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PERIODICALS
GENERAL LIBRARY
UNIV. OF MICHIGAN

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

May 1, 1924

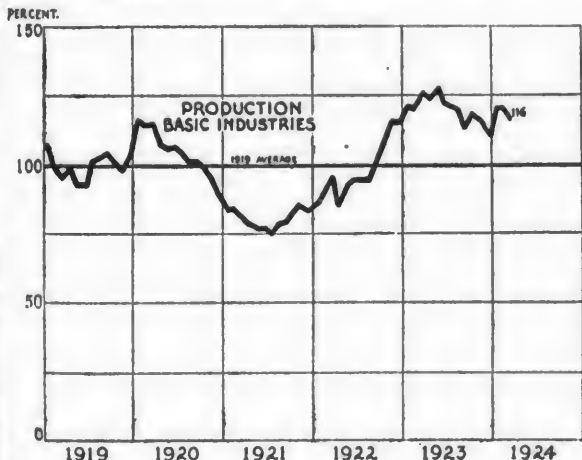
Business Conditions in the United States

PRODUCTION of basic commodities decreased during March, and there was a recession in wholesale prices. Distribution, both at wholesale and retail, showed less than the usual seasonal increase and was smaller than a year ago.

PRODUCTION

The Federal Reserve Board's index of production in basic industries, adjusted to allow for length of month and other seasonal variations, declined 3 per cent. in March. Output was reduced by most industries and the decreases were particularly large in mill consumption of cotton and production of bituminous coal and copper. Daily average production of steel ingots, however, was larger than in any previous month. The level of factory employment was unchanged but some curtailment in working hours was evidenced by a decline of 1 per cent. in average weekly earnings. Contract awards for new buildings in March reached the highest total value on record, owing chiefly to a large increase in the New York district.

Estimates by the Department of Agriculture on the basis of condition on April 1 indicate a reduction of 4 per cent. in the yield of winter wheat and of 6 per cent. in the production of rye as compared with the final harvests in 1923.



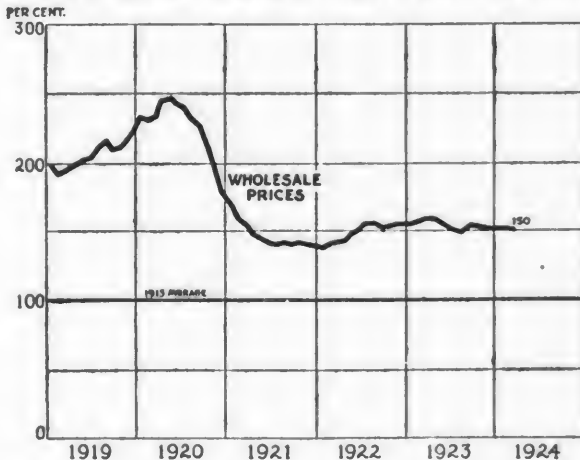
Index of 22 Basic Commodities Corrected for Seasonal Variation (1919 = 100 Per cent. Latest figure, March)

TRADE

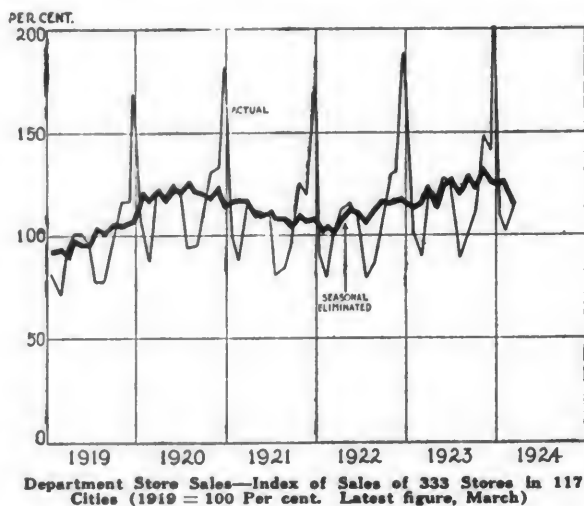
Shipments of commodities by railroads declined each week in March and car loadings were 4 per cent. less than a year ago. Wholesale trade increased slightly during March but was 8 per cent. less than a year ago owing to decreases in sales of drygoods, shoes, and hardware. March sales of department stores were 8 per cent. less than in March 1923, and merchandise stocks at the end of the month were 8 per cent. larger than a year ago. Sales of mail order houses also showed less than the usual seasonal increase in March. Decrease in the volume of purchases at retail compared with last year is partly accounted for by the late Easter and the generally unfavorable weather conditions.

