

MAY 9 1922

MONTHLY REVIEW

Of Credit and Business Conditions

In the Second Federal Reserve District

By the Federal Reserve Agent, Federal Reserve Bank, New York

New York, May 1, 1922

Credit Conditions

THE outstanding development in the money markets during the month was the issue on April 15, of \$150,000,000 of Treasury certificates, maturing in six months, at 3½ per cent. This is the lowest rate since 1917 and compares with the 4¼ per cent. rate carried by the one-year certificates issued in March. The lower rate fairly reflected the current yields prevailing in the open market both for short Treasury certificates and for bankers acceptances.

While there was a slight easing in rates in the open market for commercial paper, rates charged by banks on commercial loans to their customers remained unchanged.

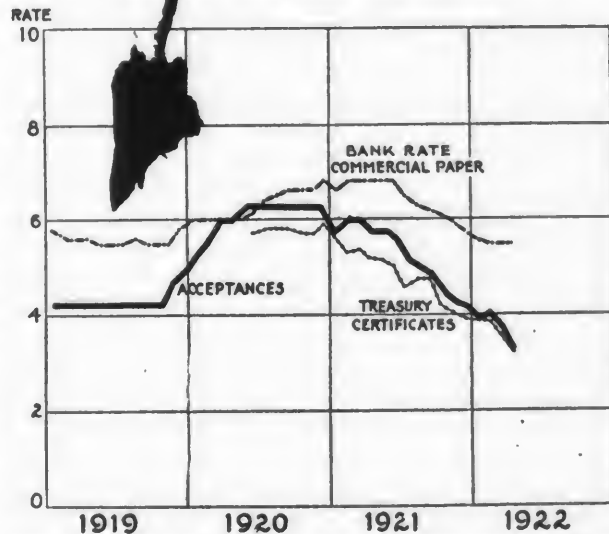
The disparity between the present rates for certificates and bills on the one hand and the rates for loans by banks to their commercial customers on the other, is due in part to inherent differences between the two classes of loans and in part to a special condition prevailing at this time.

The inherent differences may be summarized as follows: First, Treasury certificates and bankers bills, which may be purchased at will or instantly sold without indorsement in the open markets, represent, as has often been stated in the REVIEW, a class of temporary investment for banking and other short time funds combining minimum risk with immediate convertibility; whereas the loans a bank makes to its commercial customers involve the usual commercial risk and may be converted only with indorsement at Federal Reserve or other banks. Second, such loans are usually made to suit the convenience of the borrower as to time and amount; whereas bills and certificates are purchased at the bank's convenience. Third, the volume of bankers acceptances and short Government obligations is small compared with the great mass of commercial loans made by banks. This is common to both the English and the American money markets. In this country these commercial loans take the form of promissory notes, while in England they are carried as cash advances in open account similar to overdrafts. Before the war the volume of prime bills in the English market ran perhaps as high as £500,000,000 as compared with many times that amount of advances in open account. Now such bills together with short government bills amount perhaps to £1,200,000,000 and their proportion to the cash advances made by English banks has probably not changed materially. In the United States bankers bills and short Treasury certificates now amount to about \$2,200,000,000, some \$1,250,000,000 less than a year ago, while bank loans to

commercial customers are \$19,000,000,000 or thereabouts.

The special condition referred to above, which accentuates the present disparity in the rates for these two classes of loans, arises out of the large volume of foreign-owned money now seeking temporary investment in New York and other American cities. For in addition to the balances which foreign banks ordinarily maintain here the proceeds of such of the foreign financing recently placed in this market as have not been utilized immediately have found temporary investment in bills or certificates. This demand, coming at a time when the amount of these classes of paper has been shrinking rather than increasing, has tended to depress the rates at which they sell. In the first three months of the year foreign financing in this country amounted to over \$300,000,000, or about \$220,000,000 more than the credit balance of the United States in foreign trade during those months, after taking into account the import and export movement of gold and silver. About half this sum represents March transactions, and foreign financing has continued on an even larger scale in April.

The falling rates for certificates and bills which the 3½ per cent. certificate issue recognized stimulated further

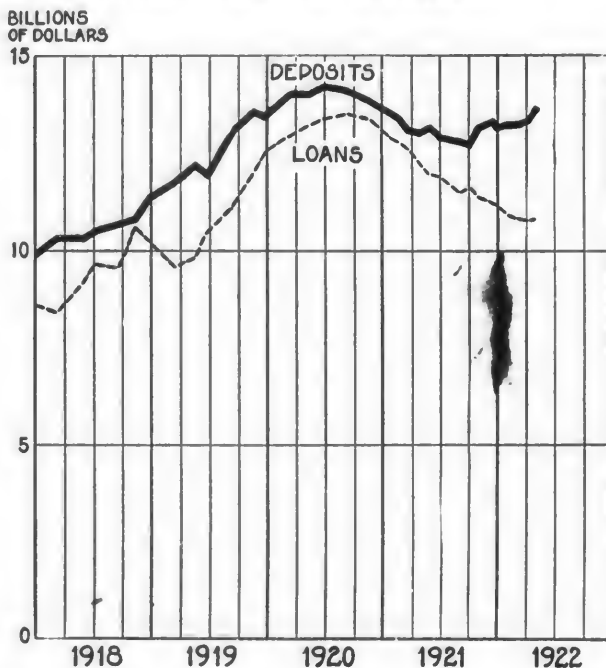


Open Market Rate on Prime 90-Day Bankers Acceptances and Treasury Certificates Maturing in 4 to 6 Months, Compared with the Prevailing Commercial Bank Discount (Rate on 30 to 90-Day Commercial Paper)

activity of Government bonds and notes in the market, and all issues of Liberty bonds reached points fractionally above or below par. Other bonds have risen correspondingly.

Stock Exchange loans were made at easier rates also. Since the middle of April call money has ruled at or near $3\frac{1}{2}$ per cent. and time money at $4\frac{1}{4}$ to $4\frac{1}{2}$. The activity of the stock market was stimulated further by the progressive ease of money and trading during April was in larger volume than at any time in the last two years. Increased demands from the security markets for loans have substantially offset the liquidation which has continued in other forms of bank credit.

In aggregate the loans of New York City member banks have declined \$1,204,000,000 since they reached maximum on October 10, 1919. In the early stages of the decline, deposits moved downward with loans, since they were created to a large extent by borrowing. But about the middle of 1921 deposits began to increase as customers' bank balances were built up, and since that time have risen about \$400,000,000. As loans were declining during this period, the ratio of loans to deposits, which is frequently used as an index of banking conditions, has been rapidly lowered. At the end of 1920 loans of New York City banks and of banks in other principal cities, exclusive of investments, amounted to about 95 per cent. of deposits. At present the loans of New York City banks are about 75 per cent. of deposits, and the loans of banks in other principal cities about 82 per cent. of deposits. These changes are shown in the following diagram.



Deposits and Loans (Exclusive of Investments) of 802 Reporting Banks in Principal Cities of the United States

The reduction of bank loans in this country in the past few months has been most marked in agricultural districts and has been reflected in further reductions in the discount

rates of some of the Federal Reserve Banks. In nine of the twelve districts the rate is now $4\frac{1}{2}$ per cent. Chicago reduced its rate from 5 to $4\frac{1}{2}$ per cent. on March 25, St. Louis on April 6, and Richmond on April 14.

The Bank of England reduced its discount rate on April 13 from $4\frac{1}{2}$ to 4 per cent., the lowest since the outbreak of the European war in 1914. The open market rate for bankers bills in London is now $2\frac{1}{2}$ per cent.

