

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, October 30th, 1920.

Credit Elasticity

THE volume of bank loans in the country as a whole reached its highest point on October 15, almost precisely a year after the bank loans in this Federal Reserve district reached their maximum.

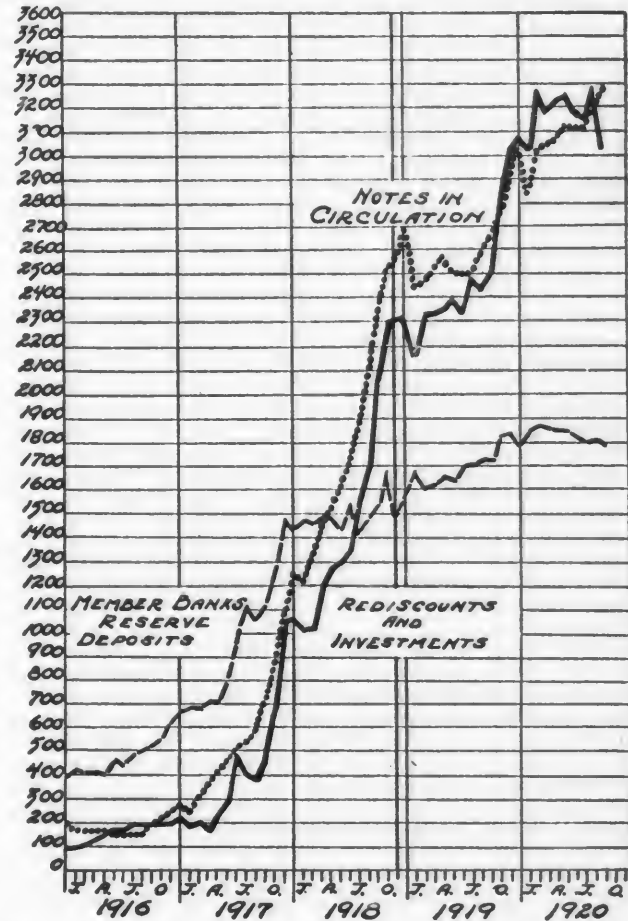
A year ago this district was passing through a period of unexampled expansion shown in high and rising prices, in unrestrained personal spending, in very active stock and commodity speculation, and in the issue and absorption of an immense volume of new corporate securities. Each of these conditions has undergone material change, and on October 15 the loans of the banks in New York City reporting weekly to the Federal Reserve Board were \$130,000,000 less than at the corresponding date in 1919.

Since a year ago the loans of the reporting banks of the country as a whole, which represent at least 40 per cent. of total banking resources, increased \$1,362,000,000. Since January 1, 1918, when they stood at \$11,200,000,000, the loans of these banks expanded almost without interruption until January 1, 1920, when they stood at \$16,700,000,000. On August 6 they stood at \$16,800,000,000, an expansion of only \$100,000,000 in seven months. But since August 6 the usual fall expansion of credit has occurred, carrying the loans on October 15 to \$17,300,000,000. The elasticity of credit indicated in this increase of \$500,000,000 in the loans of the reporting banks alone, or for all banks in the country of at least \$1,000,000,000, was referred to in a statement by the Federal Reserve Board issued under date of October 16:

In view of the representations which have recently been made to the Board as to the unavailability of credit in agricultural sections, the Board requested information concerning credit conditions throughout the country from the chairmen and governors of Federal Reserve Banks at the usual autumn conference here this week. The Board is advised that credit has been steadily available for the successive seasonal requirements of agriculture as well as for the needs of commerce and industry, and that there is no ground for expecting that its availability for these purposes will not continue. The present improved credit situation is due in part to the timely steps taken last spring, following conferences between the Board and governors and directors of Federal Reserve Banks, to provide credit for crop moving requirements and in part to the subsequent improvement in transportation reported from all districts, except in a few localities.

The fall in commodity prices, which has been taking place, was most pronounced in the last two months

coincident with the usual seasonal expansion of bank loans for the purposes indicated in the Board's statement. The ready elasticity of credit at a time when prices were falling has been a most important factor in meeting the difficulties inherent in such a period.



Showing the Close Conformity of the Volume of Notes to the Volume of Rediscounts at the Federal Reserve Banks. (See following page.)