PRICES

Wholesale prices, as measured by the Bureau of Labor Statistics index, decreased slightly more than 1 per cent. in March and were 6 per cent. lower than a year ago. Prices of farm products, foods, clothing, chemicals, and house furnishings declined, building materials remained unchanged, while fuel and metals were slightly higher than in February. During the first three weeks of April quotations on pig iron, lead, coal, silk, and sugar declined, while prices of wheat, corn, and cotton advanced.



Index of U. S. Bureau of Labor Statistics (1913 = 100 Per cent. Base Adopted by Bureau. Latest figure, March)



BANK CREDIT

Volume of borrowing for commercial purposes at member banks in leading cities, after increasing during the early part of the year, remained constant at a high level between the middle of March and the middle of April. During the four week period total loans of these banks were in larger volume than at any time in more than two years.

Discounts and investments of the Federal Reserve Banks, which on April 2 were slightly above \$1,000,000,000, declined by about \$125,000,000 during the first three weeks in April to the lowest point for the year. This decline represents a reduction in discounts and in the holdings of acceptances, while the volume of Government securities increased somewhat.

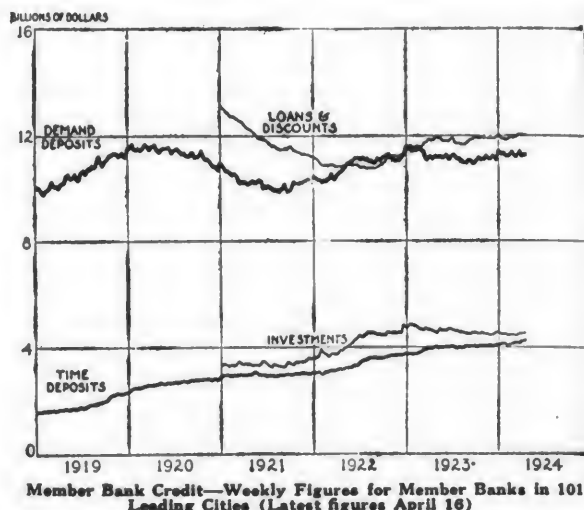
Money rates in the New York market during the first three weeks in April were at about the same level as in the latter part of March. Prime commercial paper was quoted at $4\frac{1}{2}$ per cent. and 90 day bankers acceptances at 4 per cent. throughout the period.

Banking Conditions in the Second District

Loans of reporting member banks in this district, made largely for commercial purposes, which had risen \$150,000,000 since January 1, declined slightly between March 19 and April 16, apparently reflecting the completion of early spring borrowing. Loans secured by stocks and bonds also decreased, but these declines were partly offset by an increase of \$70,000,000 in security investments to the highest point since last July, so that the total of all loans and investments showed only a moderate decline.

Net demand deposits decreased approximately \$100,000,000 from the high point reached on March 19, but this decrease was partly offset by an increase in time deposits to a point higher than ever before, so that the total of all deposits on April 16 was the highest, excepting only March 19, for the year.

The volume of member bank borrowing from the



Federal Reserve Bank of New York increased during the early part of April to the highest point since February, and there was also a substantial increase in the holdings of bills bought in the open market, due to firmer money conditions. Following the reduction, however, in the volume of commercial borrowing, and large disbursements here on April 15 by the Treasury of interest on Liberty and Treasury bonds from funds on deposit with the Reserve Bank, or transferred from other districts, the total earning assets of the Federal Reserve Bank of New York declined by April 23 to \$145,000,000, or the lowest since January, with the exception of the tax period in March.

Money Rates

Money rates were generally steady during the first three weeks of April, but following the 20th again gave evidence of an easier tendency. Bill rates, which had held at 4 per cent. for 90 day bills, declined on April 25 to $3\frac{3}{4}$ per cent. The demand was somewhat broader and the supply considerably decreased, due to seasonal slackening in the movements of cotton, silk, and other commodities.

Government short term securities were also in demand and 4 to 6 months issues were quoted at slightly above 3 per cent., or the lowest since August 1922.

The rate for prime commercial paper remained $4\frac{1}{2}$ per cent., and although New York banks were not large buyers, there was a good demand in the interior. The supply was reported only moderate. During March the volume of commercial paper outstanding rose \$22,000,000 to \$902,000,000, the highest since January 1921.

Time money rates at $4\frac{1}{4}$ - $4\frac{1}{2}$ per cent. were the lowest in over a year. Call loan renewals averaged around $4\frac{1}{4}$ to $4\frac{1}{2}$ per cent. during the first three weeks of the month, but on April 25 declined to $3\frac{3}{4}$ per cent.

