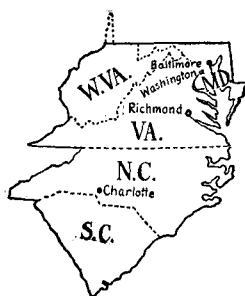


MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

April 30, 1938

BUSINESS in the Fifth Federal Reserve district in March and the first half of April showed some seasonal advance over the preceding month, but the rise was less than normally occurs and the volume of trade and industrial activity continued far below the level in the spring of 1937. Preliminary reports indicate that retail trade in department stores in the first half of April exceeded sales in the corresponding period last year, due to the later Easter this year, but sales in March were 13 per cent below March 1937 sales, and total sales in the first quarter of 1938 fell nearly 6 per cent below sales in the first quarter last year. At the Federal Reserve Bank of Richmond discounts rose sharply between the middle of March and the middle of April, but are still small, Government security holdings further increased, and cash reserves also rose, while the circulation of Federal Reserve notes and member bank reserve deposits declined. Member banks in 12 leading cities reported lower loans and discounts at the middle of April than a month earlier, but all other principal items on the statement increased, investments in securities and demand deposits registering the largest gains. Debits to individual accounts figures, reflecting transactions through the banks in twenty-four Fifth district cities, increased seasonally by 17.6 per cent in March over February, due to income tax payments and a longer month in March, but declined 13.7 per cent in comparison with debits in March 1937. Employment conditions on the whole became more unsatisfactory around the middle of April, chiefly due to further curtailment in textile mills and coal mines, and failure of construction to advance normally with the advent of spring weather. Registration figures of new passenger automobiles sold in March continued to run only a little more than half the 1937 figures for the corresponding month, but showed a seasonal increase over February registrations. Construction work provided for in building permits issued in the Fifth district in March showed materially less than the usual seasonal advance over permits issued in February, and was 22 per cent below the volume of work provided

for in March 1937 permits. Contracts actually awarded in March made a more favorable comparison, the total of \$24,070,000 giving a decline of only 1.2 per cent below contracts totaling \$24,371,000 awarded in March 1937. Bituminous coal production declined 12.4 per cent in March from the February level, and amounted to only a little more than half the March 1937 output. Cotton textile mills operated in March and the first half of April at about the same rate as in other recent months, but at mid-April a decided trend toward further curtailment set in and some mills closed entirely. Rayon shipments on a daily basis to weavers and knitters also dropped below the February level, but total shipments in the longer month exceeded the poundage shipped in February. Inventories at rayon manufacturing plants rose slightly during March, but rayon weavers continued to operate on a hand-to-mouth basis and somewhat further reduced surplus stocks. Spot cotton prices tended to recede between the middle of March and the second week in April, but then turned upward and advanced to an average of 8.95 cents on April 14 for middling grade upland cotton on Southern spot markets. Tobacco manufacturing showed conflicting trends in March, cigarette and snuff output exceeding the March 1937 figures while cigars and smoking tobacco declined. Wholesale trade in March was generally below the March 1937 level. In agriculture, farmers have made good progress with spring preparation of land, fall sown crops are in fair condition, and the weather on the whole has been favorable for fruit prospects.

There follows a statistical summary of conditions described above:

	March 1938	March 1937	% Change
Debits to individual accounts (24 cities)	\$1,174,478,000	\$1,360,170,000	- 13.7
No. of business failures, 5th dist.	50	53	- 5.7
Liabilities in failures, 5th dist.	\$ 823,000	\$ 359,000	+129.0
Sales, 55 dept. stores, 5th dist.	\$ 9,507,957	\$ 11,027,862	- 13.8
Sales, 146 wholesale firms, 5th dist.	\$ 10,718,000	\$ 12,649,000	- 15.3
Registrations, new passenger autos.	12,500	23,711	- 47.3
Value Bldg. permits (31 cities)	\$ 7,531,432	\$ 9,692,773	- 22.3
Value contracts awarded, 5th dist.	\$ 24,070,000	\$ 24,371,000	- 1.2
Cotton consumption, 5th dist. (bales)	251,149	358,117	- 29.9
Soft Coal mined, U. S. (tons)	26,800,000	51,315,000	- 47.8

