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First Sustained Outflow of Gold Since '33 Cited

Movement Is Attributed to Foreign Buying in Reserve Bank Survey

For the first time since 1933, there has been "a sustained outflow of gold" brought about by foreign buying, according to the June issue of the "Monthly Review," published today by the Federal Reserve Bank of New York. While this is considered significant, the editors point out that gold stocks of the United States on net balance are in excess of the country's monetary gold reserve as of August, 1939.

Foreign purchases of gold continued at a moderate rate through the end of 1942, the "Review" asserts, when conversions of dollar exchange into gold were stepped up substantially. From the October, 1941, peak the United States gold stock has declined nearly $1,500,000,000, or about 6½ per cent. After gold acquired through domestic production is taken into account, the gold loss to foreign nations in reality amounts to about $1,700,000,000.

The bank study also relates this country's gold holdings to the "reported net liability to foreigners on capital account and concludes that in this perspective gold stock are now $2,200,000,000 more than they were before outbreak of the war in spite of the withdrawals from abroad.

Gold here in the United States "is still in excess of $21,000,000,000," the "Review" says, "or about three fifths of the total monetary gold stocks of the world. While figures for gold held by the United Nations in Europe and Asia are not given, the holdings of Latin American countries and of neutral Spain, Sweden, Switzerland and Turkey are indicated in the survey.

An article on the money market in May draws attention to the large increase of government holdings by the Federal Reserve banks. This is attributed primarily to the continued increase in currency circulation, by larger foreign deposits and withdrawals of gold as well as to gradually increasing reserve requirements.

The magnitude of further increases, the publication observes, "will depend mainly upon the demand for currency and upon the amount of bank credit required to supplement public obsorption of Treasury obligations in financing the war program."