It has been pointed out above that the amount of bankers and government bills in both England and the United States is relatively small as compared with the great volume of ordinary commercial borrowings. In the United States the official discount rates relate not only to bankers bills and Treasury certificates, but also to the great bulk of the loans made to carry on commerce and agriculture, which being in the form of promissory notes, are available for rediscount at the Federal Reserve Banks. In England, however, the official discount rate relates only to advances from the Bank of England against the relatively small volume of prime commercial and Treasury bills, since the ordinary advances to industry and agriculture, being in the nature of overdrafts, are not available as security for such advances.

Savings Bank Deposits

Aggregate deposits of fifteen representative savings banks in New York City increased slightly between March 10 and April 10 while deposits of fifteen banks in other cities of this district were reduced somewhat. Each of the New York City banks showed a slight gain in deposits during the month while eleven of the banks in other cities reported declines and four gains.

Bill Market

Accompanying easier money conditions, caused in part by the volume of foreign-owned funds seeking employment in New York, dealers' offering rates for prime bankers bills were reduced early in April from $3\frac{1}{2}$ per cent. to $3\frac{3}{8}$ per cent. and later in the month to $3\frac{1}{4}$ per cent.

The volume of sales was limited by the scarcity of new bills. Of the bills offered, cotton and grain export bills were most numerous and bills drawn for the import of sugar and coffee were next in importance.

In London the bill rate declined even more rapidly than in New York. For a short time in March New York and London open market rates were approximately the same, but during April the London rate dropped to $2\frac{1}{2}$ per cent.

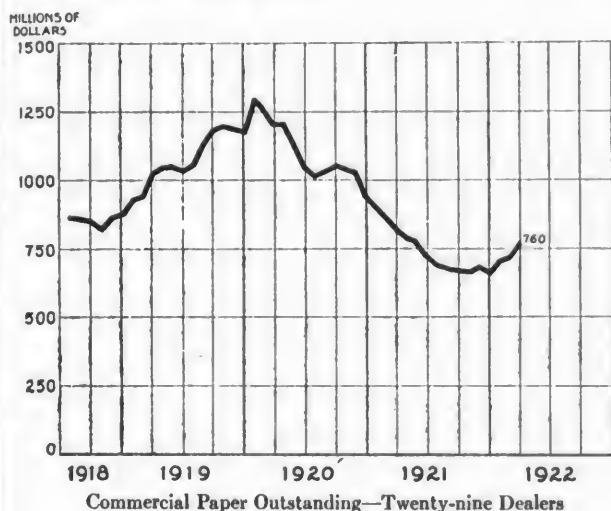
Commercial Paper

About the middle of April, dealers lowered their offering rates for prime commercial paper $\frac{1}{4}$ of one per cent. to a range of $4\frac{1}{4}$ to $4\frac{1}{2}$ per cent. Shortly thereafter, some sales of unusually prime paper were made at 4 per cent.

The reduction was caused largely by the continued scarcity of paper, accompanied by some further broadening in demand. Several of the larger banks in New York City bought freely at the lower rates, while others bought

sparingly or not at all, regarding commercial paper rates as out of line with prevailing rates of 5 per cent. or higher on customers' loans, and yields still to be obtained on tax exempt Government securities.

The accompanying diagram of outstanding commercial paper, based upon the reports of twenty-nine dealers instead of thirty, as heretofore, indicates a further increase in distribution during March.



Stock Market Money Rates

Call money rates during the first three weeks of April tended to work lower, notwithstanding increased demand for funds from active and rising stock and bond markets. During the third week of April, 3½ per cent. became the prevailing rate, as it was for a time in January and March, when the usual declines after the first of the year and at the quarterly tax payment date took place.

Time money dealers reported the freest market since the outbreak of the war. After rising somewhat in the latter part of March and early in April to a 4½ per cent. level for all maturities, rates again became easier and by the end of the third week money was freely available for the nearer maturities at 4¼ per cent.

Stock Market

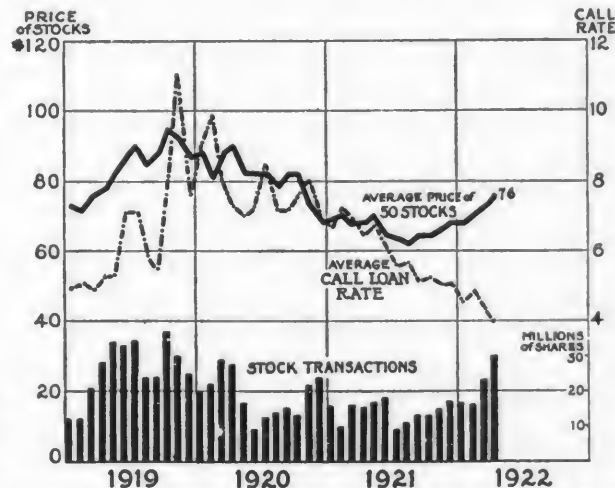
Accompanying the heaviest volume of trading in two years, stock prices advanced rapidly in April and representative averages of industrial and railway issues rose to the highest points since the fall of 1920. At the new levels, averages of industrial stocks showed a nearly unbroken rise of about 30 points since last August, and railway averages a gain of about 15 points from the lowest of last year. In railway stocks, however, the advance did not become consistent until after the first of this year. Shortly before April 20, profit taking following these extended advances caused some irregularity.

During the first three weeks of April, transactions on full trading days did not once fall below a million shares, and on April 17 the total reached two million shares for the first time since April, 1920. Trading extended over

a very broad list, and twice during the month new high figures were reached in the number of separate stocks in which there were transactions.

The accompanying diagram shows by months from the beginning of 1919, fluctuations in average prices of fifty stocks as given in the Annalist index of 25 industrials and 25 rails, the average Stock Exchange call loan rate, and total stock transactions.

A close relationship between stock prices and transactions, and call loan rates, prevailed until about the middle of 1921. Then, accompanying extensive business and commodity liquidation in the latter part of the year, the rates for call loans declined rapidly, and reached the 4 per cent. average level in April. This increase in available funds at lower rates is one factor, among others, in the recent expansion of stock trading and higher prices.



Average Price of Stocks, Average Call Loan Rate, and Total Transactions in Stocks Each Month

Bond Market

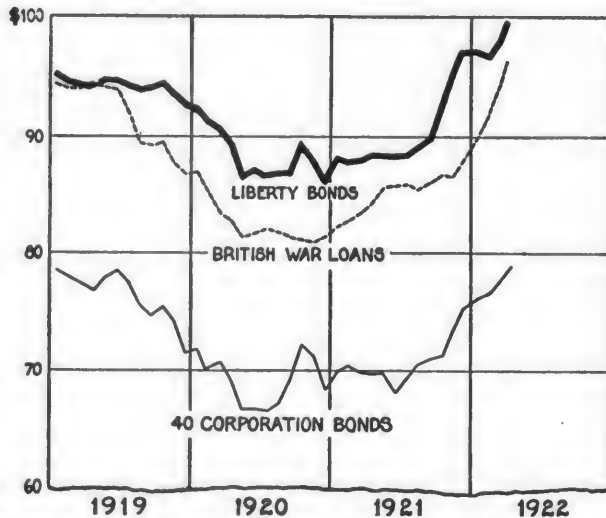
Sales of bonds on the New York Stock Exchange during March and April were the heaviest ever reported. March dealings in listed issues, other than United States Government securities, reached \$237,000,000, larger than any previous month's total, and more than double the volume of transactions in March last year. During April, the market was even more active.