BANKING CONDITIONS

RESERVE BANK STATEMENT: Discounts at the Federal Reserve Bank of Richmond rose \$522,000 between March 15 and April 15 this year, and on the latter date were \$669,000 higher than discounts a year earlier. Industrial advances for working capital rose between the middle of March and the middle of April by \$43,000 after a steady decline for the past two years. Inquiries about industrial loans have recently increased. Government security holdings of the Richmond Reserve bank rose by \$3,682,000 last month, and on April 15 totaled \$8,370,000 above holdings on April 15, 1937. Total earning assets rose by \$4,247,000 during the month, and by \$8,587,000 in the past year. Federal Reserve notes in actual circulation declined by \$2,945,000 between the middle of March and the middle of April, and also dropped by \$2,767,000 in comparison with circulation outstanding at mid-April last year. There was a decline of \$11,745,000 in member bank reserve deposits at the Federal Reserve Bank of Richmond between March 15 and April 15, but on the latter date reserve balances were slightly higher than a year earlier. The several changes mentioned, with an increase of \$45,884,000 in the Treasurer's balance, raised the cash reserves of the Richmond bank by \$28,597,000 during the past month and carried them \$42,991,000 above cash reserves on April 15, 1937.

ITEMS	000 omitted		
	Apr. 15 1938	Mar. 15 1938	Apr. 15 1937
Discounts held	\$ 1,083	\$ 561	\$ 414
Open market paper	24	24	25
Industrial advances	1,742	1,699	2,193
Government securities	139,979	136,297	131,609
Total earning assets	142,828	138,581	134,241
Circulation of Fed. Res. notes	193,424	196,369	196,191
Members' reserve deposits	214,737	226,482	213,880
Cash reserves	340,117	311,520	297,126
Reserve ratio	71.51	70.05	69.85

STATEMENT OF 41 REPORTING MEMBER BANKS: Forty-one regularly reporting member banks in 12 Fifth district cities decreased loans and discounts by \$3,075,000 between March 16 and April 13, 1938, but all other important items on the composite statement increased. Investments in securities rose by \$8,006,000, reserve balances at the Federal Reserve bank increased by \$2,824,000, and cash in vaults rose by \$3,646,000. At the same time deposits rose materially, demand deposits gaining \$6,426,000 and time deposits increasing by \$1,990,000. In comparison with the figures a year earlier, on April 14, 1937, figures for April 13, 1938, show a slight increase in loans and discounts, a rise of \$10,780,000 in aggregate reserve balance with the Reserve bank, and a gain of \$1,096,000 in time deposits, but investments in securities declined by \$16,815,000 during the year, cash in vaults dropped a little, and demand deposits decreased by \$35,057,000.

ITEMS	000 omitted		
	Apr. 13 1938	Mar. 16 1938	Apr. 14 1937
Loans & discounts	\$240,723	\$243,798	\$240,365
Investments in securities	373,455	365,449	390,270
Reserve bal. with Fed. Res. bank	139,406	136,582	128,626
Cash in vaults	19,818	16,172	19,837
Demand deposits	435,156	428,730	470,730
Time deposits	198,179	196,189	197,033
Money borrowed	0	0	0

MUTUAL SAVINGS BANK DEPOSITS: Deposits in ten mutual savings banks in Baltimore reached a new high level at the end of March, totaling \$219,742,124 in comparison with the former record of \$219,551,305 in deposits at the end of January this year. Last month's total compared with deposits aggregating \$219,508,921 on February 28, 1938, and \$215,369,008 on March 31, 1937.

DEBITS TO INDIVIDUAL ACCOUNTS: Debits to individual, firm and corporation accounts in the banks of twenty-four Fifth district cities totaling \$1,174,478,000 in March 1938 showed an increase of \$176,033,000, or 17.6 per cent, over debits in the preceding month of February this year, but declined \$185,692,000, or 13.7 per cent, in comparison with debits in March 1937. The increase during the past month, which was seasonal, was caused by income tax payments in March and three extra days in the month, while the decrease in comparison with March 1937 debits was due to a decline in the volume of trade and industry this year. Every reporting city showed larger figures for March 1938 than for February, but all except Raleigh reported lower figures than for March last year. Raleigh also made the largest gain in debits last month over those for February.