Relation of Notes to Deposit Expansion

The foregoing chart records, for the entire Federal Reserve System, (1) the reserve deposits of member banks, (2) the total of rediscounts and other investments of the Federal Reserve Banks, and (3) the amount of Federal Reserve notes outstanding. It shows a much more direct relation between notes and rediscounts than between reserve deposits and rediscounts. The obvious reason for this is that while the member banks have within themselves the ability to expand their deposits, subject only to the maintenance of a reserve with the Federal Reserve Banks of from 7 to 13 per cent., they have within themselves no power of note expansion. Owing to the limitations surrounding their issue the expansiveness of national bank notes is negligible. Consequently, while member banks are obliged to rediscount with the Federal Reserve Banks to create additional reserves, such rediscounts would perhaps not aggregate more than 10 per cent. of the additional credit they create in the form of deposits. But to obtain additional notes they must rediscount 100 per cent. of the amount desired.

The relation of the expansion of bank deposits as a whole to the expansion of Federal Reserve notes has been fairly steady, although, of course, the amount of notes is far smaller. That the notes of Federal Reserve Banks are substantially larger than Federal Reserve Bank deposits is not, therefore, a subject to be especially remarked upon. The important comparison is between the deposits of member and other banks on the one hand and the notes of Federal Reserve Banks on the other. It is the notes of Federal Reserve Banks which provide the hand-to-hand currency required by the increase in the deposits of member and other banks.

Bill Market

The bill market has broadened very materially during the past thirty days. New York City banks bought extensively at times, but demand here was erratic, due to firmer conditions in the money market which also hampered the dealers somewhat in carrying their portfolios. Buying by outside banks was well sustained and in large

volume, and showed evidence of a widening market for bills in diverse sections of the country. Substantial demand was reported from savings banks, firms and corporations, apparently buying for strictly investment purposes.

As a result of the larger movement of bills, the dealers early in the period lowered their buying rates by $\frac{1}{8}$, but their selling rates remained unchanged at 6 to $6\frac{1}{4}$ for prime bills. Offerings of bills to the dealers were rather heavy, with grain, cotton and packers' products predominating as underlying commodities. In October, the dealers raised slightly their purchase rates on non-member acceptances, which sold less readily than the member names. The minimum purchase rates of the Federal Reserve Bank ruled without change at $5\frac{3}{4}$ to 6 per cent. for endorsed bills.

The Federal Reserve Bank of New York, which for some time has made a practice of buying bills for the account of its members upon their request, has largely increased such purchases this year. In 1919 this bank bought \$8,200,000 of bills for the account of 38 member banks. Thus far this year it has bought \$31,500,000 for the account of 188 member banks. In the interval a number of banks, formerly buying through the Federal Reserve Bank, have established the practice of purchasing direct from the dealers.

Commercial Paper

Distribution of commercial paper has broadened slowly, due entirely to active buying by country banks. The market with New York City banks and in other large commercial centers continues practically at a standstill. Sales to rural banks, though in small individual pieces, are sufficiently widespread to offset to a considerable extent the absence of the larger buyers from the market. Most dealers report the eastern states the most favorable market, while demand from the South is unusually light. Volume of paper available is still good, and many prime names are included, but dealers say that quieter conditions in many trades are now resulting in a declining volume of offerings. Seasonal demand from the cotton mill and grain trades, ordinarily large at this time, is much below normal. Rates show a slightly casier tend-

Bank Deposits and Loans

(In Millions)

Date	71 Reporting Banks in New York City			822 Reporting Banks in all Districts		
	Net Deposits	U. S. Securities and Loans Thereon (excluding U. S. Bonds to secure Circulation)	Total Loans and Investments (including Rediscounts)	Net Deposits	U. S. Securities and Loans Thereon (excluding U. S. Bonds to secure Circulation)	Total Loans and Investments (including Rediscounts)
Oct. 15 1920	5,070	738	5,830	14,470	1,825	17,284
Oct. 8	5,004	731	5,796	14,256	1,790	17,189
Oct. 1	5,022	728	5,753	14,299	1,799	17,145
Sept. 24	5,051	771	5,749	14,263	1,858	17,141
Sept. 17 1919	5,170	793	5,738	14,504	1,904	17,058
Oct. 10	5,397	1,512	6,010 (high)	13,699	3,231	15,944
Oct. 17	5,317	1,467	5,961	13,674	3,169	15,923

Between October 17, 1919, and October 15, 1920, the reporting banks throughout the country increased from 778 to 822.



Volume of Commercial Paper Outstanding from July, 1918.

ency, and rule principally at 8 per cent., compared with 8 to 8 $\frac{1}{4}$ in previous months. It is noteworthy that occasional sales of prime names occur at 7 $\frac{3}{4}$ per cent., and a small amount of paper has been offered at even a lower rate, though it is reported that no new business was attracted.