Heavy trading was accompanied by strength in prices, and representative averages of high grade corporation issues during the four weeks ended April 20, extended their advances a point or more to the highest levels since the close of 1918. Accompanying reductions in yields in these groups, demand spread more markedly to bonds of more speculative grade, and dealings in these accounted for a large part of the activity of the market.

Nearly all the foreign issues listed in this market reached, in April, new high prices for the year under active buying stimulated by relatively high yields and by expectations centering in the Genoa financial conference. French issues subsequently reacted about a point, apparently affected by the later developments of the con-

ference, but most other issues on April 20 sold at, or only a fraction below, highest prices.

The accompanying diagram indicates by months the extent of recovery in average prices of forty representative corporation bonds from the low points of the past two years, and compares with this the movement of United States and British war loans. The United States war loans included are the Second, Third, and Fourth $4\frac{1}{4}$ s, while the British loans included are the $3\frac{1}{2}$ s, the $4\frac{1}{2}$ s, and the 5s.



Average Monthly Prices of Liberty and Corporation Bonds at New York and British War Loans at London

United States Government Securities

The rise of four active Liberty issues to par in the second week of April marked the first complete recovery in any of them from the low prices to which they fell during the period of high money rates and difficult credit conditions of 1920 and the first part of 1921. Increased selling at the high prices and revival of the discussion of a soldiers' bonus caused a moderate reaction from the highest prices reached.

Since the extreme low prices, advances in the Liberty issues have ranged between 14 and nearly 19 points. The following table compares highest prices reached by Liberty and Victory issues during the first three weeks of April with lowest prices in 1920 and 1921.

Issue	Highest Price, April 1-21	Lowest Price, 1921	Lowest Price, 1920
Liberty $3\frac{1}{2}$ s.....	100.06	86.00	89.10
Liberty 1st 4s.....	99.70	85.24	83.00
Liberty 2nd 4s.....	99.60	85.34	81.40
Liberty 1st $4\frac{1}{4}$ s.....	100.08	85.40	84.00
Liberty 2nd $4\frac{1}{4}$ s.....	99.80	85.30	81.10
Liberty 3rd $4\frac{1}{4}$ s.....	100.06	88.00	85.60
Liberty 4th $4\frac{1}{4}$ s.....	100.00	85.34	82.00
Victory $4\frac{1}{4}$ s.....	100.92	95.56	94.70
Victory $3\frac{1}{4}$ s.....	100.08	95.80	94.64

Dealers reported heavy trading outside of the Stock Exchange, but the transactions on the exchange fell considerably below totals reached in previous periods of unusual activity, and were frequently exceeded by transactions in other bonds. March transactions in Government loans on the exchange totaled \$178,000,000, a figure less than those for recent months except February, though considerably more than in March last year.

On April 12, the Treasury offered a new issue of approximately \$150,000,000 six-months certificates, dated April 15, and bearing interest at $3\frac{1}{2}$ per cent., the lowest rate since 1917. This was a reduction of $\frac{3}{4}$ per cent. from the rate on the preceding offering, which was of one year maturity and for a larger amount. Total subscriptions to the new issue were in the neighborhood of \$300,000,000. Subscriptions in this district amounted to \$115,524,500, of which \$50,880,000 was allotted. By April 21, this issue was being offered in the open market on a 3.35 per cent. basis.

The successive changes in the issuing rates for certificates of indebtedness of approximately the same or longer maturity, and the average yield at market prices of four issues of Liberty bonds have been as follows:

Month	Issuing Rate on Certificates and Notes			Yield on Liberty Bonds
	About 6 Months Maturity	About 1 Year Maturity	3-4 Year Notes	
January, 1918.....	4	...	...	...
January, 1919.....	$4\frac{1}{2}$	...	...	4.67
January, 1920.....	$4\frac{1}{2}$ *	$4\frac{3}{4}$	...	5.04
March, 1920.....	...	$4\frac{3}{4}$	...	5.27
April, 1920.....	$5\frac{1}{4}$	...	...	5.48
June, 1920.....	$5\frac{3}{4}$	6	...	5.79
December, 1920...	$5\frac{3}{4}$	6	...	5.05
March, 1921.....	$5\frac{1}{2}$	$5\frac{3}{4}$	...	5.65
June, 1921.....	...	$5\frac{3}{4}$	$5\frac{3}{4}$	5.54
August, 1921.....	$5\frac{1}{4}$	$5\frac{1}{2}$	...	5.43
September, 1921...	5	$5\frac{1}{4}$	$5\frac{1}{2}$	5.28
November, 1921...	$4\frac{1}{4}$	$4\frac{1}{2}$	...	4.77
February, 1922....	...	...	$4\frac{1}{2}$	4.58
March, 1922.....	...	$4\frac{1}{4}$	$4\frac{1}{4}$	4.37
April, 1922.....	$3\frac{1}{2}$	...	...	4.20

* Issued December 15, 1919.

New Financing

The flow of new foreign securities into this market was even heavier in April than in March, and up to and including April 25 added over \$200,000,000 to the \$300,000,000 previously placed here since the first of the year. Offering of \$100,000,000 Dominion of Canada 30-year 5 per cent. bonds at par was the largest foreign issue sold here at one time since the \$100,000,000 French Government loan in May last year. Under the attraction of high yields, these issues sold rapidly and some reached substantial premiums soon after they were offered.

The following table gives approximately the totals of foreign offerings in previous months of the year, together with a list of the more important April offerings

through the 25th of the month and their yields at sale prices.

Month	Amount
January.....	\$92,346,000
February.....	57,768,000
March.....	155,513,000
April.....	
Dominican Republic, at 6 per cent.....	\$6,700,000
Czechoslovak Republic, at 8.30 per cent....	14,000,000
Rio de Janeiro, at 7.90 per cent.....	13,000,000
Paulista Ry., Brazil, at 7.10 per cent.....	4,000,000
Paris-Lyons-Mediterranean R.R., at 7.25 per cent.....	10,000,000
Holland-America Line (guilders), at 6.30-6.90 per cent.....	11,040,000
Dutch East Indies, at 6.24-6.48 per cent....	20,000,000
Dominion of Canada, at 5 per cent.....	100,000,000
Province of Ontario, at 5.05 per cent.....	15,000,000
Other Canadian issues.....	12,700,100
Manila Electric Co., at 7.10 per cent.....	2,500,000
	209,030,100
Total, January 1 to April 25.....	\$514,657,100

Domestic corporation financing was active, and included several large issues, among them \$60,000,000 New York Central Railroad long term 5 per cent. bonds, offered at 5.30 per cent. yield. Bonds continue to preponderate as a form of financing, though stock issues have become more frequent. During the past two months, the 8 per cent. rate among corporation issues has practically disappeared, and there is a widening proportion of offerings at yields between 6 and 7 per cent.

Lower yields on new domestic and municipal offerings were in keeping with further advances in prices of outstanding bonds. The City of New York sold an issue of \$45,000,000 4 1/4 per cent. corporate stock at approximately 102 3/4 to yield about 4.11 per cent., compared with a yield of about 4.33 per cent. on a large 4 1/2 per cent. issue sold in December. The new issue was re-offered to the public on a 4.06 per cent. basis.

Gold Movement

Gold imports for March amounted to \$33,488,000, bringing the total imports for the first three months of 1922 to \$88,760,000 as compared with \$163,535,000 for the corresponding period in 1921. Exports totaled \$986,000. Sources of imports are shown in the following table.