CITIES	000 omitted			% of Change	
	Mar. 1938	Feb. 1938	Mar. 1937	Month	Year
Maryland					
Baltimore	\$ 337,581	\$ 280,982	\$ 385,316	+20.1	-12.4
Cumberland	7,148	6,111	9,549	+17.0	-25.1
Hagerstown	8,348	6,533	9,121	+27.8	- 8.5
Dist. of Col.					
Washington ..	245,401	207,524	286,123	+18.3	-14.2
Virginia					
Danville	7,224	6,660	9,392	+ 8.5	-23.1
Lynchburg	13,856	12,421	15,636	+11.6	-11.4
Newport News ..	8,101	7,477	10,120	+ 8.3	-20.0
Norfolk	45,823	40,880	56,324	+12.1	-18.6
Portsmouth	3,991	4,487	4,211	+14.5	- 5.2
Richmond	138,751	123,049	153,981	+12.8	- 9.9
Roanoke	23,097	20,913	30,122	+10.4	-23.3
West Virginia					
Charleston	47,172	42,714	54,988	+10.4	-14.2
Huntington	15,898	13,686	20,381	+16.2	-22.0
North Carolina					
Asheville	11,480	9,954	13,500	+15.3	-15.0
Charlotte	53,947	45,096	69,320	+19.6	-22.2
Durham	25,945	22,463	26,895	+15.5	- 3.5
Greensboro	17,462	15,170	20,076	+15.1	-13.0
Raleigh	45,192	33,544	42,873	+34.7	+ 5.4
Wilmington	10,447	9,148	12,603	+14.2	-17.1
Winston-Salem ..	38,835	31,744	43,422	+22.3	-10.6
South Carolina					
Charleston	16,522	13,743	20,286	+20.2	-18.6
Columbia	25,784	22,503	31,982	+14.6	-19.4
Greenville	17,329	14,933	23,077	+15.7	-24.9
Spartanburg	9,144	7,660	10,872	+19.4	-15.9
District Totals	\$1,174,478	\$ 998,445	\$1,360,170	+17.6	-13.7

BUSINESS CONDITIONS

EMPLOYMENT: Workers in the Fifth district are not so well employed as a month ago. The greatest decline since February has occurred in the textile industry, but some other industrial plants have also further restricted operations. In the construction field, there has been no further decline in work, but an additional volume of building which might be expected at this season has not materialized. Coal production declined about 12 per cent in March under February and was only a little more than half the March 1937 production.

The following figures, compiled for the most part by the Bureau of Labor Statistics from reports furnished by a large number of identical industries, show the trends of

employment and payrolls in the Fifth district geographical divisions from February to March 1938, the latest available figures:

STATES	Percentage change from Feb. 1938 to Mar. 1938	
	In number on payroll	In amount of payroll
Maryland	+ .6	+ 2.6
D. of Columbia	- 1.0	+ .8
Virginia	+ .6	- .3
West Virginia	- 2.8	- 4.4
North Carolina	- .1	+ 1.9
South Carolina	+ 1.3	+ 1.3

COMMERCIAL FAILURES: The number of business failures in the Fifth district in March 1938 declined slightly in comparison with failures in March 1937, but liabilities involved rose in the 1938 month by 129 per cent. Failures in West Virginia and South Carolina showed lower liabilities last month than a year ago, but liabilities rose in Maryland, District of Columbia, Virginia and North Carolina. In the United States as a whole, insolvencies increased 32.7 per cent in number in March this year over March last year, while liabilities involved rose 42.5 per cent. *Dun & Bradstreet* insolvency figures are as follows:

PERIOD	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
March, 1938	50	1,088	\$ 823,000	\$15,567,000
February 1938	45	1,071	491,000	13,359,000
March 1937	53	820	359,000	10,922,000
3 Months, 1938	154	3,479	\$2,033,000	\$48,961,000
3 Months, 1937	158	2,352	1,284,000	29,354,000