With the consent of eleven large distributors of commercial paper we are able, on the accompanying chart, to show from reports made by them month by month to this bank the aggregate amount of commercial paper outstanding for their respective houses, exclusive of short time notes and similar instruments. The amount shows practically a steady increase from \$662,000,000 on October 31, 1918, to a peak of \$1,019,000,000, on January 31, 1920. Within the past eight months, however, the total outstanding has declined \$216,000,000 to \$803,000,000, reported at the close of September.

Stock Market Money Rates

Call money rates during the past thirty days moved over much the same range as in the preceding period. During the last half of September, the market was comparatively easy. Call money held stationary at 7 per cent. until the final two days when the usual month-end requirements caused a rise to 8 and 9 per cent. Time money relaxed somewhat, and rates declined to a range of 7 $\frac{3}{4}$ to 8 $\frac{1}{4}$, according to collateral and maturities. Offerings, however, were not large, and the demand at those rates was limited.

In October, firmer money conditions prevailed, caused mainly by the unusually heavy transfers of funds preparatory to redeeming the Anglo-French loan on October 15. Immediately prior to that day call loans were renewed at 9 per cent. and new loans were made as high as 10 per cent. On the day of redemption, however, after renewing at 9 per cent., new loans declined to 6 per cent. and after that time renewal rates were 7 per cent.

Gold Movement

Gold movements in September resulted in a balance of \$22,100,000 favorable to this country, due in part to shipments in connection with the Anglo-French loan redemption. Imports amounted to \$39,300,000, of which \$16,400,000 came from England, \$15,000,000 from France and \$1,500,000 from Argentina. About half the importation from England was reported to have been bought in the open market. Of the \$17,200,000 of exports about \$9,000,000 went to Japan and \$6,500,000 to China.

Arrival of gold at New York for the first nineteen days of October totaled about \$54,000,000, of which \$47,500,000 was ear-marked gold which had been held for about a year by the Bank of England for the Federal Reserve Banks. While this will appear as an addition to the country's stock of money, it will not change in any way the reserve position of the Federal Reserve Banks, because this gold and \$64,000,000 still to be received has already been counted in their gold reserves.

No exports have been reported thus far in October. Japan, to which latterly the majority of our exports has gone, has announced that it will cease its withdrawals for the present.

Government Securities

Liberty Bond prices which have been growing somewhat firmer for several months, rapidly strengthened during the period, and the 4 and 4 $\frac{1}{4}$ per cent. issues advanced 2 $\frac{1}{2}$ to nearly 5 $\frac{1}{2}$ points. As a result of these and previous gains, these bonds have recovered more than half to more than three-quarters of the loss sustained in the long decline between the first of the year and the low point of May. The 3 $\frac{1}{2}$ s and Victory Notes also gained substantially, but not to the same degree. The sharp rise in prices was checked temporarily at the close of September, and a moderate reaction occurred, due apparently to profit-taking sales. In October the list again strengthened, and most issues reached their highest prices during the third week of the period.

Trading in Liberty issues on the New York Stock Exchange during September totaled \$164,000,000 compared with average monthly sales during the first half of the year of \$262,000,000. This was a moderate expansion over August, but a decrease during the month of about 11 per cent. in proportion to the total sales of all classes of bonds.

On October 15 the Treasury offered a new issue of certificates of indebtedness, running five months at 5 $\frac{3}{4}$ per cent. interest, which was largely over-subscribed on the date of issue. Total allotments amounted to \$124,252,500; of this \$40,566,500, or 32 per cent., was allotted in this district, where the issue was particularly well received and well distributed.

Bond Market

The bond market continues to expand in activity and breadth. Buoyancy in the railroad issues has lately been followed by a sharp rise in public utility and traction securities, and though industrial bonds have advanced more slowly, the combined average of corporate bond prices has reached the highest levels of the year. Semi-speculative issues continued active, and there was also a steady increase in the absorption of first grade securities. Activity and strength were not confined to the underlying issues running for long terms, but extended to a number of the new high interest-bearing obligations sold at prices ranging 2 to 5 points above the original sale price. An advance of 5 to 7 points in New York City issues from the low levels reached about the first of September, was indicative of a marked strengthening of the municipal bond market.

A compilation of bond averages indicates that since the May low prices 10 high grade railroad bonds advanced 9 points, 10 second grade railroad bonds advanced 10 points, 10 industrials rose 3 points, and 10 public utility issues rose $6\frac{1}{2}$ points. Excepting the high priced rails, the greater part of these advances occurred in the past eight or nine weeks.