Ordinarily in the past two years, as shown by the accompanying diagram; the changes in commercial borrowings at banks have been accompanied by a corre-

sponding movement in money rates, but this spring increases in commercial loans were accompanied by a decline in money rates. This situation apparently reflects the large imports of gold and liquidation of loans on stocks and bonds.

French and Belgian francs continued their rapid recovery and at 63¼ and 53¼ cents respectively on April 22 were nearly 100 per cent. above the recent low points.

Italian lire reached 4.52 cents on April 22, reflecting favorable reports of Italian fiscal conditions and Danish and Spanish exchanges also recovered substantially from their recent low points.

Japanese yen, on the other hand, continued to decline and on April 23 reached a new low point of approximately 39¼ cents, as compared with 49 cents prior to the earthquake. During March the import trade balance of Japan was practically as large as the record import balance reached in February.

Gold Movement

Imports of gold continued during March at the rate of more than a million dollars a day, and totaled over \$34,000,000 for the month. The largest amounts came from England, Canada, France, and Germany. Exports were \$817,000 to Mexico, Venezuela, Canada, and Hong Kong.

The following table giving the net imports of gold from various countries since January 1, 1923 shows large British shipments in connection with approximately \$160,000,000 a year debt payments, and large but diminishing imports from Germany. Total net imports have risen steadily since the first quarter last year.

(000's omitted)

Country	1923				1924
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter
England.....	\$10,718	\$31,243	\$41,648	\$63,362	\$61,972
Germany.....	26,880	15,544	7,182	2,881	2,881
France.....	3,408	1,602	4,420	6,937	8,517
Netherlands.....	5,696	313	4,893	2,300	5,917
British India.....	13,289*	38*	488	823*
China & Hong Kong.....	290*	1,681	9	2,020	666
Canada.....	26,725	4,268	9,074	7,602	16,898
Mexico.....	427*	109	1,476	718	798
Argentina.....	15	40	21	5,212	4,487
All Other.....	4,335	6,643	8,397	4,919	10,830
Net Imports.....	\$36,891	\$72,750	\$85,003	\$99,429	\$112,966

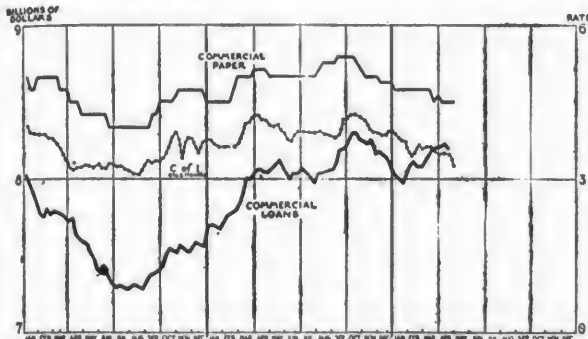
* Net Exports.

Foreign Trade

The total value of both exports and imports of merchandise declined in March. Exports valued at \$341,000,000 were \$25,000,000 lower than in February, but about equal with the total for March a year ago. Imports totaling \$319,000,000 were slightly smaller than in February, but otherwise the largest in nine months.

The decline in exports was probably due chiefly to a further seasonal decrease in cotton shipments. Exports of grains, while slightly larger than in the short month of February, were smaller than in January and 31 per cent. less than in March 1923.

The somewhat lower total of imports was due in part to a decrease in the imports of silk, which, at 16,692 bales, were the smallest in three years, and 41 per cent. less than in March of last year. Rubber imports also showed a large decrease as compared with February, and were barely half the total of a year ago.



Loans Largely for Commercial Purposes of All Weekly Reporting Member Banks Compared with Weekly Rates for Prime Commercial Paper and 4-6 Months Certificates

Security Markets

The decline in industrial stock prices, which began in February and March, continued during the first three weeks of April. The Standard Statistics Company's index of 202 industrial issues on April 21 showed a loss of over 10 points from the February high level, or considerably more than half the advance which had previously occurred since the low point of 1923. In the groups of rubber, paper, textile, shipping, and leather and shoe stocks averages fell below the lowest points of 1921.