AUTOMOBILE NEW CAR REGISTRATIONS: Sales of new automobiles in the Fifth Reserve district in March continued to run far behind 1937 figures, and made a poorer comparison with last year's figures than was shown in February. However, there was a seasonal rise in sales in March over February sales amounting to 46 per cent. Registrations in the first quarter of 1938 totaled 45.4 per cent below registrations in the first quarter of 1937, Virginia showing the smallest decrease with 37.9 per cent and West Virginia the largest drop with 50.5 per cent. The following registration figures for new passenger cars were furnished by *R. L. Polk & Co.*, of Detroit:

STATES	Registration of New Passenger Cars					
	Mar.		% Change	3 Months		% Change
	1938	1937		1938	1937	
Maryland	2,868	5,245	-45.3	6,028	10,959	-45.0
Dist. of Col.	1,807	3,158	-42.8	3,985	7,175	-44.5
Virginia	2,764	4,644	-40.5	7,228	11,641	-37.9
West Va.	1,359	3,096	-56.1	3,498	7,063	-50.5
No. Carolina	2,360	4,646	-49.2	6,589	12,697	-48.1
So. Carolina	1,342	2,922	-54.1	3,631	7,213	-49.7
District	12,500	23,711	-47.3	30,959	56,748	-45.4

CONSTRUCTION: Building permits issued in 31 Fifth district cities in March totaled \$7,531,432, an increase of 4.3 per cent over permits totaling \$7,218,914 issued in February 1938 but 22.3 per cent below the value of \$9,692,773 for permits issued in March last year. The increase from February to March this year was less than seasonal average, chiefly due to relatively low March figures for Baltimore. The five highest valuation figures for last month were as follows: Washington \$2,098,725, Baltimore \$1,134,392, Richmond \$843,644, Charleston, W. Va., \$347,885, and Rock Hill \$306,151. Richmond's total was increased by one half million dollar apartment house project, and Rock Hill by a large college building.

Contracts actually awarded for construction of all kinds in the Fifth Reserve district in February 1938 and 1937, as reported by *F. W. Dodge Corporation*, were as follows:

STATES	Construction Contracts Awarded		
	Feb. 1938	Feb. 1937	% Change
Maryland	\$ 3,047,000	\$ 4,097,000	-25.6
Dist. of Col.	1,802,000	7,275,000	-75.2
Virginia	3,154,000	4,834,000	-34.8
West Virginia	1,482,000	1,883,000	-21.3
North Carolina	3,933,000	2,297,000	+71.2
South Carolina	1,539,000	2,158,000	-28.7
Fifth District	\$14,957,000	\$22,544,000	-33.7

COAL MINING: Production of bituminous coal decreased further in March, and totaled only 26,800,000 net tons, compared with 27,000,000 tons mined in the shorter month of February and 51,315,000 tons dug in March 1937. On a daily basis the drop from February production to that of March was 12.4 per cent, and from March 1937 to March 1938 the daily decrease was 47.8 per cent. Total production of coal this calendar year to April 9, totaled 91,542,000 net tons, a decrease of 34.7 per cent in comparison with 140,237,000 tons mined in 1937 to the same date. Shipments of coal through Hampton Roads ports to April 9 totaled 4,905,769 tons this year and 6,822,311 tons last year.

COTTON TEXTILES: Textile mills in the Fifth district operated in March and the first half of April at about the same rate as in January and February, but around the middle of April further curtailment occurred quite generally and a number of mills closed indefinitely. Just prior to Easter there was increased activity in finished goods markets as favorable weather swelled seasonal sales, and prices became slightly firmer, but the improvement was temporary and did not check the tendency toward further curtailment at the mills. Consumption of cotton by States in the Fifth district in March 1938, February 1938, March 1937, and in the first quarter of this year and last is shown in the accompanying table:

MONTHS	No. Carolina	So. Carolina	Virginia	District
	March 1938	185,218	102,411	13,520
February 1938	112,662	86,242	9,953	208,857
March, 1937	198,392	143,873	15,852	358,117
3 months, 1938	364,328	277,956	34,025	676,309
3 months, 1937	544,804	397,044	42,884	984,732

Spindle activity in February averaging 210 hours of operation per spindle in place was less than in January, when the average was 214 hours. South Carolina led the district with an average of 259 hours, but was third in the United States. Virginia mills averaged 228 hours for sixth place in the Nation and North Carolina with 213 hours was in seventh place. Total spindle hours of operation in February numbered 5,588,526,740 hours, of which the Carolinas and Virginia reported 2,912,687,383 hours, or 52 per cent. South Carolina led all states in total hours of operation in March 1938 with 1,479,985,125 hours, or 26.5 per cent of the total for the United States.