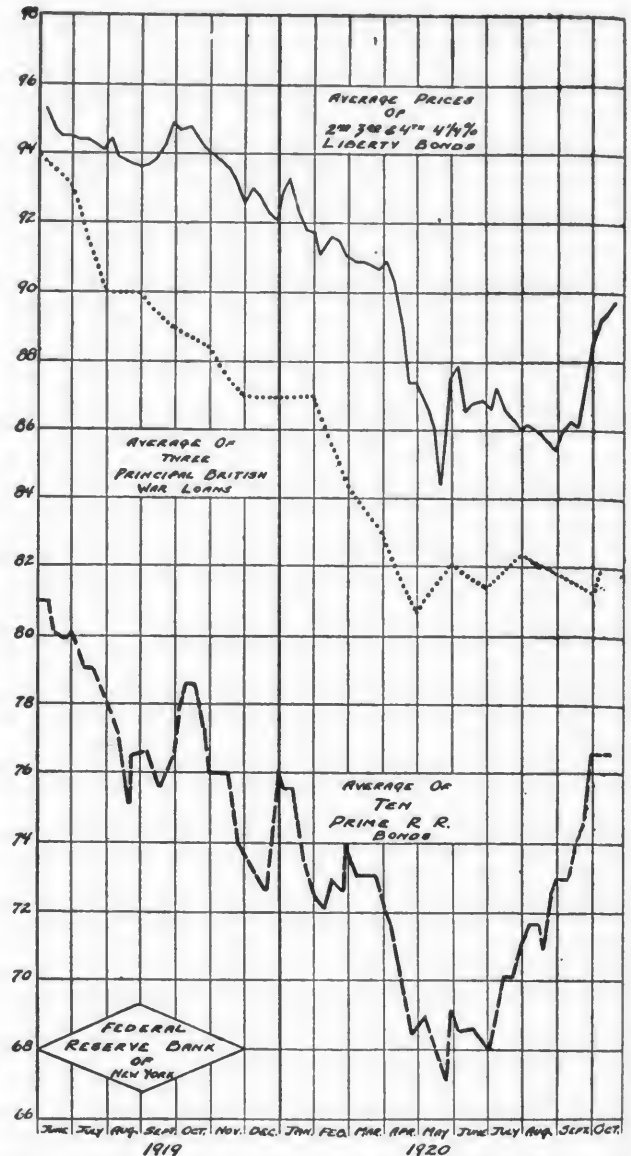
Foreign government bonds were generally firm, and many tended upward. United Kingdom issues were strong, apparently reflecting reinvestment by holders of the maturing Anglo-French loan. French 8s were active slightly below highest prices; the new Norway 8s sold slightly above the offering price; and Belgian issues strengthened slightly. Cuban bonds were heavy, and both the $4\frac{1}{2}$ s and 5s reached new low prices for the year. Mexican issues continued active around higher levels. Japanese issues showed little change.

Total sales of corporate, state, and foreign government bonds during September were \$123,000,000, the largest for one month since December and nearly three times the total for September of last year.

New Financing

Following a month of dulness through September when corporate financing totaled only \$145,000,000, the lowest in over a year and a half, a marked revival of activity occurred in early October. A number of large issues, aggregating over \$175,000,000, principally industrial notes and bonds, some of them of short maturities, sold quickly, and it appeared that yields in some cases were slightly below the recent high levels. More recently, investment demand has been somewhat slower, with a preference for longer term bonds. The total for the nine months of the year stands at \$2,354,000,000, a maximum so far as the compilation extends, and exceeding that for the corresponding period in 1919 by \$200,000,000.

Demand for municipal issues also developed greater strength, and a larger number of fair-sized issues were sold. Success of the French \$100,000,000 loan early in September encouraged further foreign financing here, and offerings in most cases were quickly over-subscribed. These included \$20,000,000 twenty-year 8 per cent. bonds of the Kingdom of Norway, and two small municipal issues. A Belgian industrial issue was quickly taken and reflected in some degree the attitude of investors here toward new foreign financing other than Government issues.



Course of Market Prices for American and English War Bonds, and representative Railway Bonds, from June, 1919.

Stock Market

The stock market during the first half of the period was sharply divided between advancing railroad and declining industrial stocks. The former group rose, on an average, to highest prices of the year, while the latter broke sharply as the downward trend of commodity prices became more clearly defined. A number of industrial issues reached lowest prices of the year, but the majority of representative stocks held above the low level reached in August. Professional operations appeared to play a considerable part in both the industrial and railroad lists and public participation in the market apparently continued much reduced.