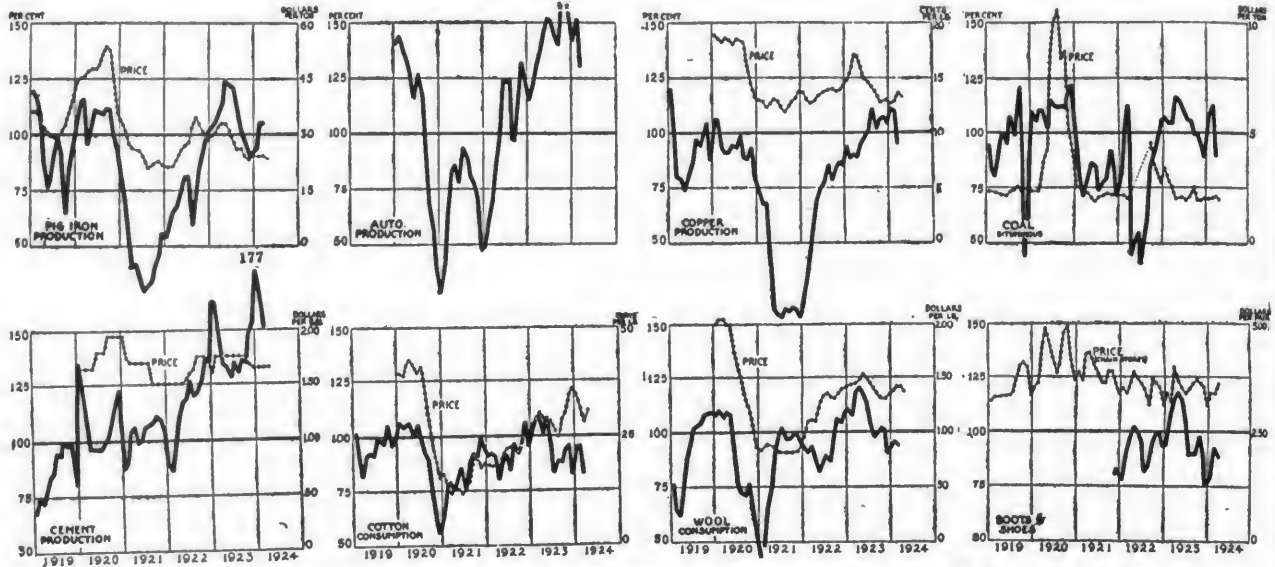
Railroad stocks, on the other hand, showed considerable strength in response to favorable earnings statements and on April 7 reached a new high point for the year.

The bond market continued strong during April, and following the middle of the month three issues of Liberty bonds sold at new high prices since 1922, while the Treasury 4¼'s at 101 20/32 reached a new high. High grade domestic issues also tended towards higher levels and foreign issues were firm.

The strength of the bond market was also indicated by the ready absorption of large issues of new securities yielding from 4 per cent. in the case of high grade municipal and State issues to over 5½ per cent. among corporation issues. Included in the more important issues were \$45,000,000 4¼ per cent. New York State bonus bonds, sold at a price to yield 4 per cent., a \$30,000,000 loan for the Government of Switzerland, and several large corporation issues.

Foreign Exchange

Acceptance of the Dawes Committee report by the German and the Allied Governments as a basis for settlement of the reparations problem was followed by strength in the leading European exchanges. Sterling advanced to \$4.40, approximately 11 cents above the average of March and the highest since November 1923.



Monthly Changes in Production and Prices of Basic Commodities. Production Figures are in Percentages of the Computed Trend of Past Years which is Taken as a Base of 100

Production

Following a large increase in the production of basic commodities in January and February this bank's indexes of output in major industries showed, with few exceptions, decreases in March.

Mill consumption of cotton showed a particularly large decline and this bank's index at 82 per cent. of the computed trend of past years was the lowest, with the exception of last December, since 1922. Both woolen mill activity and production of boots and shoes were lower than in February and below the computed trend.

Mining of bituminous coal likewise showed a further decrease in March, and in the week of April 12 reached a further new low point for the year, approximately 44 per cent. below the high rate attained in January under the threat of strike.

In the automobile industry, production continued at a very high rate, 4 per cent. higher than in February and 8 per cent. above March last year. These increases, however, were smaller than those shown in recent months, and the indexes of passenger car and truck output declined, although in the case of passenger cars, at least, the index remained much above the rate of increase shown in past years.

Production of iron and steel reached a new high rate during the early part of March but declined towards the close of the month, and the index of pig iron production was unchanged from the February figure, while that of steel ingot output declined slightly. Unfilled orders of the Steel Corporation were also smaller at the close of March. While copper shipments during the month were reported to have been larger than ever before, mining failed to show the usual seasonal increase, due to curtailment in some sections, and the index, therefore, declined to 5 per cent. below the computed

trend. The index of cement production continued far above the computed trend, although somewhat reduced from the January and February figures.