RAYON: Daily shipments of rayon yarn to weavers and knitters in March declined from the February level, but were higher than in any other month since last September. The *Rayon Organon* index of daily shipments in March was 456, based on average deliveries in 1923-1925 as 100, compared with 477 in February, the low of 240 in December, and 693 in March 1937. However, March had 3

more working days than February and total shipments in March therefore exceeded those in the earlier month by about 9 per cent. Yarn stocks held by producers at the end of March amounted to 3.3 months' supply, based on average monthly shipments over the preceding 12 months. Based on data of the National Rayon Weavers Association, loom activity in March is estimated at about 55 per cent of capacity. There is practically no yarn in the hands of fabricators and the stocks of grey and finished goods are reported at a minimum. The trade therefore believes that the slightest improvement in the business picture would be reflected almost immediately both in yarn and fabric markets.

COTTON: Spot cotton prices on Southern markets declined from the latter part of March to 8.55 cents on April 8, but then rose sharply to an average of 8.95 cents on April 14 for middling grade short staple cotton. Through April 7, the Commodity Credit Corporation received reports on 5,304,000 bales from the 1937 crop pledged on Government loans, of which producers had repossessed 143,000 bales for private sale. Consumption of cotton in American mills in March was about 34 per cent below the record consumption of March 1937, but on a daily basis was a little higher than in either January or February of this year. Exports of cotton in March exceeded shipments abroad in the shorter month of February, but were lower than in March 1937. Great Britain took the largest amount of cotton in March with 101,389 bales, Japan being second with 97,605 bales.

Cotton Consumed and On Hand
(Bales)

	Mar. 1938	Mar. 1937	Aug. 1 to This Year	Mar. 31 Last Year
Fifth district states:				
Cotton consumed	251,149	358,117	1,971,599	2,470,789
Cotton growing states:				
Cotton consumed	428,309	639,818	3,420,724	4,418,461
Cotton on hand Mar. 31 in				
Consuming establishments ..	1,483,898	1,709,987		
Storage and compresses	10,868,803	4,924,567		
United States:				
Cotton consumed	510,941	776,942	4,023,767	5,297,907
Cotton on hand Mar. 31 in				
Consuming establishments ..	1,771,937	2,077,932		
Storage & compresses	10,956,051	5,035,789		
Exports of cotton	425,888	467,706	4,656,879	4,389,199

TOBACCO MANUFACTURING: The Bureau of Internal Revenue reports tobacco products manufactured in March 1938 and 1937 as follows:

	Mar. 1938	Mar. 1937	% Change
Smoking & Chewing			
Tobacco, Pounds	27,311,384	27,878,554	- 2.0
Cigarettes, Number	13,728,119,233	12,791,724,170	+ 7.3
Cigars, Number	431,690,833	466,831,085	- 7.5
Snuff, Pounds	3,455,955	3,205,251	+ 7.8

RETAIL TRADE IN DEPARTMENT STORES:

	Net Sales Mar. 1938 comp. with Mar. 1937	Net Sales Jan. 1 to date comp. with same period last year	Stocks Mar. 31, 1938 comp. with Mar. 31 1937	Ratio Mar. collections to accounts outstanding Mar. 1
Richmond (3) .	- 9.5	+ 1.3	+ 6.2 + 9.2	31.7
Baltimore (8) ..	-14.8	- 7.4	- 5.8 +10.3	32.1
Washington (6)	-12.1	- 6.0	- 8.5 + 9.3	27.3
Other Cities (13)	-16.1	- 9.0	- .9 + 7.3	27.2
District (30) ..	-13.1	- 5.9	- 5.2 + 9.5	29.3
Same stores by States, with 25 stores added:				
Virginia (13) ...	- 9.2	+ .7		
West Va. (10) ..	-29.4	-18.0		
No. Carolina (7)	-13.3	- 8.0		
So. Carolina (10)	-20.2	-12.0		
District (55) ..	-13.8	- 6.3		