(000 omitted)

Country	Monthly Average, 1921	January	February	March	Total, 1922
England.....	\$16,841	\$10,468	\$8,310	\$21	\$18,799
Sweden.....	5,530	4,276	8,821	14,938	28,035
Canada.....	3,071	2,331	1,649	1,264	5,294
Australia.....	1,168	1,946	730	.....	2,676
France.....	15,991	1,875	1,426	6,650	9,951
Denmark.....	453	1,158	5,169	3,983	10,310
Norway.....	128	660	3	4,139	4,802
All Other.....	14,524	3,807	2,593	2,493	8,893
Total.....	\$57,606	\$26,571	\$28,701	\$33,488	\$88,760

Foreign Exchange

Exchange rates were firmer in April after general weakness in March but trading was limited because of the Easter holidays abroad. Sterling advanced five cents from the quotation prevailing at the close of March but was still slightly under the highest rate for the year. Exchange rates on France, Belgium and Italy were proportionately higher.

Financial unsettlement in Greece due to uncertainty over provisions of a forced internal government loan announced early in April resulted in the closing of all banks and of the Greek Bourse for a few days and several of the larger banks here suspended temporarily the purchase or sale of Greek exchange. The rate of exchange, however, remained fairly steady.

Large Chinese purchases of bar silver in London caused an advance in the price of silver with coincident gains in exchange rates on China.

The following table shows the changes during the month in the principal exchanges.

Country	April 20 Last	Change from March 20	Per Cent. Depreciation from Par
England.....	\$4.4100	+ .0350	9.4
France.....	.0927	+ .0050	52.0
Italy.....	.0536	+ .0029	72.2
Germany.....	.0034	- .0003	98.6
Belgium.....	.0856	+ .0011	55.6
Holland.....	.3782	+ .0009	5.9
Switzerland.....	.1943	- .0003	+ 0.7
Spain.....	.1553	+ .0008	19.5
Sweden (Stockholm).....	.2598	- .0022	3.1
Argentina.....	.5523	- .0124	16.9
Brazil.....	.1355	+ .0002	58.2
Japan (Yokohama).....	.4745	- .0005	4.8
China (Hong Kong).....	.5638	+ .0225	*
China (Shanghai).....	.7563	+ .0325	*
India.....	.2788	+ .0007	42.7
Canada.....	.9775	+ .0106	2.3
Bar Silver in New York.....	.6800	+ .0325	.....

* Silver Exchange Basis.

Foreign Trade

Reports from leading export houses indicate that steel continues to lead other commodities in regaining activity in export trade. The Steel Corporation's foreign orders are back nearly to the highest point reached before the war, and other exporters of steel products likewise have reported larger buying. Regarding most other finished or partly finished commodities reports of increased activity are less uniform.

Copper exporters reported large foreign buying during March, but only a moderately active market in April.

Exports of raw cotton during March were considerably larger than in February, and larger than in the corresponding month of the previous year for the first time since October. Wheat exports during March, amounting to 7,645,000 bushels valued at \$10,000,000, were likewise larger than in February, but smaller than in any other preceding month since early in 1920. March corn exports,

on the other hand, amounting to 2,68,000 bushels valued at \$16,000,000, were the largest in twenty years.

Reflecting the generally larger export demand noted in recent months, as well as increased shipments of cotton, corn, wheat, and other foodstuffs, the total value of the country's exports during March rose \$81,000,000 to \$332,000,000, the largest since October. Despite decreased imports of silk, coffee, rubber, and cement, and due partly to larger arrivals of sugar, petroleum, and foreign cotton, the total value of imports increased \$42,000,000 to \$258,000,000, the largest since December 1920. As a result of these changes, the excess of exports rose from \$35,000,000 in February to \$74,000,000 in March.

Current Balance of Trade

The comparatively small excess of United States exports over imports in the past five months has been more than offset by the continued heavy receipts of imported gold and especially by the sale of foreign securities in this market. The excess of foreign credits over debits created month by month in this market by gold payments and the floating of new securities has been one factor in the rise in recent weeks of the foreign exchanges, and has put funds at the disposal of foreign holders who have invested a considerable portion of them in this market in the highest grade short-time obligations. The demand thus created has been an important factor in recent declines in market rates on bankers acceptances and Treasury certificates.

The accompanying table shows by months the amount of foreign financing in the United States since January 1921, the net imports of gold and silver, and compares with the total of these two figures the export balance in merchandise.

(000 omitted)

1921	Foreign Financing in United States	Net Imports of Gold and Silver	Total of Foreign Financing and Net Imports of Gold and Silver	United States Export Balance (Merchandise)
January	\$61,192	\$29,054	\$80,746	\$445,474
February	50,485	41,116	94,291	271,924
March	29,500	87,516	123,326	134,711
April	5,750	81,256	83,756	85,785
May	137,200*	61,711	195,411	124,799
June	8,302	45,006	57,058	151,143
July	40,000	59,913	101,722	147,022
August	50,600	88,339	139,939	172,119
September	121,322	63,177	177,677	145,571
October	52,824	42,282	95,520	155,323
November	63,079	51,777	114,456	83,144
December	72,350	27,905	100,255	58,702
1922				
January	92,346	28,227	120,573	61,678
February	57,768	24,063	82,431	35,005
March	155,513	34,150	189,663	74,000

* \$50,000,000 refunding.

Domestic and World Wholesale Prices

In March as in February, the general tendency of world prices was somewhat indefinite, but the larger changes, with the exception of prices in Germany, continued to be in a downward direction. The Italian price decline, which has lagged somewhat behind that of other countries, proceeded more rapidly, and there were rather sharp falls also in Scandinavian countries. Component groups of March price indices generally showed textiles and metals somewhat lower, while in most countries foodstuffs averaged higher. The following table shows the recent changes from month to month in the price indices of the various countries.

(Base 1913 = 100 unless otherwise noted)

Country	Latest Quotation	Per Cent. Change During		
		January	February	March
United States:				
20 basic commodities*	131 (April 22)	-0.2	+ 2.5	-0.7
Department of Labor.	152 (March av.)	-0.7	+ 2.0	+0.7
Dun's.....	138 (April 1)	+0.4	+ 2.9	-2.1
Bradstreet's.....	125 (April 1)	+0.4	+ 1.5	-0.6
Great Britain:				
Economist.....	160 (April 1)	-1.7	- 0.6	+0.9
Statist.....	157 (April 1)	-0.8	- 0.2	+0.8
20 basic commodities*	129 (April 22)	-3.1	+ 0.2	+0.3
France.....	307 (April 1)	-3.7	- 2.3	+0.2
Italy††.....	533 (April 1)	-5.4	- 2.5	-5.2
Japan.....	201 (March av.)	-1.6	- 1.1	-1.5
Canada.....	166 (March 15)	-1.4	+ 0.8	-1.7
Sweden†.....	164 (March 15)	-1.2	- 2.4	-1.2
Australia‡.....	147 (Feb. av.)	-0.7	0	
Calcutta§.....	182 (April 1)	-1.1	+ 0.6	+1.7
Norway||.....	240 (April 1)	-3.4	- 2.7	-5.1
Germany**.....	5,709 (April 1)	+10.0	+23.6	+20.7
Denmark.....	178 (April 1)	-0.6	+ 2.8	-2.2
Peru.....	190 (March 15)	0	+ 0.5	-0.5

*Computed by this bank. †July 1, 1913 - June 30, 1914 = 100. ‡July, 1914 = 100. §End of July, 1914 = 100. ||Dec. 31, 1913 - June 30, 1914 = 100. Source: Oekonomisk Revue. **Middle of 1914 = 100. ††July, 1912 - June, 1914 = 100. ††Index revised January, 1922.