In the final two weeks there was an abatement in demand for railroad stocks, which in two months had averaged an advance of over 10 points. Some irregularity developed, but most issues, particularly those of higher price, maintained their gains fairly well. In the same time industrial stocks fluctuated narrowly, but with a slight tendency to recover despite firmer money rates and certain other developments ordinarily considered unfavorable. A minority of especially affected issues, however, continued to show heaviness.

Trading continued to expand slowly. Total sales for September were 15,000,000 shares, compared with 13,700,000 the month previous and 9,300,000 in June, the low month this year. Compared with September of last year, there is still a large reduction amounting to about 37 per cent.

Foreign Bank Rates

No changes have been made in the official discount rates in the leading financial centers. The private bank rate in London is somewhat easier and sixty and ninety day bills are now quoted at $6\frac{1}{2}$ to $6\frac{3}{4}$. Call money which, unlike call money in New York, does not finance daily transactions in the stock market, declined to $4\frac{3}{4}$ per cent. the first week in October, and continues to be quoted at that figure. The present bank rates are shown in the September 30 issue of this review.

Foreign Exchange

Trading in European exchanges has been comparatively quiet during the greater part of the last thirty days and the tendency has been downward. Weakness has been more pronounced during the last few days and practically all exchanges closed the period considerably below the levels of September 20.

A number of factors are influencing the exchange market at present, the most important of which is the coal strike in England. Recent offerings of sterling bills, partly due to importations to relieve a possible shortage of commodities under strike conditions, partly to a corresponding check to their exports, have depressed the market. Italian lire have shown consistent weakness throughout the period and the decline was greater than in other rates because of occasional heavy offerings of bills, together with long-continued labor troubles. German marks have been weak during the past ten days, due to an increased supply.

The principal South American exchanges have continued downward, due to declines in prices of their principal commodities and the slackened demand abroad. Argentina has found poor markets for her wool, hides, leather and meat products, and no wheat is being exported. Low prices of coffee, rubber and hides have caused further declines in exchange on Brazil. Depressed trade conditions in the Far East are largely responsible for a further drop in Shanghai taels and Indian rupees, with a consequent decline in silver. The year's monsoon in India did not bring the usual amount of rainfall, her trade balance is unfavorable and her ports are congested with foreign goods.

Rates from September 20 to October 23 were as follows:

	High	Low	Last	Percentage of Depreciation from Par
England.....	3.54	3.40 $\frac{1}{4}$	3.45 $\frac{1}{8}$	29.
France.....	6.99 $\frac{1}{2}$	6.40	6.45 $\frac{1}{2}$	66.6
Italy.....	4.36	3.75 $\frac{1}{2}$	3.75 $\frac{1}{2}$	80.5
Spain.....	14.78	14.10	14.10	26.9
Argentina.....	37.50	34.75	34.875	17.9
China (Hong Kong)...	77.00	69.00	69.25*
China (Shanghai)....	108.00	94.00	95.00*
Japan (Yokohama)....	51.25	50.00	50.003°
Germany.....	1.67	1.42 $\frac{1}{2}$	1.43 $\frac{1}{2}$	94.00
Switzerland.....	16.20	15.74	15.79	18.2
Sweden (Stockholm)...	20.35	19.53	19.53	27.1
Holland.....	31.25	30.65	30.75	23.5
Belgium.....	7.22	6.81 $\frac{1}{2}$	6.82 $\frac{1}{2}$	64.6
Canada.....	.919	.899	.909	9.
Silver in New York....	94 $\frac{1}{2}$ c	76 $\frac{1}{4}$ c	80 $\frac{1}{2}$ c	

*—Silver exchange basis
°—Premium

Foreign Trade

The forward export demand for American products has shown a further decline, according to exporters, and in many important lines new orders have been much reduced. The fall in prices of many commodities in foreign as well as domestic markets, with the attendant financial strain abroad, has curtailed buying power and everywhere the tendency is towards hand-to-mouth purchasing. Many report that large amounts of goods have been turned back, and the disposition toward cancellations has been more general. Exporters are unusually cautious in accepting orders or making shipments.