WHOLESALE TRADE, 146 FIRMS:

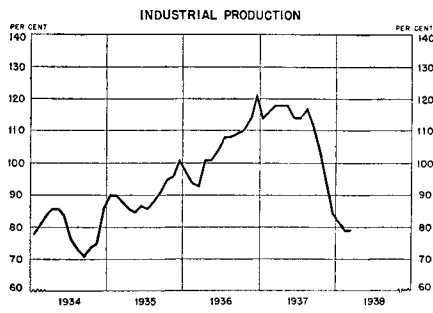
LINES	Net Sales March 1938 comp. with Mar. 1937	Feb. 1938	Stocks Mar. 31, 1938 compared with Mar. 31 1937	Feb. 28 1938	Ratio Mar. collections to accounts outstanding March 1
Shoes (4)	- 9.8	+41.9	-25.1	-18.3	60.3
Drugs (15)	- 4.3	+10.0	- 1.6	- 4.1	98.8
Dry Goods (7)	-20.2	+ 8.1	-19.8	- 1.8	40.5
Electrical Goods (29) .	-32.9	+ 9.0	+ 3.4	- 6.6	78.0
Groceries (23)	- 9.7	+12.1	-15.8	+ .6	119.0
Gen. Hardware (22) ..	-17.4	+19.8	- .5	- 1.1	49.0
Indus. Supplies (9) ...	-41.1	+12.4	-10.4	+ 1.6	68.1
Plmbg. & Heating (18) .	-23.1	+19.2	-18.5	+52.1	52.9
Paper & Products (6) ..	-15.0	+11.2	+ 6.5	- 2.1	57.5
Miscellaneous (13)	- 4.7	+ 8.9	- 5.4	+ 2.0	69.5
All Firms (146)	-15.3	+15.0	- 8.7	- 2.6	66.0

Note: The wholesale trade figures are included through the courtesy of the Bureau of Foreign & Domestic Commerc. Only 117 of the 146 wholesale firms reported on receivables and collections, and only 89 on stocks.

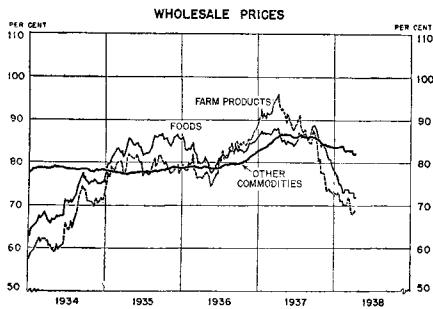
(Compiled March 21, 1938)

SUMMARY OF NATIONAL BUSINESS CONDITIONS

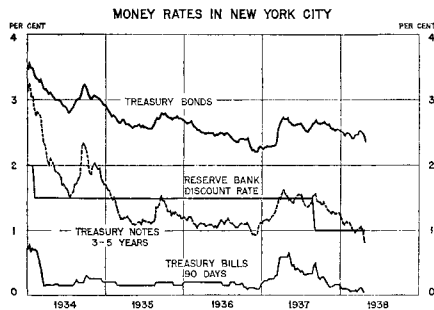
(Compiled by the Board of Governors of the Federal Reserve System)



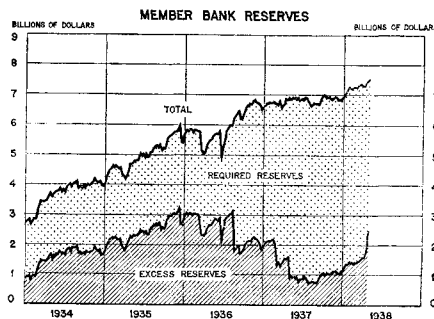
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to March 1938.



