Report on Business Conditions

Second Federal Reserve District

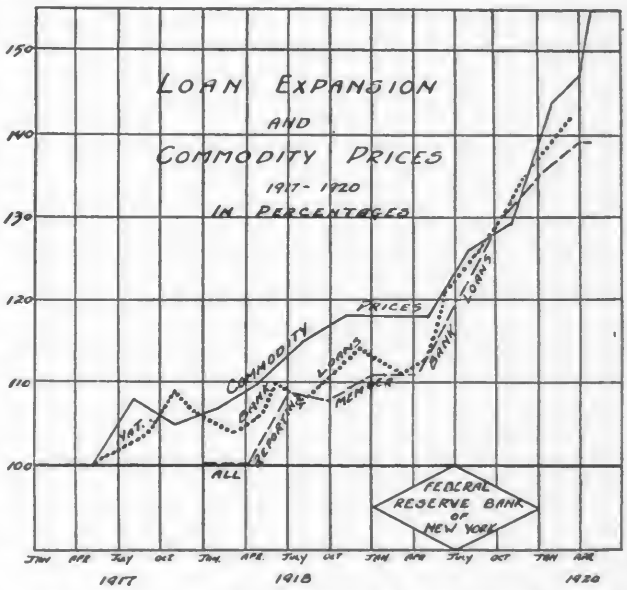
From the Federal Reserve Agent at New York
to the Federal Reserve Board

New York, May 31, 1920.

The Credit Situation In the last thirty days there has been little or no reduction in the volume of credit as reflected either in the loans of the banks or the Federal Reserve banks. There are, however, other movements under way, the importance of which cannot be gauged until it is seen how long and to what extent they continue. It is apparent that a great change has come over the public mind with respect to prices; whereas last fall and winter purchasers of goods bought regardless of price they now watch values closely, and whereas certain stores a few months ago advertised articles for sale without even mentioning the price they are now advertising substantial price reductions.

A number of factors conspire to bring about price reductions in this district. The general credit situation makes it increasingly expensive to carry goods and has obliged some speculators to put their goods on the market. Railway congestion, especially in its early stages, caused the sale locally of goods manufactured on order for distant points, but impossible of delivery; and in its later stages when the railroads began to catch up on their shipments, some goods came through to New York in more than usual volume. A third factor in inducing a decline in prices, notably to the textile trades, is that production has in some instances overtaken demand. Thus on the one hand there has been at least the beginning of a falling off of demand and on the other of an increased supply, though both may prove to be only temporary.

The recent change in the buying temper of the public is reflected in an attitude of greater conservatism on the part of the merchants and in the retail price cutting wave which is passing over the country. Wholesale commodities showed no general tendency to react to the conditions prevailing in retail trade until the last fortnight. The Bureau of Labor price index for April, made up of a large number of commodities at wholesale, was the highest yet reached. But for the week ended May 24 the price index maintained by this bank of 12 basic commodities showed its first decline since February. Wheat, cotton, hogs, lead and rubber declined; hides, copper, pig iron, hemlock and petroleum remained stationary; corn and sugar increased. Inasmuch as these commodities have ready markets at all times they are especially susceptible to speculation, and the movement of a single week is, therefore, by no means a reliable indication that the peak of high prices has passed. Other elements in the cost of production have not gone down. On the contrary many wage increases have recently been granted, and others, notably of railway workers, are pending. Higher wages, rents, and local taxes continue as increasingly heavy charges against production and must be reflected in the cost of goods to the consumer.



Showing the parallel between the expansion of loans and wholesale prices from our entry into the war.

Such elements in the prices of commodities as speculation has caused may be reduced through credit pressure. Runaway profits arising from lack of competition will be eliminated when competition is re-established in one trade after another. But it can scarcely be expected that the basic cost of production will fall to a great degree until raw materials prove to be established on lower levels and the labor cost is reduced either through increased labor efficiency or lower wages.

No factor could work for lower living costs so effectively, so promptly and with such beneficial effect as a reduction in the amount of goods we consume. To attempt to satisfy our demands for goods by paying higher and higher prices at a time when there is insufficient man power to produce all we desire hinders rather than helps to effect the increased production we desire. But by refraining from consuming things we can just as well do without, labor and materials are released for other more necessary services and capital is provided to sustain them in those services.

"Work and save" is the slogan which every government is urging upon its people. Saving is more universal in its application than working, for the workers never include all, but all are spenders. And there seldom has been such an opportunity for remunerative saving as now, when a given sum if spent will buy so little and if saved and invested will yield such large returns. Liberty bonds, for example, are now selling at market prices which for the taxable issues yield from about 5 per cent. to 6¼ per cent. They are the safest and most readily saleable of all investments. Should prices later come down, a part of the savings invested in them will then buy the thing which would cost all of the savings if bought now.

Volume of Bank Loans The changes since April 16 in the volume of bank loans either in this district or in the country as a whole have not been great. In the five weeks ended May 21, the loans of banks throughout the country which report each week to the Federal Reserve Board declined 185 millions. Somewhat more than half of the decline, 100 millions, took place in New York City, but the total nevertheless stood considerably above the low point for the year, reached on Feb. 13.

The situation with respect to Federal Reserve Bank loans was similar. On May 21, the total loans and investments of the Federal Reserve Bank of New York stood at 1,038 millions, of which 80 millions represented rediscounting for other Federal Reserve banks. Thus the net figure on that day was 958 millions, a decline of 41 millions from April 16. The loans of the other Federal Reserve banks, disregarding their rediscounts with the Federal Reserve Bank of New York, were 2,264 millions on May 21, an increase of 103 millions over April 16.