Wheat, coal, and oil continue the large exceptions to the general slackening. Though wheat is in active demand, there is little buying of flour. However, the combined total of wheat and flour shipments from the United States and Canada in the fifteen weeks ended October 14 were over 53,000,000 bushels in excess of the total for the same period last year. Demand for coal continues strong and well up to the exporting capacity of the country, but the pressure buying which some expected would result from the British coal strike has not developed, and prices even show a somewhat easier tendency. Oil and oil products are in good demand, but shipments are limited somewhat by shortage of containers.

The market for textiles, dry goods and kindred materials has not strengthened and cancellations have continued heavy. Generally depressed conditions in the markets for cotton manufactures is resulting in a very low demand for raw cotton from foreign mills. Exports of the raw material are expanding somewhat, but exporters say that the shipments are almost entirely on old orders. There is a little buying from time to time of certain classes of hides, but as a rule the export hide, leather, and shoe markets have been extremely dull. Demand for general merchandise, hardware, and chemicals is also slower. Trade in meat products is reported somewhat more active.

Buying of iron and steel has fallen off to a very large extent, and shippers are receiving many requests for cancellations or extensions. There is considerable competition from Belgian producers, and the decline in sterling is

handicapping American exporters in meeting British prices abroad. The Japanese market has not strengthened, and there is still a large amount of re-selling here by Japanese holders. India and the East Indies, which until recently were active markets, are now quiet. Demand for heavy machinery has declined, but there is still a fair amount of buying of smaller machinery and machine tools for necessary replacements. Call for electrical machinery and equipment appears to be sustained at a fairly consistent level.

The foreign market for copper continues practically at a standstill, and it is said that supplies of scrap copper abroad are still large. Export demand for automobiles and automotive products has shown a marked decline.

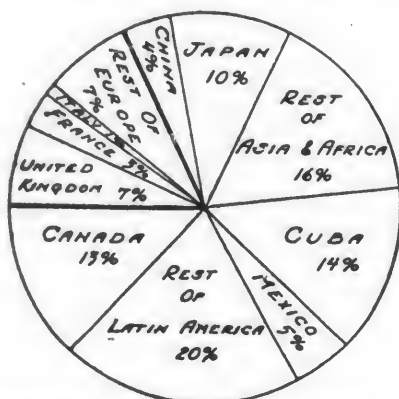
A relative decline in the foreign trade of the country is indicated by the figures reported for September by the Department of Commerce. In reported value, exports increased \$22,000,000 to \$606,000,000. But if allowance is made for the normal seasonal expansion as well as for changes in prices, there appears not only a decline in the relative volume of exports compared with August totals but also a fall of nearly 15 per cent. below the high average reached in 1917. Imports showed a decline of \$157,000,000 to \$363,000,000, the lowest since August, 1919. After

correcting for seasonal and price variation, the relative volume of imports is still 13 per cent. above the average of 1917, though much below the August volume, which was 53 per cent. above 1917.

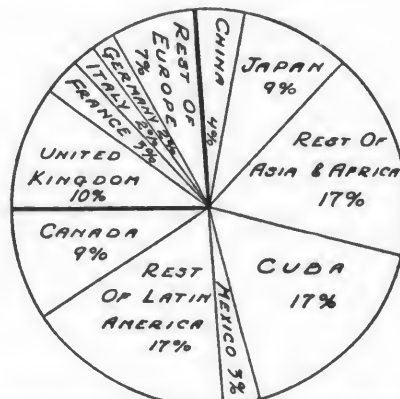
Proportions of Our Foreign Trade

Foreign trade figures for the United States covering the first eight months of the year 1920 show that the proportions of our trade, both import and export, with the other major divisions of the world, have shifted in several important respects since 1919. Most evident among these changes is that Europe is sending us proportionately more and receiving from us proportionately less as her rehabilitation progresses.

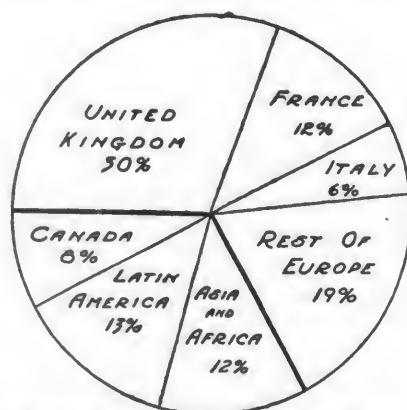
The distribution of our exports and imports among the principal countries and continents for the first 8 months of 1919 and 1920 is shown in the accompanying charts. Europe this year is sending us 24 per cent. of our total imports as against 18 per cent. last year, and is taking 54 per cent. of our exports, as against 67 per cent. last year.