Somewhat lower levels touched by three of the American price indices reflected chiefly reaction in prices of farm products from their highest points. In April, there were recoveries again in the farm group, and wheat prices in the New York market reached a new high point on the crop.

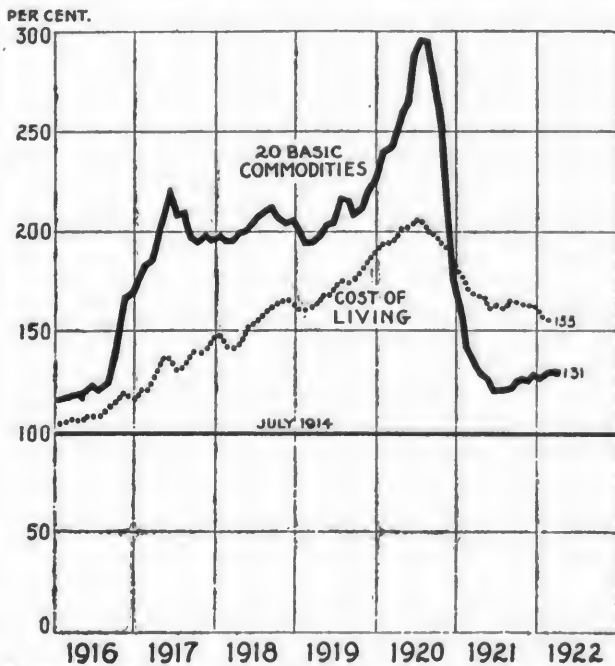
The index number published by the United States Department of Labor, covering the average of prices throughout the entire month of March, showed a rise of slightly less than one per cent. from the average of prices in February. This marks the tenth month during which the average has maintained a fairly even level. The following table gives the detailed movement in the various groups during March.

(1913 average = 100)

Commodity Group	Feb. 1922	Mar. 1922	Per Cent. Change
Farm products.....	126	128	+1.6
Metals.....	115	114	-0.9
Food, etc.....	138	138	0
Chemicals and drugs.....	159	159	0
Cloths and clothing.....	183	182	-0.5
Fuel and lighting.....	183	183	0
Building materials.....	202	202	0
House furnishings.....	215	215	0
Miscellaneous.....	150	153	+2.0
All Groups.....	151	152	+0.7

Cost of Living and Wholesale Prices

A further moderate decline in the cost of living is shown by the latest figures reported by the National Industrial Conference Board and the United States Department of Labor. Although there has been practically no change in the general average of wholesale prices since last June, index numbers for the cost of living have declined in that period in the neighborhood of 5 per cent., illustrating by their movement the extent to which retail prices and rent lag behind wholesale prices. The contrast is even greater between the prices of basic raw commodities and the cost of living; prices of basic commodities changed with much greater rapidity and to a much greater extent. The striking dissimilarity between the movements of these two kinds of prices is indicated by the accompanying diagram of the cost of living index for the United States compiled



Changes in the Prices of Basic Commodities Compared with Changes in the Cost of Living

by the National Industrial Conference Board and the index of the prices of 20 basic commodities compiled by this bank.

The following table shows the most recent changes in the component groups of the National Industrial Conference Board and the United States Department of Labor index numbers.

(1914 = 100 per cent.)

Groups	March Level			Per Cent. Change Since December		
	United States*	New York City†	Buf-falo†	United States*	New York City†	Buf-falo†
Food.....	139	136.5	139.4	-8.6	-10.1	-7.6
Clothing.....	154	207.1	187.7	-1.9	-4.9	-4.5
Housing.....	165	154.5	161.9	-2.4	+0.5	+0.1
Fuel and light.....	174	189.4	178.8	-2.8	-0.7	-0.5
Furniture and house furnishings.....	...	222.3	215.5	...	-4.2	-4.1
Miscellaneous.....	174	213.2	199.5	-2.2	-1.7	-1.7
Total.....	154.7	169.9	169.9	-4.9	-4.6	-3.9

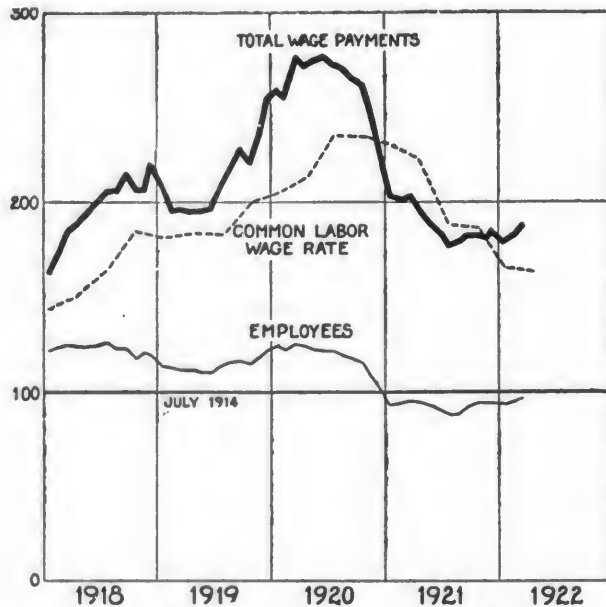
* National Industrial Conference Board.

† United States Department of Labor.

Wages

The total wage payments made to their employees by 1,600 representative industrial establishments in New York City showed a marked increase in the past two months. This increase was due to an increase in the number of employees and a somewhat fuller working week, accompanied by a tendency towards stabilization in wage rates. The latest increases bring total wage payments to a point 88 per cent. higher than in 1914 and the highest point since May 1921. From the point of view of the purchasing power which these wage payments to employees represent, it is probable that because of the decline in the cost of living since last year, current wage payments in aggregate are more than the equivalent of those of February and March 1921.

The change in the relationship between wage payments, the number of employees, and the common labor wage rate is shown in the diagram on page 8. Figures for wage payments and employees are those reported by the New York State Department of Labor, and the common labor wage rate is the index compiled quarterly by this bank from returns submitted by representative employers of labor. While this index does not reflect precisely the scale of wages in factories, the wages of common labor are in the nature of a basic wage to which other wages tend to be adjusted and is more indicative of the general wage trend than perhaps any other single index. The April returns show that the average hiring rate for unskilled labor in the district is now \$17.80 a week, or about 36 cents an hour, as compared with \$18.06, or about 37 cents an hour in January. The present rate is 63 per cent. higher than in 1914.



Changes in Total Wage Payments in Representative New York State Factories Compared with Changes in the Number of Workers Employed by these Factories and the Average Hiring Wage for Unskilled Labor in this District. (July 1914 Figures = 100 per cent.)

Average weekly earnings in New York State factories as reported by the New York State Department of Labor increased 2 per cent., from \$24.17 in February to \$24.57 in March, reflecting longer working hours. The principal change in wage scales in industrial establishments during the month was a reduction of 15 per cent. in the wages of clothing workers in Rochester by the terms of an agreement between employers and the employees, effective on May 1. This action follows a similar action in Chicago. Even with these latest adjustments wages of clothing workers are more than twice as high as in 1914. No adjustment has as yet been effected in the wage dispute in the building trades of New York City.