The best that can be said of these inconsiderable changes is that the credit expansion of the country as a whole has not gone forward. The changes within the system—that is, the relatively better position of the Federal Reserve Bank of New York in common with one or two other eastern banks—are attributable in part to the transportation congestion which obtained throughout the period. Credit burdens which would normally have been transferred from the west to the east with the movement of goods were held back and partly in consequence the Federal Reserve Bank of New York increased the volume of its rediscounting for other Federal Reserve banks from 36 millions on April 16, to 80 millions on May 21.

The aggregate figures for reporting member banks which compare with others for previous weeks printed in earlier issues of this report are as follows:

LOANS AND DEPOSITS

(In Millions)

	73 Reporting Banks in New York City*		813 Reporting Banks All Districts*	
	Total Loans and Investments	Total Deposits	Total Loans and Investments	Total Deposits
May 21	$5,363	$5,081	$15,832	$14,229
May 14	5,401	5,083	15,878	14,262
May 7	5,367	5,045	15,811	14,172
April 30	5,391	5,118	15,850	14,230
April 23	5,396	5,087	15,879	14,215
April 16	5,463	5,217	16,017	14,481
October 10, 1919	5,850 (highest)	5,397	15,476	13,699
May 23, 1919	5,268	4,812	14,606	12,714

*The number of reporting banks throughout the country increased from 773 on May 23, 1919, to 813 on May 21, 1920. In the same time the reporting banks in this city increased from 65 to 73.

Money Rates The conditions outlined above were reflected in firmer money rates. Stock exchange call loans ranged from 6 to 15 per cent., a rise occurring on each occasion when demands were out of the ordinary. Such instances were moderate withdrawals of Government deposits from the banks, and the dividend and interest payment periods. This inelasticity was despite the fact that stock market liquidation released funds rather than engaged additional amounts. Time money quotations continued largely nominal at 8½ to 9 per cent., according to collateral, through most of the period. Latterly a substantial sum was reported as contracted for, but this apparently was an exceptional case as little new money has otherwise been offered.

The freight tieup, though it tended temporarily to relieve demands for funds to meet payments on incoming goods, increased needs of borrowers in other districts and hampered the distribution of commercial paper and acceptances. Sales of commercial paper were lighter, though rates were advanced to 7½ per cent. for best names. Country banks were practically the only buyers. Contrasting with recent activity the bill market also has been quiet, with the supply of bills in excess of the demand. Rates rule on a basis of 6¼ per cent. for prime ninety-day bills. The Federal Reserve Bank increased slightly its minimum purchase rates on the shorter maturities, and it is now buying endorsed bills at minimum rates of 5¾ to 5⅞ per cent., according to maturities.

Gold Movements Between April 20 and May 10, gold imports aggregated $6,272,000, of which $4,670,000 came from England. Exports during the same period were $16,223,000, or less than 50 per cent. of the amount exported from March 20 to April 20. Exports and imports since May 10 have been negligible. Argentina, with $7,400,000, was the largest recipient of American gold, and Asiatic countries received $7,901,000 of the total. This brings our net exports of gold from January 1 to May 10 up to $100,249,000. Recently there has been a flow of gold from France to England, which may be in anticipation of the French Government's share in the payment of the Anglo-French loan, maturing in New York in October, where substantial credits have already been established for British account.

Stock Market The heavy liquidation in the stock market continued through the latter part of April, and after a drifting period sharp selling again developed. Many stocks of investment character, alike with speculative issues, declined to new low levels for the year. Heaviness of preferred stocks parallels the situation in the bond market, where older seasoned securities are being sold to obtain funds difficult to borrow under present money market conditions.

Daily sales during the period established both high and low records for the year. Trading during the last two weeks of April averaged over a million shares a day, and on April 21, when the sharpest break in prices occurred, exceeded two million shares, the highest total since November 12. May trading was much lighter; sales fell on one occasion to 349,000 shares, the smallest full day's business since February, 1919. In the past five weeks, active stocks suffered losses in one case up to 60 points, and 25 industrial stocks fell 23 points to 106½, approximately 6 points above the February low average. Twenty-five railroad stocks declined 3 points and are approximately 2 points above the February low point. A number of the best grade railroad issues sold at unprecedentedly low prices. Stock sales during April totaled 28,600,000 shares. This is slightly less than the total for April, 1919, but sales to date this year aggregate 108,000,000 shares, the largest total for a corresponding period since 1906.

Bond Market Bond prices have moved downward during the past thirty days, to approximately 2½ points below the level on April 20. This general decline began immediately after the signing of the Armistice, and, barring an occasional upward movement, has been almost constant, until the average is approximately 16 points below the level at that time. This is a reflection of advancing interest rates, due to the growing demand for capital. The average yield on 40 representative bonds, including industrials, rails and public utilities, has risen from approximately 5.5 per cent. in November, 1918, to about 7 per cent. at the present time, an increase of 1.5 per cent.; while the rates of 4-6 months commercial paper have risen from 6 to 7½ per cent. during the same period.

Many of the Liberty bond issues touched new low records during the past 30 days, and the general decline of nearly 4 points since April 20 is somewhat greater than the decline of industrials and rails. Liquidation of Liberty bonds is mainly attributable to the difficulty of obtaining funds and the high rates necessary to be paid. The congested condition of railroad freight traffic is another factor which prevents the manufacturer from meeting his bank obligations in due time without resorting to liquidation of securities held. Heavy sales of the tax-exempt issue and the rapid decline in price would indicate sales from the larger investor. Excluding the 3½ per cents, the yield on the various issues at the present time ranges from 5 per cent. to 6¼ per cent.

