sufficiently to lift import values despite slightly lower average prices. Imports of meat and dairy products slipped back over the period, but United States purchases of nuts, fish, and distilled spirits increased appreciably.

Shifts in the Source of United States Imports

The changing pattern of our imports of late reveals significant differences in the pace at which the several regions have developed their sales to us but no major shifts in the relative standing of our suppliers (Table IV). The American Republics remain our chief source of imports, although our purchases from them have advanced only slightly since 1953. Canada's second position is now challenged by Western Europe. Imports from the Far East have kept pace with the rise of total imports, while those of other regions have moved ahead at a slightly faster clip.

The very modest gain recorded in our imports from Latin America is due entirely to our larger purchases of petroleum and petroleum products. These enlarged supplies, as well as increased imports of nonferrous metals and iron ore, reflect the success of United States private investment in bringing these resources into production. Agricultural commodities, on the other hand, have given ground. Lower coffee prices reduced Latin American receipts for that important commodity, and wool shipments fell off considerably over the period.

United States purchases from Canada continue to consist largely of raw materials and semifinished goods. Paper and paper manufactures, the largest import from Canada, alone accounted for some 30 per cent of the increase in that country's shipments to us. Larger imports of nonferrous metals and iron ore were responsible for an equal share, as investments by a number of United States companies began to reach the productive stage. The rise of petroleum imports from only 8 million dollars in 1953 to 121 million dollars last year also reflected the operations of United States corporations in Canada. Canadian shipments of foodstuffs, however, declined over the period.

Western Europe and Japan have scored the largest percentage gains in domestic markets since 1953. Indeed, without the nearly 300 million dollar increase in Japan's exports to us, the Far East would have shown a decline for the period. The two industrial areas have been the principal beneficiaries of the large increase scored by our manu-

Table IV
United States Imports for Consumption by Area of Origin, 1953 and 1956

Area	1953	1956	Increase	Share of increase
	In millions of dollars		Per cent	Per cent
American Republics	3,417	3,608	6	11
Canada	2,456	2,869	17	24
Western Europe	2,270	2,862	26	35
Far East	1,603	1,873	17	16
Other	1,033	1,278	23	14
Total	**10,779**	**12,490**	**16**	**100**

Sources: See Table I.

factured imports. Machinery, vehicles, and textiles were responsible for about half of Europe's gains; textiles alone made up half of the increase recorded by the Far East as a result of Japan's export drive. A wide variety of other manufactured goods accounted for much of the remainder in both instances. About two thirds of the increase in our imports from the Near East and Africa was made up of petroleum from the area of the Persian Gulf, again in large part produced by United States companies operating abroad. An increase in coffee imports from Africa is also worthy of note.

Concluding Remarks

The United States economy has reaped very tangible benefits from the world-wide economic growth and easing of trade restrictions of recent years. As the world economy continues to grow, these benefits can be expected with some confidence to expand if restrictive policies do not intervene. Growing overseas markets should promote greater productive efficiency at home, especially in industries supplying highly competitive capital goods. The further expansion of foreign supplies should provide raw material requirements at less cost than if we depended on domestic resources alone. These gains from trade could, however, be placed in jeopardy by the acceleration of either of two trends observable in past developments. A widespead policy of pursuing economic growth at the expense of price stability might well lead to sizable fluctuations in United States exports as they rose in response to overexpansion abroad and fell back when adjustments were undertaken abroad to end the reserve drains thus set in motion. Another obstacle to trade expansion might arise if pressures for a more restrictive import policy should become stronger in the United States. It should be clear from the record since 1953 that sustained exports depend upon the release of purchasing power to other countries through large imports and the sustained export of capital.