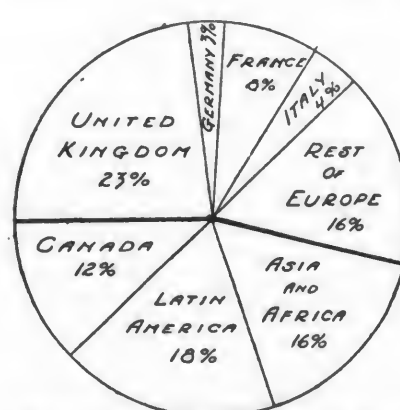
Distribution of Imports, First 8 months 1919



Distribution of Imports, First 8 months 1920



Distribution of Exports, First 8 months 1919



Distribution of Exports, First 8 months 1920

World Commodity Prices

The world-wide check in prices which still continues is convincing evidence that price declines are not purely national phenomena. Local prices in each country are influenced not only by local conditions but also by what is taking place in other countries. The recent turn in prices in the various countries came within a few weeks time and the downward movement has been common to practically all nations.

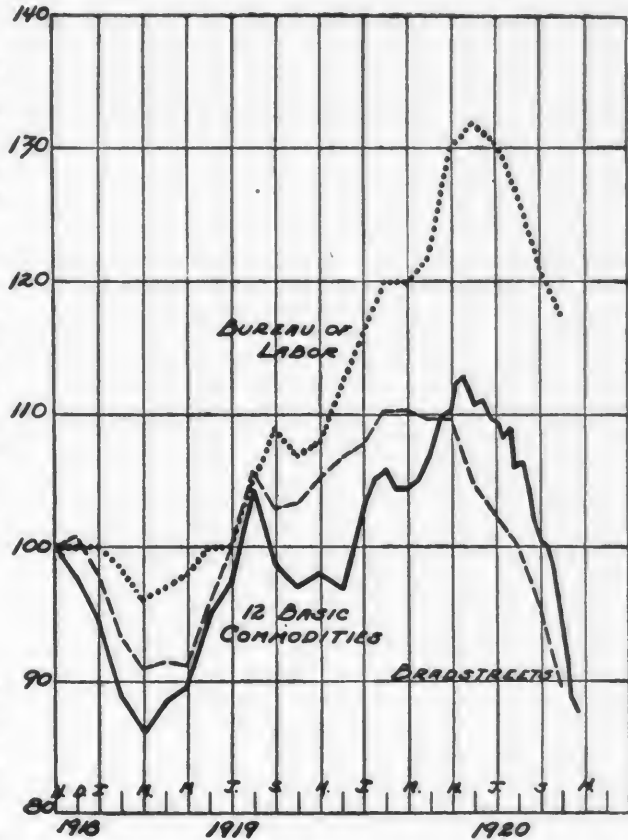
The French and Italian indices turned upward slightly in August; and apparently the decline in other countries has been less precipitate during recent weeks than in the United States. In England the Economist index registered a decline of 1.3 per cent. during September and the Statist's (Sauerbeck) 2.0 per cent. These indices have shown a downward trend since April with the exception of a slight check in July. In these indices, textiles declined substantially, but cereals and meat advanced in September.

The table below gives the latest available figures of the various index numbers of wholesale prices, together with the preceding figures and percentage changes.

Domestic Prices

The general drop in prices has proceeded with increased momentum and only a relatively small number of commodities has remained unaffected. Reports from various markets in all sections give unmistakable evidence that readjustment is in progress. Many of the basic raw products, such as hides, leather, rubber, cereals, sugar, cotton and potatoes have declined rather abruptly, and certain manufactured articles, notably textiles, automobiles and a number of other products have had substantial declines also. While quotations of iron and steel show no important changes there is an easier market, induced by such movements as the reaction in the automobile trade. The non-ferrous metals such as copper, lead and tin show substantial declines.

This bank's index of 12 basic commodities dropped 11½ per cent. between September 20 and October 18, the heaviest month's decline yet recorded. The only commodities composing this index which have not de-



Movement of three Indices of Wholesale Commodity Prices from the Armistice (November, 1918=100.)

clined are pig iron, lumber and petroleum. Both Bradstreet's and this bank's indices have declined about 20 per cent. from the peak. The United States Bureau of Labor index, however, which reflects wholesale prices of about 330 commodities, manufactured as well as raw, has declined 11 per cent. from the high point of May.