With the exception of foreign loans, bond transactions during April showed increased activity and sales for the month aggregated $341,912,000, as compared with $306,209,000 for March, and $293,797,000 in April, 1919. Sales of Liberty issues amounted to $271,326,000, as against $219,405,000 for the previous month. While 79 per cent. of the total sales were Liberties, only 13 per cent. were domestic corporation bonds, and the remainder foreign bonds. Sales thus far in May are in somewhat lighter volume, amounting to $73,301,000 for the week ending May 8, and $61,347,000 for the week ending May 15.

New Financing The output of new securities during April was the largest on record. The volume was $471,725,600, as compared with $275,771,300 during March, and $391,000,300 in October, the previous high record. Railroad issues amounted to $95,343,000, which was 20 per cent. of the total, as against 16 per cent. in March. The yields on new issues range from 7 to 7½ per cent., and in some cases even higher, indicating that the borrowers have paid from 8 to 10 per cent. for new money.

The large output in April has had a tendency to glut the investment market, except for the highest class railroad issues, and offerings have fallen off during May, amounting to $23,400,000 for the week ended May 8, and $65,610,000 for the week ended May 15. There is still a considerable undigested supply of some of the recent large issues, and dealers generally are postponing financing wherever possible, until conditions become more favorable.

The H-1920 series of Certificates of Indebtedness was oversubscribed in this district. For the first time since February, 1918, an amount was allotted by the Treasury less than the amount subscribed. While the total issue was $100,000,000, this district subscribed $50,516,500 and $37,239,000 was allotted. These certificates bear 5½ per cent. interest.

Failures A considerable decline in the number and amount of commercial failures in this Federal Reserve district in April, as compared to a month ago, is shown in the Dun reports. The number of failures reported decreased 22 from March, 1920, but increased 10 over April, 1919, while liabilities decreased $3,348,075 from March, and $1,500,100 from the corresponding month last year. Comparisons are as follows:

	Number		Liabilities	
	1920	1919	1920	1919
January	103	134	$1,212,644	$3,258,200
February	75	102	1,062,322	2,686,546
March	139	102	6,213,228	4,033,008
April	117	107	2,865,153	4,365,253
Total	434	445	$11,353,347	$14,343,007

Foreign Exchange The tendency of continental European exchanges has been slightly upward during the last thirty days, as a reaction from the undue depression of the previous month, when there was heavy selling of French and Italian bills in a seriously congested London market. Another probable factor was a renewed hope of exchange adjustments based upon the contemplated possibility of realizing on German indemnity bonds in settlement of obligations due their allies. Francs and lire both gave greater resistance to the downward course around the middle of April, and with occasional relapses have advanced slowly since that time until May 19 and 20, when there was a considerable decline in francs. Since the cessation of gold shipments to the United States, sterling has moved very indifferently, with a slight tendency downward more recently. In spite of rapidly increasing inflation in Germany, marks have continued their upward course practically uninterrupted, and reached as high as 2.48. This is probably due to continued speculation in marks and also to measures taken by the German Government to restrict imports of non-essentials. Rates during the current period were as follows:

FOREIGN EXCHANGE RATES

WEEK ENDING	APRIL 24 High	APRIL 24 Low	MAY 1 High	MAY 1 Low	MAY 8 High	MAY 8 Low	MAY 15 High	MAY 15 Low	Percentage of depreciation from par at low for week of May 15
England	3.96	3.86¼	3.88½	3.74¾	3.87¼	3.82½	3.84⅝	3.80¾	21.8
France	15.87	17.02	16.31	17.05	15.70	16.67	14.90	15.88	67.4
Italy	21.60	22.89	21.97	22.95	20.22	21.82	19.62	20.47	74.7
Spain	17.35	17.01	17.10	16.85	16.93	16.87	16.85	16.75	13.2
Argentina	43.65	43.10	43.15	42.875	42.70	42.60	42.875	42.625	0.4*
China (Hong Kong)	95.50	93.00	95.50	93.50	91.50	86.75	86.75	79.25	—x
China (Shanghai)	132.50	128.00	132.50	128.00	123.50	119.00	119.00	110.50	—x
Japan (Yokohama)	49.75	48.50	50.00	49.75	52.50	51.00	52.00	50.00	0.3*
Germany	1.68	1.62	1.74	1.69	1.92	1.77	2.08	1.97	91.7
Switzerland	5.56	5.68	5.62	5.67	5.63	5.69	5.68	5.73	9.6
Sweden	22.10	21.50	21.30	21.00	21.25	20.00	21.00	20.85	22.2
Holland	37.00	36.4375	36.50	36.125	36.375	36.3125	36.625	36.3125	9.7
Belgium	15.12	15.90	15.42	15.92	14.72	15.47	14.30	14.77	64.9

*Premium
xSilver exchange basis.

Credit Expansion in England

The evidence of world-wide demand for money, as seen in recent advances of the bank rates of the principal European countries, is confirmed by reports from England of tight money. The banks are severely scrutinizing loans and bills, and the stock markets are reported to have shown some weakness. The extent of credit expansion in England is seen from the following table, which gives the index of loans, discounts and advances of 13 large joint stock banks since 1914, taking June 30, 1914, as a base:

1914 (June 30)	100.
1915	107.8
1916	97.5
1917	114.5
1918	150.2
1919	202.8
1920 (Jan. 1)	208.7

Deposits of English banks increased from $4,358,000,000, December 31, 1914, to $9,104,000,000, December 31, 1919, or 109 per cent. Note circulation, which includes Bank of England notes and currency notes of the exchequer, aggregated $2,156,000,000 on April 21, or 15 times the amount prior to the outbreak of the war in 1914. The currency notes were issued as a war measure, and since a part of them displaced gold withdrawn from circulation, they do not represent a net addition to the monetary circulation. The actual increase of monetary circulation (coin and notes) was officially estimated, last November, at 152 per cent. Wholesale prices likewise had increased 207 per cent. from 1913 up to March, 1920.