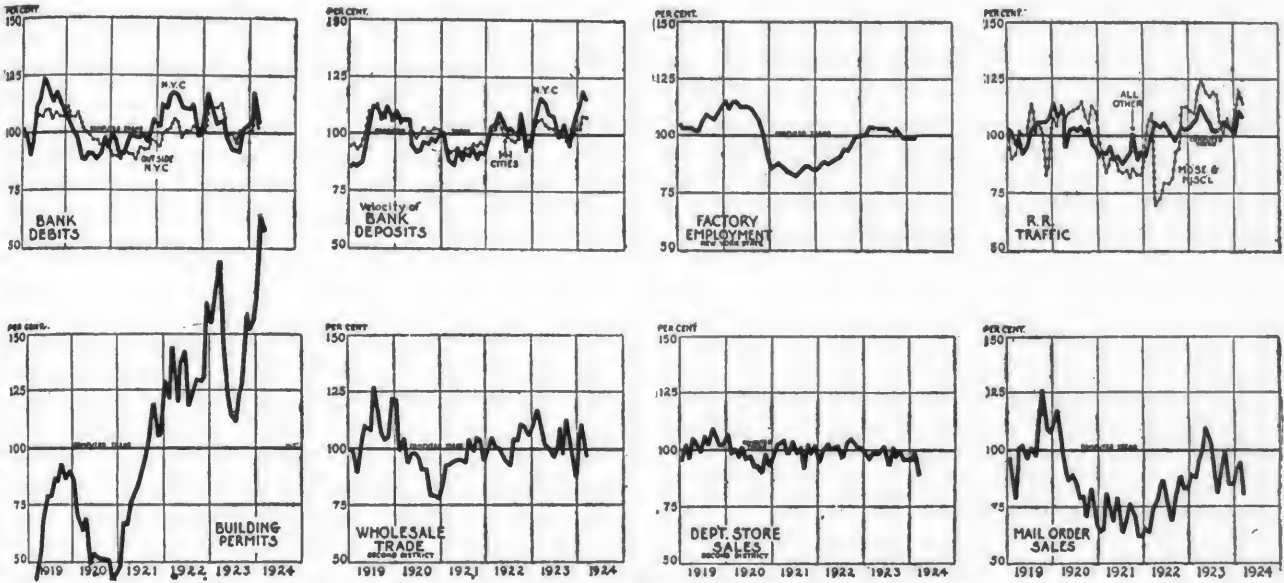
The following table gives this bank's indexes of production for recent months as compared with March a year ago, and the diagrams at the top of the page show by months the changes in production and prices in several major commodity lines for recent years.

(Computed trend of past years=100 Per cent.)

	1923			1924		
	Mar.	Nov.	Dec.	Jan.	Feb.	Mar.
<i>Producers' Goods</i>						
Cotton consumption.....	107	96	82	95	95	82
Woolen mill activity*.....	118	101	91	94	96	94p
Pig iron.....	110	90	98	94	105	105
Steel ingots.....	114	90	84	101	116	114
Lumber.....	136	136	122	137
Cement.....	146	148	153	177	167	151
Copper, U. S. mines.....	90	107	104	111	110	95
Zinc*.....	85	77	81	81	72	78
Tin deliveries.....	110	130	91	91	151	75
Petroleum.....	127	145	131	126	133p	...
Gas and fuel oil.....	106	102	105	109	111	...
Leather, sole.....	106	92	83	84	84	75
Bituminous coal.....	105	94	89	108	118	89
<i>Consumers' Goods</i>						
Cattle slaughtered.....	105	94	90	106	105	100
Calves slaughtered.....	120	142	140	145	148	119
Sheep slaughtered.....	101	75	83	92	92	88
Hogs slaughtered.....	134	130	109	113	118	123
Sugar meltings, U. S. ports.....	132	116	96	90	123	121
Wheat flour.....	122	95	91	101	119	122
Cigars.....	90	93	79	82	87	...
Cigarettes.....	89	81	80	99	79	...
Tobacco.....	97	100	86	115	106	...
Gasoline.....	121	106	119	125	130	...
Tires*.....	178	119	116	144	149	...
Newsprint.....	115	110	104	109	115	106
Paper, total.....	105	93	90	100	107	100
Boots and shoes.....	115	88	75	79	93	88p
Anthracite coal.....	112	90	93	97	109	96
Automobile, all.....	131	161	151	142	151	131
Automobile, passenger.....	135	170	153	139	155	138
Automobile, truck.....	117	125	145	152	137	101

p= Preliminary.

*= Seasonal variation not allowed for.



Monthly Changes in Indexes of Distribution and General Business Activity (Computed Trend = 100 Per cent.)