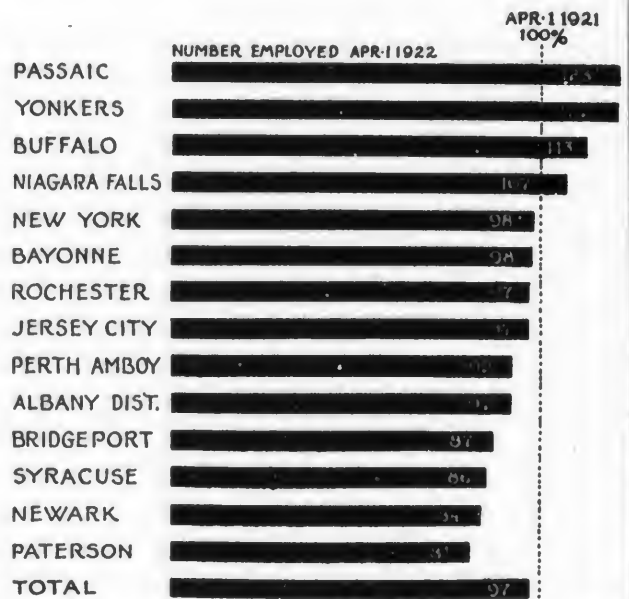
Employment

Reports by the Departments of Labor of the United States, and of New York State, indicated a continued increase during March and April in the number of persons employed, both in this district and throughout the country. In New York State the increase in employment in industrial establishments between February 15 and March 15 amounted to 1.3 per cent. The records of the United States Employment Service for 65 industrial centers throughout the country showed an increase of 2.5 per cent. between March 1 and April 1.

Recent large increases in the iron and steel and automotive industries, and in car building and repair shops reflect a larger volume of business transactions, while increases in the clothing industry, the building trades, and lumber and brick plants are partly seasonal. In only two industries—cotton manufacturing and coal mining, in which large numbers of workers are on strike,—has there

been an appreciable decrease in employment in recent months.

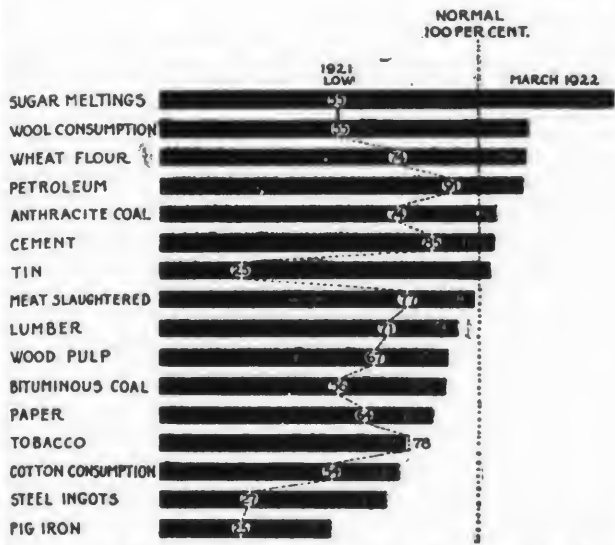
The changes in employment between April 1, 1921 and April 1, 1922, as reported by the United States Employment Service for principal cities of this district, are illustrated in the following diagram. The bars show the number of workers employed this year as percentages of the number employed a year ago. The greatest decreases have occurred mainly in New Jersey and Connecticut points. In New York State cities the number employed this year is practically the same as last year. A year ago there was a steady decrease from month to month in the number of workers employed until a low point was reached last summer. Since then there has been a gradual recovery.



Number of Workers Employed by Representative Industrial Concerns in Principal Centers in the Second District on April 1, 1922, Compared with the Number Employed by the Same Concerns on April 1, 1921

Production

Of 11 commodities for which this bank has computed index numbers of production for March, 10 show larger production in March than in February, and in most cases the increase is considerable. The effect of increases in recent months is to place production in practically every commodity reported well ahead of the low points of last year. The following diagram shows production in March in per cent. of normal production and compares with it the lowest monthly volume of production reached during the year 1921. In the cases of wool consumption, meat slaughtered and the production of petroleum, tobacco, wood pulp and paper, February figures are used since those for March are not yet available. The figures are adjusted to make allowance for year to year growth and seasonal variation.



Production of Basic Commodities in March 1922, and the Low Point in 1921 Compared with Normal Production. In Cases in Which March Production Figures are Not Available, February Figures are Shown

In the cases of bituminous and anthracite coal, and to a lesser degree of iron and steel, a heavy output in March was anticipatory of the coal strike. Since the coal strike began, on April 1, there has been practically no production of anthracite, while that of bituminous in non-union mines has been in the neighborhood of 3,500,000 tons per week, as compared with a total production of 11,000,000 tons per week in March. The curtailing of production of coke in the non-union Connellsville field has resulted in some restriction of the pig iron output. Several large interests have banked their furnaces and orders which had been issued for blowing in additional stacks have been rescinded. It is estimated by the United States Geological Survey that stocks of bituminous coal available on April 1 were sufficient to last the country in the neighborhood of fifty days, on the assumption of distribution according to need.

The daily production of pig iron was at the rate of 65,639 tons per day during March, as compared with 58,214 tons in February and the increase in steel ingot production was still more striking, 87,800 tons daily as compared with 72,700 tons in February. A number of the porphyry copper mines resumed operations on April 1 after a suspension of over a year, as a result of increased foreign and domestic demands for the metal, and the reduction of stocks on hand available for delivery. Deliveries of tin were sharply increased, the bulk of the demand coming from the manufacturers of mixed metals and of foil.

The heavy production of cement and lumber is a direct reflection of the large volume of building construction now under way. The index number for cotton consumption shows a smaller decrease than might have been antici-

pated in view of the widespread textile strike in New England. Increased production in plants elsewhere in the country has tended to offset the decrease there.

The following table shows monthly production as percentages of estimated normal production. In the calculation of the normals, allowance has been made both for year to year growth and for seasonal variation.

Commodity	1921			1922		
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Anthracite coal mined	85	82	74	78	99†	105
Bituminous coal mined	75	67	59	64	82	89
Pig iron production	33	39	45	44	46	53
Steel ingot production	50	53	48	50	58†	71
Copper production (mine) †	20	19	15	22	33	46
Tin deliveries †	43	76	74	85	58	103
Crude petroleum †	91	102	112	108	113†	...
Portland cement	110	102	98	97	82	104
Wheat flour	111	78	74	85	105	114
Meat slaughtered †	87	83	77	89	98	...
Sugar meltings	114	125	144	140	129	142
Cotton consumption	76	85	81	75	76	75
Wool consumption*	124	121	113	111	115	...
Lumber production	80	73	89	78	83	93
Wood pulp	77	83	92	85	90	...
Tobacco, cigars and cigarettes	91	90	78	80	77	...
Paper, total	94	93	88	86	85	...

* Seasonal variation not allowed for.

† Revised.

‡ Preliminary.

Commodity Stocks on Hand

As a result of continued heavy receipts of sugar at Atlantic ports, stocks of raw sugar in this country rose to considerably above normal on April 1. The increase has been consistent since the first of the year.

Stocks of coffee have continued to diminish as American exporters have hesitated to make large commitments at advancing prices. The supply of wheat and wheat flour has also been rather steadily diminished since the first of the year. With the exception of grains at principal centers, which have in many cases been in abnormally large supply, stocks of other commodities reported have continued to be in the neighborhood of the normal amount.

While stocks of the basic raw commodities for which figures are available have not been in general materially reduced during the past year of lessened production, available evidence goes to show that this is not true of many finished products. The inventories of large numbers of industrial concerns are showing considerable reductions from the figures of a year or two years ago.

The following table shows index figures for stocks on hand on the first day of the month expressed as percentages of the normal. Allowance has been made for year to year growth and seasonal variations.