This great increase of prices, continuing since the Armistice, as before, has brought the illusion of a great expansion in trade. The accompanying chart, showing British imports and exports since January, 1919, will serve to dispel the current belief that there has been any such increase in British foreign trade. The monthly figures

The relative volume of British foreign trade is here shown, eliminating the effect of the great rise in prices.

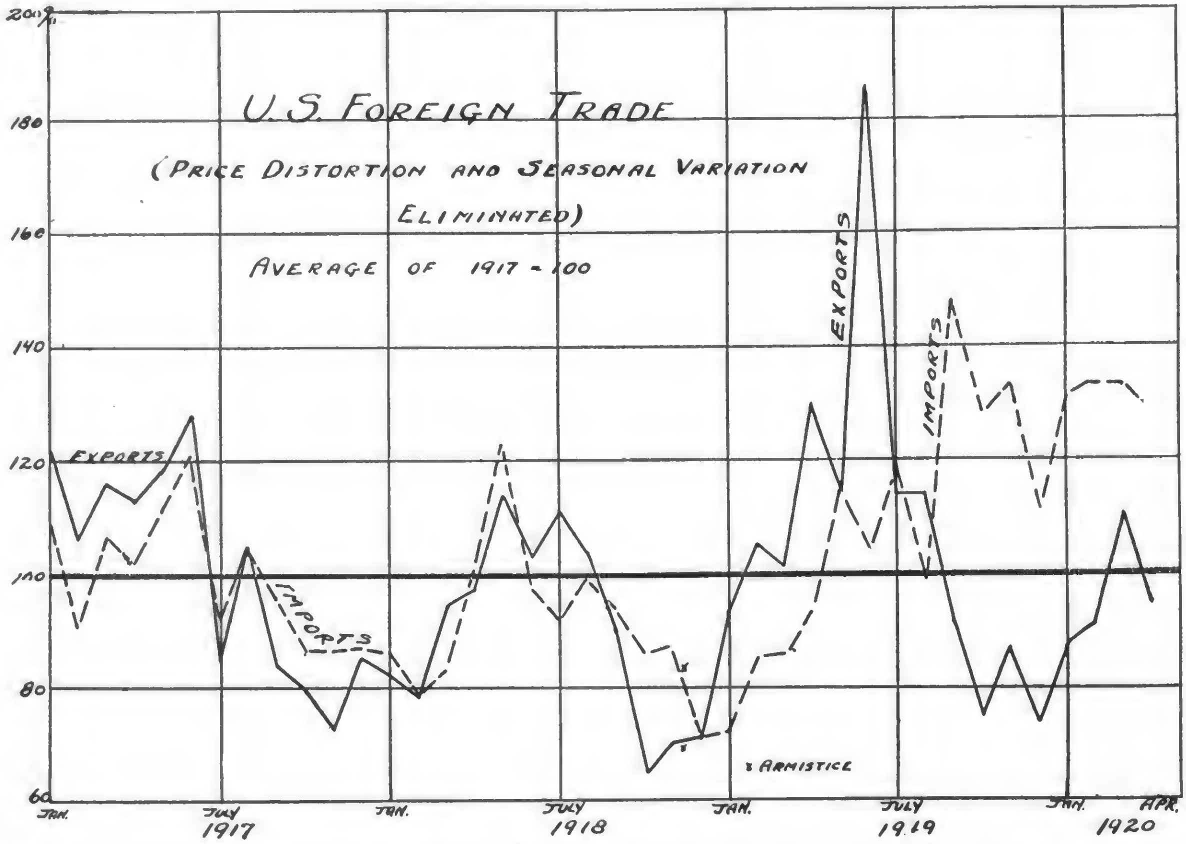
have been reduced to the January, 1919, base by dividing the money values of exports and imports by the Statist's price index numbers. The actual increase in relative volume of exports from January, 1919, to March, 1920, is thus shown to be approximately 60 per cent. instead of 120 per cent., as appears from the money figures. But, on the other hand, instead of an apparent increase in imports, there is an actual and healthy decrease of nearly 22 per cent.

Currency in France, Germany and Italy From March 11 to April 1, the Bank of France contracted its circulation approximately 1,130,000,000 francs, and the beginning of real contraction was thought to be at hand. Since then, however, the trend has been toward greater expansion, and the earlier contraction has been virtually wiped out.

August Mueller, former Minister of Economics, declares that Germany's paper money now in circulation amounts to 60 billions of marks, and is increasing at the rate of a billion each week.

During the flotation of the Italian loan in February and March, approximately 6,000,000,000 lire of circulating notes were paid into the Treasury and are held there. This reduces the note circulation from 18,148,000,000 lire on December 31, 1919, to 12,497,000,000 on March 31, 1920, or nearly one-third. It has not yet been decided whether these notes will be retired from circulation or paid out by the Treasury, but if the contemplated policy of retiring them is followed, it will be the first bold attempt of any country at currency deflation.

Export Trade Booking of new Japanese business by American exporters has been seriously curtailed, temporarily at least, as a result of the financial crisis in that country, but in other parts of the world export demand continues very persistent. Iron and steel, grain, cotton,



Showing in percentages the relative volume of exports and imports, by months, with the averages of 1917 taken as a base = 100, and with the effect of price changes and the normal seasonal variations eliminated.

oil and coal head the list of products most eagerly sought for abroad, and in these lines supply and transportation are the main limiting factors.