Indexes of Business Activity

Indexes of distribution of goods and general business activity were lower in March than in February, after allowance for seasonal variation and, where necessary, for price changes. Due chiefly to a decline in the shipments of coal, loadings of revenue freight declined in March and the first week of April but remained above the computed trend of past years. Loadings increased slightly in the week ended April 12, but were 7 per cent. lower than a year ago. Both in March and April loadings of merchandise remained above a year ago.

Nearly all available indexes of distribution to the consumer showed declines in March, due in the case of retail trade largely to the lateness of Easter and

unfavorable weather conditions. The index of life insurance sales alone showed an increase.

Such indexes of general business activity as debits to individual accounts at banks, both in New York City and 140 other centers, showed decreases in March, although they remained above the computed trend. The index of postal receipts also declined in March, and there was some increase in the proportion of firms failing to the number in business.

Wages and Employment

Wage rates for unskilled labor in the Second District remained practically unchanged from December to April. Reports to this bank from representative employers indicate an ample supply of such labor and no discernible tendency towards higher or lower wage rates. As shown by the diagram on the next page the steady rise in wages from April 1922 to June 1923 culminated at about the same time that commodity prices turned downward, and changes since last June have been unimportant. At the present levels, however, wages stand close to the 1920 high point, whereas prices are far below the levels reached at that time.

Additional railroads in this district, as well as most of the western railroads, announced 5 per cent. increases in the pay of various classes of skilled employees. These were partly offset by some concessions on the part of employees in regard to working rules.

The general level of factory employment showed virtually no change during the month preceding March 15, according to reports both from the United States and the New York Labor Departments, although ordinarily there is an increase of employment in March. Compared with last year factory employment shows a decrease of 5 per cent. in New York State and of approximately 2 per cent. for the country as a whole. Employ-

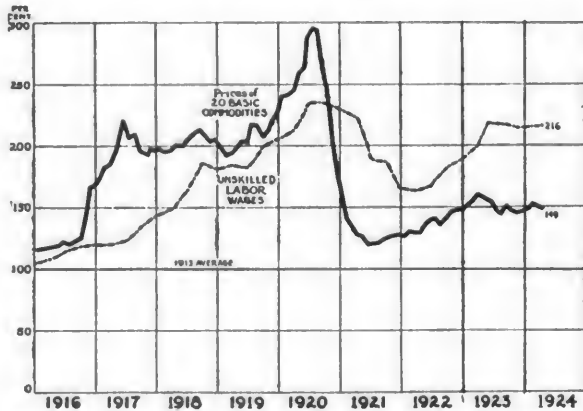
(Computed trend of past years=100 Per cent.)

	1923			1924		
	Mar.	Nov.	Dec.	Jan.	Feb.	Mar.
Primary Distribution						
Car loadings, mdse. and misc.	108	105	103	101	111	108
Car loadings, other	120	108	103	108	119	113
Wholesale trade, Second District.....	108	100	88	105	111	97
Exports.....	83	83	88	88	95	84p
Imports.....	125	100	97	100	117	102p
Grain exports.....	106	42	53	62	64	73p
Panama Canal traffic.....	142	144	160	146	147	...
Distribution to Consumer						
Department store sales, Second District..	98	96	96	96	99	90
Chain store sales.....	105	97	103	92	101	96
Mail order sales.....	96	85	85	92	95	85
Life insurance paid for.....	100	113	120	103	96	103
Amusement receipts.....	101	108	105	118	107	104
Advertising.....	100	101	99	96	101	94
General Business Activity						
Bank debits, outside New York City....	108	100	100	101	109	102
" " New York City.....	110	100	102	104	118	104
Postal receipts.....	105	102	102	101	104	96
Electric power.....	110	107	103	111	115	...
Employment, N. Y. State factories.....	104	101	99	99	99	99
Building permits.....	182	158	156	166	201	196
Business failures.....	97	106	101	91	94	104

p= Preliminary.

ment office ratios of help wanted to registrations for work indicate some increase in the demand for workers since January and February, but a decrease compared with last year.

The notable changes in employment by industries in New York State during the month were further increases in iron and steel mill forces, seasonal increases in building materials trades, and a reduction in textiles, particularly in cotton goods manufacturing.