Indexes compiled by the U. S. Bureau of Labor Statistics, 1926=100. By weeks, 1934 to week ending April 16, 1938.



Discount rate of Federal Reserve Bank; weekly averages of daily yields on 3- to 5-year Treasury notes and on Treasury bonds callable after 8 years; and weekly average of daily dealers' quotations on 90-day Treasury bills or rate on new bills offered in week. For weeks ending January 6, 1934, to April 23, 1938.



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required and excess reserves, January 3, 1934, to April 20, 1938.

In March and the first three weeks of April industrial activity continued at about the same rate as in January and February. Distribution of commodities to consumers showed less than the usual seasonal increase and wholesale commodity prices declined further.

PRODUCTION

Volume of industrial production showed little change from February to March and the Board's index, which is adjusted for the number of working days and for usual seasonal variations, remained at 79 percent of the 1923-1925 average. In the steel industry, output of ingots averaged 33 percent of capacity in March and continued at about this level in the first three weeks of April. Shipments of finished steel in March, as in other recent months, were at a somewhat higher rate than output. Automobile production, which usually expands sharply at this time of the year, showed little change from the low level of January and February, and output of tires and plate glass likewise remained at a low rate. In the lumber and cement industries there were considerable increases in output in March. At cotton and silk textile mills and shoe factories activity rose somewhat, while production at woolen mills declined following a rise in February. Declines were reported also for meat packing and sugar refining. At mines, where production decreased generally in February, output of bituminous coal and nonferrous metals continued to decline in March, while production of anthracite and crude petroleum increased somewhat.

Value of construction contracts awarded showed a considerable increase in March, according to figures of the F. W. Dodge Corporation. Awards for residential work, which had advanced moderately in February, increased sharply in March but were still 12 percent less than in March 1937. Contracts for other private work also increased in March, but remained considerably smaller than a year ago. The value of public projects showed an increase and was higher than last year.

EMPLOYMENT

Factory employment declined somewhat and payrolls showed little change from the middle of February to the middle of March, although increases are usual at this season. The number employed in the machinery industries decreased considerably further and at woolen mills there was also a substantial decline, while most other manufacturing industries showed moderate declines or little change. Employment on the railroads and in the public utilities declined somewhat further in March, while in other nonmanufacturing lines there was little change in the number employed.

DISTRIBUTION

Sales at variety stores and by mail order houses increased seasonally in March, while sales at department stores showed less than the usual rise. The Board's seasonally adjusted index of department store sales declined from 88 in February to 86 in March and figures for the first three weeks of April indicate some further decline. Freight-car loadings showed little change from February to March, although a rise is usual at this time of the year. Shipments of coal declined substantially and miscellaneous loadings increased by less than the usual seasonal amount.

COMMODITY PRICES

Wholesale commodity prices generally declined from the middle of March to the third week of April. There were further decreases in prices of a number of raw and semifinished industrial commodities, and prices of some leading agricultural products also declined, reflecting in part seasonal influences. In the middle of April prices of some industrial materials advanced slightly from the lows reached earlier in the month.

BANK CREDIT

During March and the first three weeks of April, total loans at reporting member banks in 101 leading cities declined further, reflecting a substantial reduction in loans to brokers and dealers in securities and also declines in commercial loans. Holdings of investments showed little net change, declining in March and increasing in April.

As a part of the Government's program for encouragement of business recovery, the Board of Governors reduced reserve requirements of member banks by about \$750,000,000, effective April 16, and excess reserves correspondingly increased. As a part of the same program the Treasury discontinued the inactive gold account and deposited about \$1,400,000,000 of gold certificates with the Federal Reserve banks. Additions to excess reserves from this source will occur as the Treasury draws upon these deposits to meet current expenditures and the retirement of Treasury bills.

MONEY RATES AND BOND YIELDS

Yields on Treasury bonds declined from a level of 2.50 percent in the first half of April to 2.32 percent on April 22. The average yield on 3-5 year Treasury notes declined to a new low of 0.81 percent, which compares with the previous low of 0.92 percent in December 1936. The rate on three-month Treasury bills declined to virtually a no-yield basis. Other short-term open-market money rates remained unchanged in the first three weeks of April.