The falling away in Japanese buying is important here, as Japan has been a very active market, particularly for cotton, iron and steel. Though some inquiries are still being received from the larger Japanese houses, numerous cancellations of steel orders have been reported and offers for re-sale at material concessions have been noted. Some concern has been expressed lest transportation delays hold up shipments beyond the life of the credits, as there is uncertainty as to the granting of renewals by Japanese bankers. Certain exporters of machinery and tools report a continuing good demand in Japan, and an excellent market in India and South America, while European buying has not fallen off. The growing interest of British India in American products is noted by many exporters; steel, machinery, and automotive products find a good market there. Holland is inquiring for steel rails for the Dutch East Indies, Scandinavian canning industries are buying considerable amounts of tin-plate here, and some ship-plate is being sold to England. South American steel buying is active for near deliveries, but some hesitancy is noted in placing future delivery orders at present prices.

Cotton exports have been somewhat slower recently, with new orders for spot and near deliveries smaller, reflecting the decline in Japanese buying and labor troubles in the Lancashire mills, but British buying of fall deliveries continues brisk. Grain goes forward as steadily as transportation delays will allow, and there is every prospect that Europe will take all that this country can ship. Foreign demand for coal is growing more insistent daily, both from Europe, particularly Scandinavia and Italy, and from South America, as declining British coal exports prove insufficient to supply those markets. Automotive industries report orders, particularly from Canada, Cuba, and South America. Great Britain is buying more since the recovery in exchange, and trucks and tractors have been sold to India and Italy. Hardware and agricultural implements are in demand throughout Europe and South America. Increased exports of copper are expected if credit plans now reported in prospect can be consummated. Foreign buying of leather which dwindled during the winter has not been resumed. In certain countries, particularly in Portugal and France, Governmental regulations have hindered trade. The ban on luxury imports in the latter country touches the American automobile industry; but as only about 7 per cent. of automobile exports have been billed to that country the trade as a whole will not be seriously affected.

April exports from the United States totaled $684,000,000, which was a decline of $135,000,000 as compared with March. Exports during April are normally about 8 per cent. below those of March, and April average prices were about 5 per cent. higher than March. Correcting for this seasonal variation, and for inflated values, a foreign trade index prepared by this bank stands at 94.9 for April against 110.3 for March. This means a fall of about 14 per cent. more than normal, and about 22 per cent. altogether. Imports for April showed a nominal decline of $30,000,000 from March, to $495,000,000, which meant a decrease in the index of from 133.3 to 128.8, or about 3.4 per cent. more than the normal. The chart printed on the opposite page shows the course of the movements monthly from January, 1917, taking the average of the twelve months of 1917 as a base, and correcting alike for the normal seasonal changes and for the rise in average prices.

Retail Trade

The long-expected decline in retail prices has taken concrete form during the past month. Sudden and drastic reductions, ranging in extreme cases to 50 per cent. or more, have been made in many lines. These have been heaviest in some lines of millinery, silks, furs and seasonable wearing apparel. At the same time there have been advances in the prices of automobiles, pianos and cabinet musical instruments, while the prices of high-grade jewelry have held steady.

Bargain sales in May are usual, and a reference to last year's newspaper files shows advertised reductions as high as 35 per cent. on women's dresses. This year sales are much more general and much more advertised. They appear to be due to two main causes: first, a desire to liquidate high-priced stocks which are difficult to carry under tightening credit conditions; second, an attempt to overcome the waiting attitude on the part of the public.

The high cost of doing business, coupled with uncertainty regarding future prices, due to production, particularly in textiles, overtaking the demand, made the market exceedingly nervous. The financial crisis in Japan, with the consequent decline in the price of raw silk, for which it is the main present source of supply, aggrevated the situation.

Stocks of large department stores in New York City and Brooklyn were 50 per cent. greater in dollar value at the end of April than they were on the corresponding date last year. This was mainly due to the fact that while their sales were 66 per cent. greater in value in March, 1920, than in March, 1919, they were only 15 per cent. greater in April than in April last year. This indicated a falling off in volume of sales, for prices increased much more than 15 per cent. within the year. When the first weeks of May showed retail trade conditions growing steadily worse, price reductions followed.

These reductions and the warm weather that came the third week of the month stimulated buying to a great extent. Particular activity was noted in the sale of millinery; one dealer reported having the biggest single day in ten years. Straw hats sold in large numbers, as did shoes, and there was a strong demand for dress materials. Men's and women's clothing moved in considerable volume.

Purchasers generally were conservative and bought necessaries rather than luxuries. There was a good demand for the better class of merchandise, but the bargain sales also brought out the poorest class of buyers who sought the odds and ends.

Although there have been recent sales of "bargain" clothing by manufacturers and converters, these seem to be of orders cancelled because of transportation delays. The decline in wholesale prices has not followed that in retail lines, but domestic and foreign demand have lost the insistence of the past year and production is catching up.

Leather exports, for instance, have fallen off and there are large quantities in warehouses. Cases are reported of 5 and 10 per cent. declines on wholesale shoe prices for fall delivery. At the recent primary fur auction in St. Louis, prices declined an average of 25 per cent. and the retail prices have since fallen off an equal amount. Textiles and metals are tending downward.

Food prices, in many cases, were advanced by transporation troubles. Automobiles, pianos and cabinet musical instruments are sold by concerns of national scope, and prices are made at the head offices, which are naturally deliberate in their policies. The production of these things, and particularly of jewelry, has lagged far behind the demand. But even in these lines, hesitation and conservatism in recent buying have been noted.