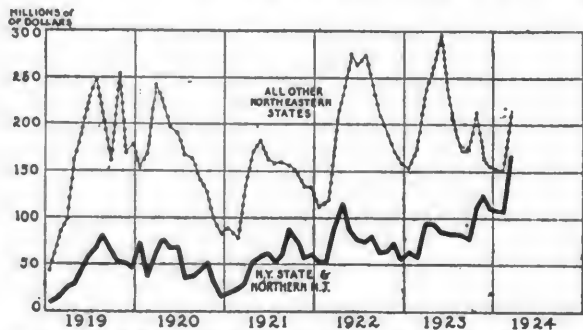


Wages of Unskilled Labor compared with Prices of Basic Commodities (1913 average = 100 Per cent.)

Building

Permits for building construction issued during March in 158 selected cities throughout the United States were 51 per cent. larger than in February and 11 per cent. larger than in March 1923, heretofore the month of the largest total. The increase over a year ago was due chiefly to permits issued in New York City, as in all other reporting cities there was a decrease of 3 per cent.

The F. W. Dodge Corporation's figures for contracts awarded in 36 States also showed a large increase over the February total and were 15 per cent. larger than in March of last year. As in the case of permits, the increase occurred chiefly in the New York District, where the gain over a year ago was 77 per cent. The increase for New York City alone was 130 per cent. The accompanying diagram indicates the magnitude of the expan-



Value of Building Contracts Awarded in New York State and Northern New Jersey and in 26 Other Northeastern States

sion of building in the New York District as compared with all other reporting districts, where contracts awarded, though substantially higher than in February, were 9 per cent. less than in March a year ago.

The following table comparing the changes in the March contracts with the figures of February this year and of March a year ago in the different reporting districts, indicates in greater detail the tendencies of building in various parts of the country.

District	Total March Contracts	Per cent. Change from Feb. 1924	Per cent. Change from Mar. 1923
New York State and Northern New Jersey.....	\$168,697,600	+56	+77
New England.....	30,763,600	+74	+16
Middle Atlantic States.....	36,402,200	+36	-23
Southeastern States.....	46,856,900	+15	+24
Pittsburgh District.....	50,785,200	+44	-17
The Central West.....	91,245,300	+38	+5
The Northwest.....	8,609,500	+57	-33
Total.....	\$433,340,300	+44	+15

Prices of building materials, according to the Department of Labor index, were unchanged in March, but building wages continued to advance, and in consequence the estimated cost of construction increased slightly to 195 per cent. of the 1913 cost, or 3 per cent. below the high point of a year ago.

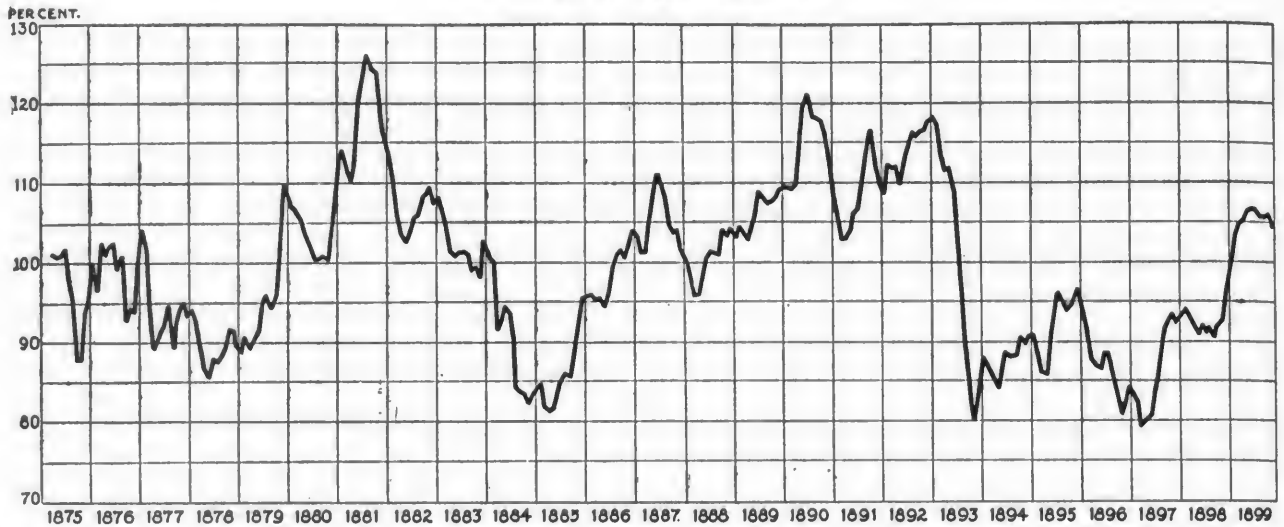
Chain Store Sales

Sales by chain stores were 2 per cent. smaller in March than in March 1923, and 4 per cent. below the computed trend of past years, probably due partly to the lateness of Easter this year. The amount of sales per store also showed a decline in all types of stores except tobacco stores, but was particularly marked in the cases of grocery, candy, shoe, and drygoods stores.