(Normal Stocks = 100)

Commodity	1921		1922			
	Nov. 1	Dec. 1	Jan. 1	Feb. 1	Mar. 1	Apr. 1
Sugar.....	40	51	35	57	88	124
Coffee.....	65	72	90	77	81	66
Wheat.....	109	88	91	83	85	78
Flour (in chief centers)....	131	150	112	98	91	85
Oats.....	461	458	517	506	524	506
Corn.....	371	449	249	195	212	268
Barley.....	96	74	75	85	68	73
Rye.....	402	364	377	424	471	684
Dairy products and eggs....	98	96	71	81	84	...
Poultry, frozen.....	100	119	121	110	103	...
Meats, cured and frozen....	65	59	59	54	56	...
Cotton.....	113	104	96	93	93	94
Tin (world visible supply)...	168	147	165	155	158	145
Lead, bonded.....	198	202	162	...	...	...
Cement, Portland.....	68	109	118	119	114*	109
Paper pulp.....	93	91	97	101	102	...
Paper.....	120	122	124	130	135	...

* Revised.

Department Stores

March sales by representative department stores in this district were 8 per cent. under sales in March 1921, a reduction accounted for in part by the fact that Easter was later this year than last and many spring purchases were postponed until April. The decline in March sales from those of last year was largely the result of smaller sales by apparel stores and apparel sections of department stores. Sales of house furnishing goods are running well ahead of those of last year, reflecting the heavy volume of residential building in recent months.

An indication of the actual volume of business as contrasted with the dollar value of sales is given by the fact that the number of individual transactions reported for March was 3.8 per cent. larger than those of March 1921. The average amount of each transaction was more than 10 per cent. less, \$2.71 as compared with \$3.03 in 1921.

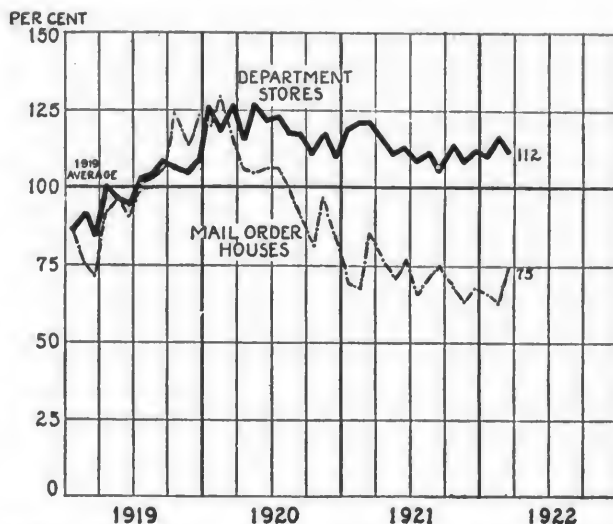
The following table compares the dollar value of net sales for March of this year and the past three years, and also sales for the first quarter of the same years.

	Monthly Net Sales				Net Sales, First Quarter			
	Mar. 1919	Mar. 1920	Mar. 1921	Mar. 1922	1919	1920	1921	1922
All Dept. Stores.....	70	108	100	92	73	102	100	98
New York.....	72	109	100	93	74	107	100	94
Buffalo.....	73	101	100	86	72	95	100	84
Newark.....	66	100	100	104	71	101	100	99
Rochester.....	67	89	100	84	66	89	100	90
Syracuse.....	67	102	100	89	71	102	100	90
Bridgeport.....	69	104	100	78	74	111	100	84
Elsewhere 2nd Dist.	79	105	100	96	78	101	100	98
Apparel stores.....	61	87	100	88	67	87	100	91
Mail order houses....	85	137	100	88	104	163	100	91

Sales have recently been heaviest, as compared with previous years, in Newark, and in some of the other cities of the district included under the heading "Elsewhere Second District." Sales have been reduced in Buffalo and Bridgeport.

In the past few months there has been a noticeable change in the relationship between sales and stocks of goods held by the department stores reporting. While the sales have been running somewhat under those of last year, the stock on hand at the selling price is larger than last year. This appears to be the result of greater assurance on the part of merchants in placing orders and carrying more complete lines of goods. As a result of these changes, the annual rate of stock turnover for the first quarter was somewhat smaller than during 1921 and was approximately the same as in 1919. The figures are shown in the following table.

	Stock on Hand (Selling Price)				Annual Rate of Stock Turnover (First Quarter)			
	Apr. 1 1919	Apr. 1 1920	Apr. 1 1921	Apr. 1 1922	1919	1920	1921	1922
All Dept. Stores.....	79	125	100	106	3.3	3.0	3.6	3.2
New York.....	80	128	100	107	3.4	3.2	3.6	3.3
Buffalo.....	76	112	100	90	2.5	2.3	2.7	2.5
Newark.....	78	138	100	105	3.1	2.7	3.5	3.4
Rochester.....	67	114	100	86	2.8	2.3	2.8	3.2
Syracuse.....	81	125	100	91	2.5	2.5	2.9	2.8
Bridgeport.....	85	126	100	106	2.7	3.0	3.4	2.7
Elsewhere 2nd Dist.	90	117	100	117	2.0	2.0	2.3	1.9
Apparel stores.....	69	114	100	118	5.6	4.4	5.8	4.6



Sales of Representative Department Stores in the Second District and of Three Mail Order Houses Doing a Country-Wide Business. Figures Adjusted to Eliminate Seasonal Fluctuations. (Average Sales in 1919 = 100 per cent.)

A comparison between the sales of department stores in this district and three mail order houses doing a country-wide business is made in the foregoing diagram. Figures have been adjusted to make allowance for normal seasonal fluctuations in sales, as far as it is possible to do so from the incomplete data now available. March sales of mail order houses show a sharp increase, but were 12 per cent. behind those of March last year, which were especially heavy. There is as yet no indication of a consistent gain in the sales of these houses, which represent in the main purchases by the rural population.

Relation of Wholesale to Retail Sales

A comparison of the figures which this bank has been collecting, both for wholesale and retail trade, makes it clear that during the past two years purchases by the ultimate consumer have in general gone forward with little fluctuation. With the exception of sales by mail order houses, which deal largely with rural buyers, all of the available figures for retail trade indicate an actual volume of sales above that of 1919.

On the other hand, it is clear that purchases by retailers from wholesalers were reduced greatly and that the continued buying by customers resulted in a considerable reduction in the stocks held by retailers. Recently, however, the volume of retailers' stocks has shown a tendency to increase.

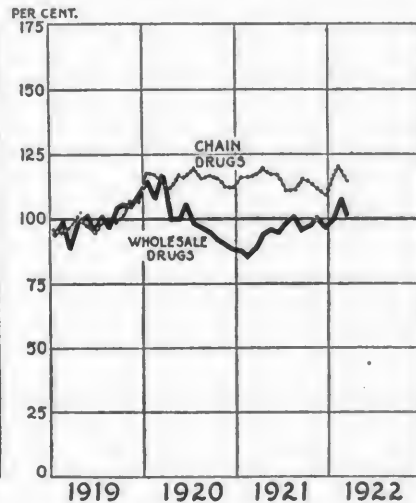
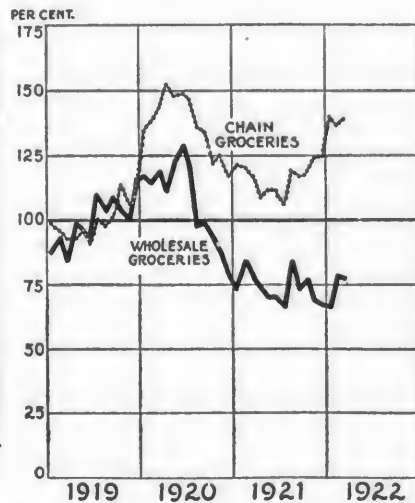
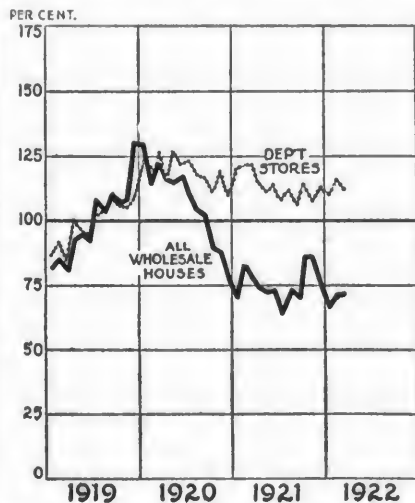
Chain Store Sales