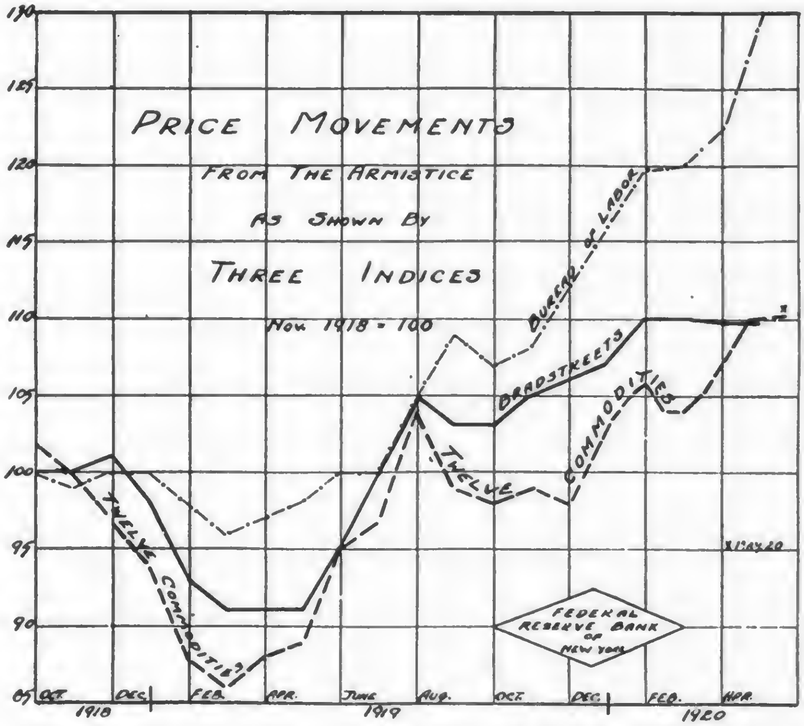
Commodity Prices

In spite of the widely advertised cuts in some retail prices, there was up to May 17 no measurable decline in the level of wholesale prices. The index of 12 basic commodities prepared by this bank stood on May 17 at 112.9, a new record, as against 109.9 on April 15, and 103.2 on January 1, the low for the year. During the week ended May 24, there was a decline of two points to 110.0.

The Bureau of Labor index for April recorded an increase of 13 points to 266, the average of prices in 1913 being taken as a base of 100. This was the largest increase in this index since the Armistice. In the face of all the varied efforts to reduce prices, this index now shows a rise of 31 per cent. for the last 12 months, a rate of increase equalled in only one year of the war. Food prices were likewise at peak, and 5 per cent. above the previous record of last January.

Canadian prices in April advanced from 258 to 261. In England, the Economist's index showed a decline of 1.4 per cent. and that of the Statist an equally small advance. Prices in France in March rose from 520 to 554, and in April to 584, an increase of 80 per cent. in 12 months. In Italy there was an even greater rise, carrying the index from 504 in January to 619 in March, very nearly twice the figure for March a year ago. In Japan, March prices rose from 313 to 321, or 56 per cent. in a year. But they declined 21 points in April, to 300. The collapse in Japan, following the panic there, is the first notable decline in any country since the general rise all over the world began about 12 or 14 months ago. The diagram on the next page shows the course of prices in this country from the Armistice.

Iron and Metals Steel mills are still seriously crippled by the freight congestion. Many of them are only able to run at about 65 per cent. of capacity, because of the shortage of fuel. Buying and selling are secondary to the efforts to move freight. It is estimated that 1,000,000 tons of finished steel are held awaiting shipment. Prices in the United States have advanced slightly over a month ago, and marked advances have occurred in Great Britain, where forge iron is up $3.50 per ton; billets, $3.85; and sheets $13.50 to $15.50.



Since the Armistice, the Bureau of Labor Index of wholesale prices (328 commodities) has shown a much greater rise than the great basic commodities which underlie.

April pig iron production in the United States dropped to a daily average of 91,327 tons, as against 108,900 in March. The daily average production of steel ingots declined from 145,000 in March to 120,760 in April. British production also declined. In April 671,000 tons of iron were produced, against 699,000 in March. Barring the financial crisis in Japan, which may reduce the hitherto strong demand from that country, the export situation has not materially changed since a month ago. Copper, zinc and tin prices are lower than a month ago, the two former having shaded off, while the latter has declined more radically in sympathy with the falling British market. Lead has not materially changed from a month ago. April sales of copper were estimated at about 101,000,000 pounds, less than one-third the sales in March.

Cotton Spot cotton, which reached 43.25 on April 16, had, after wide fluctuations, dropped to 41.15 by the middle of May. Railroad embargoes, a tendency to restrict foreign credits, and high prices which checked foreign buying, were responsible for the reduction of approximately 250,000 bales in April exports, as compared with those for March. The Census Bureau places the April consumption in this country at 567,000 bales, against 575,704 bales in March and 475,875 bales in April last year. The total domestic consumption from August 1 to May 1 was 4,803,338 bales, or 510,000 bales more than for the corresponding period in 1918-19. Compared with a year ago, stocks in the United States have decreased about 400,000 bales, but in England there has been an increase of 800,000 bales, 700,000 bales of which represent increase in American cotton. Two main factors have worked in opposite directions on cotton prices during the past month. Bad crop conditions have had a bullish effect, which has been more than offset by trade conditions. The Government report on May 12 was less favorable than had been expected. There have been excessive rains, fields are grassy, the boll-weevil has already appeared in several Southern counties of Georgia, and there is a great scarcity of negro labor. On the other hand there have been labor troubles at the mills, exports are falling off, and some orders have been cancelled as retail demand has slackened and prices have shaded off.