Type of Store	Number of Stores		Dollar Value in Percentages					Per cent. Change in sales per store Mar. 1923 to Mar. 1924
	Mar. 1923	Mar. 1924	Mar. 1920	Mar. 1921	Mar. 1922	Mar. 1923	Mar. 1924	
Drygoods.....	438	562	53	78	69	100	108	-16.1
Tobacco.....	2,732	2,721	90	98	92	100	101	+1.3
Ten Cent.....	1,809	1,920	69	74	72	100	101	-5.6
Drug.....	305	320	88	92	88	100	99	-5.7
Grocery.....	14,381	17,851	72	66	76	100	97	-21.9
Candy.....	104	122	69	84	72	100	97	-17.6
Shoes.....	299	345	85	97	68	100	81	-29.4
Total.....	20,059	23,841	72	73	76	100	98	-17.2

Department Store Business

Smaller sales of men's and women's clothing in March, due partly to the lateness of Easter and unfavorable weather conditions, were largely responsible for a decline of 6 per cent. in sales of department stores in this district compared with March a year ago. Decreases

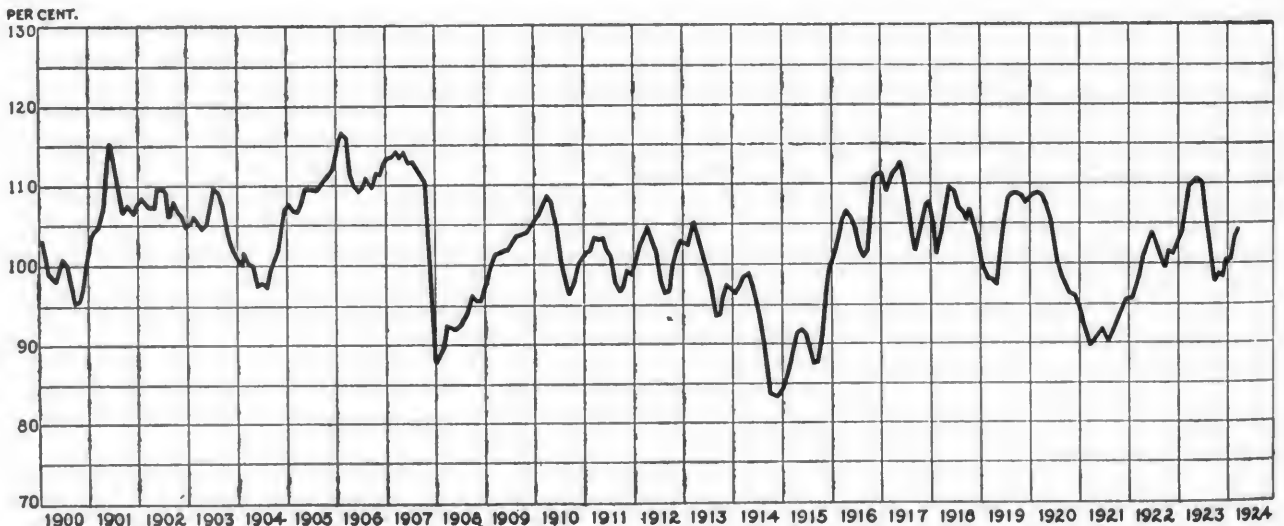


Business Over Fifty Years

For many years the figures of bank clearings, particularly those outside of New York City, have been looked upon as one of the most reliable measures of changes in the volume of the country's business. The chief weakness in the use of these figures as an index has been their susceptibility to wide disturbances due to changes in the price level. In the April 1 issue of this Review a study was presented showing the course of the general price level, including not only commodity prices at wholesale, but other elements which make up the total of all payments, such as wages, rents, and the cost of living. By means of this index it has been possible to allow for the price element in the clearings figures and

to produce a line the movement of which from year to year corresponds with other statistical evidences of the country's industrial life.

The accompanying diagram shows by months for the past 50 years the deviations in the clearings figures from the line of regular increase. These figures allow for price changes and seasonal variation and therefore reflect the recurrent swings upward and downward in the physical volume of the country's business activity. It will be noted that there has been a gradual tendency for these swings to become less and less violent, reflecting the country's increased industrial stability due to growth in wealth and resources and greater diversification of industries.



Business Activity Over 50 Years, as Reflected in Bank Clearings Outside New York City, Corrected for Price and Seasonal Variations (Computed Trend = 100 Per cent.)