March sales by chain grocery stores were 19 per cent. greater in dollar value than sales during March 1921. This increase was due in part to the increase in the number of stores operated by the systems reporting to this bank, which amounted during the past year to 11 per cent. March sales by other chain stores were slightly below those of March 1921, as shown in the following table.

Type of Store	Number of Stores Reporting		Dollar Value of Sales			
	March 1921	March 1922	March 1919	March 1920	March 1921	March 1922
Grocery	5,077	6,639	78	120	100	119
Ten cent	1,598	1,665	75	92	100	98
Drug	250	254	83	97	100	97
Cigar	2,196	2,230	71	91	100	94
Dry goods	350	359	52	67	100	89
Total	10,071	11,153	74	101	100	105

The diagrams at the foot of this page show the trend of sales by several kinds of wholesalers and retailers since January 1919. In each case the figures have been adjusted to remove the influence of normal seasonal fluctuations, but no allowance has been made for price changes. These diagrams show that the dollar value of purchases by consumers has remained above that of 1919 while sales by wholesale dealers have shown decided declines. The difference between the lines representing wholesale and retail trade in the diagrams is due in part to the fact that the decline in wholesale prices during the past two years has been somewhat greater than the decline in retail prices, and in part, in the case of chain stores, to a slight increase in the number of stores reporting. But after allowance is made for such factors as these it is clear that the actual volume of retail sales was maintained much more consistently than were wholesale sales.

The wide fluctuations in the sales of chain groceries are accounted for in part by increases in the number of stores and a speedy downward revision of prices in 1920 and 1921, accompanying a rapid turnover of goods.



Retail Sales Compared with Wholesale Sales. Figures are for Sales of Representative Concerns in this District or Having Headquarters in this District. The "All Wholesale Houses" Line is a Weighted Index of Sales of Concerns in Various Lines. (Average Sales in 1919 = 100 per cent.)

Wholesale Trade

Reflecting normal seasonal demand, March sales by 102 wholesale dealers in ten principal commodities were larger than those of February. But when allowance is made for the usual seasonal changes the trend of sales in March was about the same as in the previous month. The weighted index of wholesale trade in this district, on the basis of the dollar value of sales and without making allowance for price changes, was 8 per cent. lower than in March 1921. In February the decline from the previous year's figures was 13 per cent. The summarized returns are shown in the following table, in which sales in March 1921, are taken as 100 per cent.

	Dollar Value of Sales				
	March 1919	March 1920	March 1921	March 1922	Feb. 1922*
Drugs.....	96	151	100	111	121
Diamonds.....	302	387	100	104	96
Groceries.....	108	152	100	100	94
Hardware.....	112	145	100	98	80
Stationery.....	87	125	100	87	91
Clothing.....	126	155	100	87	66
Jewelry.....	144	255	100	87	97
Dry goods.....	64	153	100	86	93
Shoes.....	101	199	100	83	80
Machine tools.....	263	360	100	60	34
Weighted average.....	105	157	100	92	87

*Expressed as percentages of sales in February 1921.

The principal increases in March sales were reported by clothing dealers, due largely to the fact that retailers deferred spring purchases until late in the season because of the late Easter, and by machine tool dealers, whose sales were the largest since last July. March sales of hardware also show a marked increase because of the large amount of new construction now under way throughout the district. For the first month since July 1920, March sales by wholesale grocers were larger than those of the corresponding month in the preceding year. Sales by wholesale grocers in the metropolitan district were about 6 per cent. larger, but this gain was nearly offset by smaller sales by firms in up-State cities, and the total net increase amounted to about one-half of one per cent.

Railway Freight Traffic

Due almost entirely to smaller shipments of coal, loadings of revenue freight on railroads of the United States declined 14 per cent. in the first week of April. There were increases in loadings of manufactured goods and miscellaneous freight, forest products, and ore.

Previous to April 1 car loadings were unusually heavy for the season, and showed week-to-week increases due mainly to shipments of coal for storage in anticipation of the strike and to a steady increase in shipments of merchandise, miscellaneous commodities, and basic building materials.

Business Failures

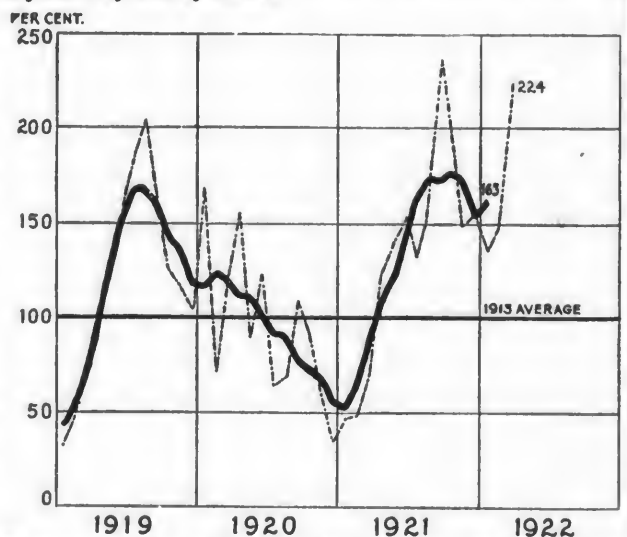
Commercial failures in the United States reported during March were more numerous than in February as a result of the failure of a number of comparatively small concerns in the Second Federal Reserve District. Total liabilities were practically the same as in the two preceding months but in this district were less than in either January or February. During the first three weeks of April failures were reported at practically the same rate as in March.

Volume of Building

Building contracts were awarded during March in New York State and Northern New Jersey in larger volume than in any other month for which figures are available, except September 1921. March contracts were nearly 50 per cent. larger than those of February and were nearly three times the total for March 1921. For the twenty-seven northeastern States the March aggregate was 66 per cent. larger than in February and nearly 80 per cent. larger than in March 1921. While more than half of the contracts let continue to be for residential buildings the proportion for business buildings has been increasing considerably in recent months.

The accompanying diagram shows the volume of building in this district each month since January 1919. It is based upon the dollar figures for contract awards compiled by the F. W. Dodge Company, but allowance has been made for changes in the cost of construction. The light line shows actual volume each month; the heavy line is a moving average showing the general movement. While a sharp increase in March is normal after light construction during the winter months, the increase this year was exceptionally large.

As a result of the large volume of new construction, particularly in New York City, the movement of basic building materials toward this center was unusually heavy both by rail and by water. The supply of material was sufficient to fill ordinary demands and prevent any advance in prices but dealers were unable to accumulate a surplus beyond day-to-day needs.



Volume of Building in New York and Northern New Jersey. Light Line Shows Monthly Figures; Heavy Line General Movement. Allowance is Made for Changes in Building Costs