SELECTED ECONOMIC INDICATORS
United States and Second Federal Reserve District

Item	Unit	1957			1956	Percentage change	
		August	July	June	August	Latest month from previous month	Latest month from year earlier
UNITED STATES							
Production and trade							
Industrial production*	1947–49 = 100	144p	144	144	143r	#	+ 1
Electric power output*	1947–49 = 100	231	233	234	216	− 1	+ 7
Ton-miles of railway freight*	1947–49 = 100	—	99p	107	102	− 8	+ 3
Manufacturers' sales*¶	billions of $	—	28.9p	28.1	27.6	+ 3	+ 8
Manufacturers' inventories*¶	billions of $	—	54.1p	53.9	50.4	#	+ 8
Manufacturers' new orders, total*¶	billions of $	—	27.1p	27.1	31.1	#	− 2
Manufacturers' new orders, durable goods*¶	billions of $	—	13.1p	13.2	17.3	− 1	− 7
Retail sales*	billions of $	17.2p	17.0p	16.8	16.1	+ 1	+ 7
Residential construction contracts*	1947–49 = 100	—	n.a.	n.a.	264	n.a.	n.a.
Nonresidential construction contracts*	1947–49 = 100	—	252	267	257	− 6	+ 1
Prices, wages, and employment							
Basic commodity prices†	1947–49 = 100	89.3	90.2	89.7	90.6	− 1	− 1
Wholesale prices†	1947–49 = 100	118.3p	118.2	117.4	114.7	#	+ 3
Consumer prices†	1947–49 = 100	121.0	120.8	120.2	116.8	#	+ 4
Personal income (annual rate)*¶	billions of $	347.3p	346.2	344.8	329.3	#	+ 5
Composite index of wages and salaries*	1947–49 = 100	—	157p	156	149	+ 1	+ 5
Nonagricultural employment*	thousands	52,788p	52,809p	52,773	52,180	#	+ 1
Manufacturing employment*	thousands	16,828p	16,869p	16,924	16,901	#	#
Average hours worked per week, manufacturing†	hours	39.9p	39.7p	40.0	40.3	+ 1	− 1
Unemployment	thousands	2,380	2,687	3,030	2,195	−11	+ 8
Unemployment‡	thousands	2,609	3,007	3,337	n.a.	−13	n.a.
Banking and finance							
Total investments of all commercial banks	millions of $	72,760p	72,740p	72,010p	73,560	#	− 1
Total loans of all commercial banks	millions of $	92,860p	92,360p	93,280p	87,470	+ 1	+ 6
Total demand deposits adjusted	millions of $	105,110p	106,570p	105,540p	104,500	− 1	+ 1
Currency outside the Treasury and Federal Reserve Banks*	millions of $	31,128p	31,147	31,089	30,742	#	+ 1
Bank debits (337 centers)*	millions of $	83,608	86,048	77,684	79,932	− 3	+ 5
Velocity of demand deposits (337 centers)*	1947–49 = 100	146.3p	149.4	145.0	141.9r	− 2	+ 3
Consumer instalment credit outstanding†	millions of $	33,045	32,699	32,344	30,644	+ 1	+ 8
United States Government finance (other than borrowing)							
Cash income	millions of $	7,104	3,615	12,214	6,579	+97	+ 8
Cash outgo	millions of $	7,404	7,092	7,297	6,855	+ 4	+ 8
National defense expenditures	millions of $	4,402	4,194	3,474	3,545	+ 5	+24
SECOND FEDERAL RESERVE DISTRICT							
Electric power output (New York and New Jersey)*	1947–49 = 100	163	159	168	153	+ 3	+ 7
Residential construction contracts*	1947–49 = 100	—	n.a.	n.a.	197	n.a.	n.a.
Nonresidential construction contracts*	1947–49 = 100	—	n.a.	n.a.	235	n.a.	n.a.
Consumer prices (New York City)†	1947–49 = 100	118.7	118.4	117.9	114.4	#	+ 4
Nonagricultural employment*	thousands	7,828.2p	7,830.7	7,827.6	7,849.0	#	#
Manufacturing employment*	thousands	2,637.3p	2,655.3	2,661.6	2,691.9	− 1	− 2
Bank debits (New York City)*	millions of $	75,175	77,614	69,637	73,933	− 3	+ 2
Bank debits (Second District excluding New York City)*	millions of $	5,272	5,507	4,946	5,162	− 4	+ 2
Velocity of demand deposits (New York City)*	1947–49 = 100	197.3	193.9	181.7	195.8	+ 2	+ 1
Department store sales*	1947–49 = 100	126	120r	117	117	+ 5	+ 8
Department store stocks*	1947–49 = 100	134	136	134	129r	− 1	+ 4

Note: Latest data available as of noon, October 1, 1957.

p Preliminary.
r Revised.
n.a. Not available.
* Adjusted for seasonal variation.
† Seasonal variations believed to be minor; no adjustment made.
‡ New basis. Under a new Census Bureau definition, persons laid off temporarily and those waiting to begin new jobs within thirty days are classified as unemployed; formerly these persons were considered as employed. Both series will be published during 1957.
# Change of less than 0.5 per cent.
¶ Revised series. Back data available from the United States Department of Commerce.

Source: A description of these series and their sources is available from the Domestic Research Division, Federal Reserve Bank of New York, on request.