The Textile Industries The collapse in silk prices has brought on a serious crisis in the silk industry. The present quotation in silk is now around $8 per pound, as against $18 two months ago. This latter was the usually published figure, but sales at even higher prices were reported. A number of mills in Paterson, N. J., the headquarters of the industry, are running on half time or closed down altogether. Woolen mills of this district report a high volume of production still, but it is clear that the supply is overtaking the demand, and that the long-prevailing sellers' market has come to an end. Some heavy cancellations have occurred in woolen orders, and still more so in the silk trade, but not, apparently, in knit or cotton goods. In the latter there has been, apparently, no slackening in the demand.

Building Operations While a considerable amount of building is being done in New York City it is mostly of lofts, office buildings and garages. There is comparatively little home building, a great part of it remodeling of private dwellings into apartments and the erection of several big hotels. These latter projects involve large sums of money and give the appearance that a greater number of residences are being built than is actually the case. In the suburban districts, however, a number of houses are being constructed.

The records of the F. W. Dodge Company show that 48 per cent. of the contracts let in Greater New York in 1919 were for residential projects, but that during the first four months of 1920 they have declined to 32 per cent. of the total. Builders say that at present high prices capital is not attracted to apartment projects. The possibility that prices will decline within a short time and greatly depreciate the original investment, is a potent deterrent factor.

According to the Dodge figures, projects of all kinds contemplated in April in this district amounted to $104,490,300, and contracts awarded to $87,741,100, both increases of about $20,000,000 over the March figures.

Rents for business property in particularly desirable parts of New York City have recently made marked advances, in some cases as high as 100 per cent. Many apartment dwellers have organized syndicates and bought the apartment buildings in which they are living. This is the result of rapidly mounting rentals, which have induced tenants to take this step to reduce operating expenses to a minimum and to absorb the profits of private ownership.

Immigration and Emigration The number of aliens entering and leaving the port of New York increased considerably in April over March. As has been the case during the past several months, about 25 per cent. of the arrivals are Italian reservists who returned to Italy during the war. Lately there has been a considerable increase in the number of young Irishmen coming to this port and immigrants from the British Isles compose about 15 per cent. of the total. The majority of the immigrants is still composed of women and children who have come to this country to join relatives. About 250,000 Polish Jews are reported to be coming to America. As passenger service between Holland and America, which was interrupted by strikes at Amsterdam, is being resumed it is not unlikely that some of these immigrants are now on the way over. A competent authority says immigration to this country is limited only by ship capacity. Departures and arrivals of aliens at the Port of New York during the past six months are shown in the following table:

	Immigrants	Emigrants
November	24,641	36,459
December............	17,557	21,996
January	34,529	25,051
February............	25,057	24,379
March...............	22,086	18,714
April	36,598	26,169
Total..............	160,468	152,768

Employment The labor situation, in general shows improvement over a month ago. Effects of the switchmen's strike have been partly overcome in New York City, but conditions are not so good at Buffalo. Factories throughout the district have been compelled in many instances to curtail production on account of the failure of shipments to arrive, and they have reduced their working forces or cut their working time.

Data compiled by the New York State Industrial Commission show that the average weekly earnings of employees in 1648 factories in the State was $27.80, a decrease of only seven cents from the March average. As there were increases in earnings at factories not affected by the transportation difficulties, this slight decline probably does not reflect the extent to which many workers were affected. The principal declines occurred in some divisions of the metal product industries, in printing, shipbuilding, in factories making automobiles and in those manufacturing some food products. The shoe manufacturing and clothing industries show decreases as a result of the decreased demand.

There has been some friction between organized labor and companies erecting structural steel, who insisted on the open-shop plan. Some of these differences have been adjusted recently and building should now proceed more rapidly. A voluntary wage increase of $1 a day for the 115,000 workers in New York City was announced by the Building Trades Council, to take effect as of May 1.

Quantities of food have piled up at the piers as the result of the truckmen's strike. They went out in sympathy with the striking longshoremen. There have been several other strikes which were quickly settled, but a strike of captains and engineers of tugs handling car ferries in New York harbor is still in progress.

According to the New York Field Agent for the Bureau of Crop Estimates, the number of hired men on the farms of this State is 16 per cent. less than last year and 38 per cent. below normal for this season. This is due in great part to the emigration of workers to the cities to take advantage of prevailing high wages. Farm wages for labor are increasing rapidly, however, and this should restrain the exodus from the farms.

Railroads and Transportation The cumulative effect during the past month of six separate strikes of workers on the transportation lines, both rail and water, has been vastly to increase the car shortage and freight congestion in the railroad yards, limit exports, and either curtail production or stop work entirely in a large number of factories in the district. Supplies of dead freight have been held in the railroad yards several weeks at a time, while every effort has been made to deliver coal and food products. Even these shipments have been carried, at times, only with the greatest difficulty.

The transportation lines were not yet operating normally following the partial return of workers after the general walkout early in April when a second strike of switchmen in Buffalo blocked a considerable volume of through traffic there. In addition harbor workers quit work in both New York and Buffalo and the coastwise shipping lines were tied up by walkouts of longshoremen, boatmen, and truck drivers. The railroads in New York, unable to lighter export freight through lack of tugs, were forced to declare an embargo on these shipments, while grain boats in Buffalo were often unable to unload their cargoes at the elevators. As a result the export freight movement in New York shrank nearly 50 per cent. in volume.

During the past three weeks the situation has clarified somewhat and most of the roads are now carrying a volume of freight only slightly below normal, but still have to contend with the congestion of cars accumulated in the yards during previous weeks. With the gradual improvement in tug power, however, the great volume of export freight in the yards is being gradually reduced. The car movement figures of a road which in the last half of April moved 15 per cent. fewer cars than in the same period of 1919 have so improved that in the first two weeks of May this movement was but 2 per cent. less than last year.

In relieving congestion recourse has been made to automobile trucks and to the New York State Barge Canal system, though the high cost and restricted supply of trucks and the lack of boats and slowness of canal transportation have limited results. The barge canal, carrying fully 50 per cent. greater traffic than last year has 500 boats in use, transporting non-perishable commodities from the Great Lakes and upper New York to the New York City docks. Fully 1,000 more boats could be kept in constant use if available.

Trucking service, which until recently has only been used for short distance hauling, has been widely adopted, almost regardless of expense, by factories which without the use of trucks would have had to curtail production or accumulate finished products at the factory. Regular routes have been established by a number of manufacturers connecting the large cities for carrying both raw materials and finished goods. Some manufacturers have been obliged to resort to the use of trucks for carrying even such crude material as pig iron. The large packing concerns and others handling perishables have used trucks to a considerable extent in bringing their food products to New York City from the neighboring railroad junctions and freight yards in New Jersey. Merchants in some instances have had to use passenger automobiles for making suburban deliveries.

There has been active bidding by manufacturers for the temporary use or purchase of trucks to meet emergency factory or distribution needs. However, such trucks can be used on long hauls with any approach to economy only for less bulky and more expensive goods, since the cost of operating is said to average about $35 to $60 per day per truck. As a result of these methods the burden has been lifted somewhat from the railroads. The truck drivers' strike has caused much inconvenience in the handling of goods intended for the coastwise ships, but the New York merchants are organizing trucking lines of their own to take over this work. Pier congestion has been partially relieved by diverting export freight originally consigned through New York forwarding houses to other ports, and shipping men estimate that about 80 per cent. of such freight is being routed in this manner.

The figures of the American Railway Association show that in the past twenty years there have been but two other periods of acute car shortage in this country similar to the shortage which has recently been further complicated by the freight tie-up. In February of 1907, at the height of the period of industrial expansion preceding the panic of that year, there was a shortage of 138,000 cars. Thereafter until 1916 there was never again an acute shortage, in fact, there was always a considerable surplus of cars during all but the three or four crop moving months. But in the harvest period of 1916 the situation was complicated by heavy shipments of war materials and on November 1, there was a shortage of 115,000 cars.

During 1917 and 1918 supply and demand were about evenly matched and, following the Armistice, there was a heavy surplus in the early months of last year. During the past winter, however, a shortage developed which has now reached a maximum of over 82,000 cars which the recent heavy railroad equipment purchases will not be able to relieve for many months.

Government Expenditures

Although more than eighteen months have elapsed since the signing of the Armistice, the Government expenditures of the principal allied countries are still many times greater than during the pre-war period; and the decrease in such expenditures from a wartime basis has not met general expectations. It is estimated that the expenditures of the United States Government, outside of purely financing operations, for the twelve months' period ending June 30 next, will reach approximately $6,750,000,000, or at the average rate of $18,000,000 per day. This compares with the sum of $15,000,000,000 during 1918-19, and $723,000,000, excluding Panama Canal disbursements, during 1915-16. This represents a decrease of 55 per cent. from the year of the greatest war expenditures, while it is an increase of more than 800 per cent. over the fiscal year immediately preceding the war.

For the fiscal year ended March 31, 1920, Great Britain's expenditures totaled $8,105,600,000, against $13,119,800,000 for the fiscal year 1917-18, and $961,000,000 for the year 1913-14. This represents a reduction of 38 per cent. from the year of greatest expenditures, and an increase of more than 740 per cent. over the year immediately preceding the war. For the present fiscal year the expenditures are estimated roughly at $6,000,000,000.

The ordinary and extraordinary budgets for France are estimated at $4,898,000,000 for 1920, compared with total expenditures of $7,610,000,000 during 1918, and $978,000,000 during 1913. There will be an additional expenditure, however, due to reparation of war damages, estimated at $4,264,000,000, which it is hoped will be paid from the indemnities due from Germany. The ordinary budget, which amounts to $3,448,000,000, is to be met entirely by taxation, and the extraordinary budget of $1,450,000,000 is to be met by liquidation of war stocks on hand and by loans.

Crop Conditions

Farm work in both New York and New Jersey has been greatly delayed this spring by the backwardness of the season, frequent rains, and cold weather. Within the past three weeks, however, preparation of the ground has gone forward rapidly, and oats, barley and spring wheat have been planted.

A serious shortage of labor exists in all but a portion of the western part of New York State and this, together with delay in shipments of fertilizer and seeds by reason of the rail embargoes, has limited planting to some extent. Acreage of potatoes will be reduced about 3 per cent., notwithstanding present high prices, while beans will be reduced about 10 per cent., and all other crops, with the exception of hay, will also be restricted. The average reduction for New York is very much less, however, than in other states, since the 3 per cent. reduction in potato acreage compares with an average reduction in the three other important potato states of 9 per cent. The reduction of 10 per cent. in the area planted in beans compares with a 29 per cent. reduction from last year in the five other important bean producing states.

The wheat crop in this state is in excellent condition, averaging 94 per cent. of normal on May 1. Only a very small amount of winter wheat was killed, and this crop is expected to yield the average of 22 bushels per acre. The rye fields are in slightly better condition than usual, although there is an 11 per cent. reduction in acreage. In New Jersey a wheat yield of about 17.2 bushels per acre is indicated with an acreage reduction of about 13 per cent. In that state, too, the rye yield will probably be high on about 97 per cent. of last year's acreage.