Wholesale Price Index

Country	Latest Available	Preceding	Per Cent. Change	Highest	Per Cent. Decline from High Point
United States					
Bureau of Labor	242 (Sept. average)	250 (Aug. average)	-3.2	272 (May average)	11.0
This Bank's Index (12 basic commodities)	87.9 (Oct. 18)	88.9 (Oct. 11)	-1.1	112.9 (May 17)	22.2
Dun's	196.3 (Oct. 1)	205.4 (Sept. 1)	-4.4	217.81 (May 1)	9.9
Bradstreet's	183.6 (Oct. 1)	195.1 (Sept. 1)	-5.9	226.46 (Feb. 1)	18.9
British					
Economist	283.9 (Oct. 1)	287.5 (Sept. 1)	-1.3	310.14 (Mar. 31)	8.5
Statist	292 (Sept. 30)	298 (Aug. 31)	-2.0	313 (April)	6.7
French	501 (Aug.)	496 (July)	+1.0	584 (April)	14.2
Italian	632 (Aug.)	613 (July)	+3.1	679 (April)	6.9
Japanese	230 (Sept.)	235 (Aug.)	-2.1	321 (March)	28.3
Canadian	241 (Sept.)	244 (Aug.)	-1.2	263 (May)	8.4
Swedish	362 (Sept.)	365 (Aug.)	-.8	366 (June)	1.1
Australian	234 (July)	233 (June)	+4	234 (July)	0.0
Calcutta	208 (Sept.)	209 (Aug.)	-.5	218 (January)	4.6

The only groups of commodities of the Bureau of Labor index which have continued to advance are fuel and lighting, house furnishing goods, and chemicals and drugs. The heaviest decline was in cloths and clothing, but farm products and food showed substantial declines also.

Collections

With certain exceptions, no general improvement in collections has been noted in this district. It is reported that accounts are being settled more satisfactorily in several industries in which there has recently been some renewal of buying, and where prices have become fairly steady at the new low levels, as in the women's dress and waist trades. October 10 datings, which were heavy in the piece goods and cutting-up trades, are reported to have been more promptly met than for some time previously. Manufacturers of men's garments, especially in Syracuse and Rochester, report fair to slow payments. Glove manufacturers report a slight decrease in their collections, while the Rochester shoe manufacturers have failed to note any improvement. Manufacturers and jobbers of furniture, drugs and chemicals, and cigars report a continuation of the recent delays in securing payments. It is understood that the number of accounts now being placed in the hands of collection agencies is unusually high.

Failures

The period of readjustment in this country during the past nine months has been marked by increases in the number of failures and the amount of liabilities. Nevertheless, index figures prepared by this bank show the number of failures in September to have been only 68 per cent. of normal, based upon the experience of a series of years. An average of the index figures for the first six months of 1920 was 48 per cent. of normal.

Failures in the Second Federal Reserve District continue to center largely in the textile and fur industries, and latterly include a number of ship owning and operating companies and exporting concerns. The total of liabilities in this district bears a somewhat larger proportion to the total for the country than in the first quarter of the year.

The following figures taken from the Dun reports are for this Federal Reserve District:

	Number of Failures		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
1st quarter.....	317	338	\$ 8,488,194	\$9,977,754
April.....	117	107	2,865,153	4,365,253
May.....	133	93	2,413,591	3,194,187
June.....	164	104	16,218,230	4,040,301
2nd quarter.....	414	304	\$21,496,974	\$11,599,741
July.....	172	79	11,438,511	1,836,523
August.....	179	68	15,009,838	1,615,398
September.....	145	92	14,551,283	2,335,120
3rd quarter.....	496	239	\$40,999,632	\$5,787,041

Savings Bank Deposits

Deposits in the savings banks of New York State have continued to increase in fairly normal or slightly better than normal proportions this year both as to number of accounts and aggregate of deposits. Moreover there has been a distinct increase in the rate of growth during the past two months and particularly since the first of October. In addition to a better than normal growth of deposits there has been a rather unusual falling off of withdrawals both in September and October.

While some of the prominent institutions have encouraged the purchase of government obligations by depositors there has been no marked withdrawal of funds for such investments. Particularly has this been noted of banks the depositors of which are largely manual workers, who are allowing their funds to accumulate. But the tendency of the clerical workers in the financial district of New York City to withdraw deposits for that purpose is more evident.

For the year ended June 30 last deposits of savings banks in New York State increased 10.1 per cent. Since that time, basing an estimate upon reports from large savings banks covering the entire district, deposits have shown a further increase of from 3 to 5 per cent., indicating a recent acceleration of saving.

Cotton and Cotton Goods

Manufacturers of cotton goods have lowered their prices during the last thirty days to a level close to the cost of production, based upon twenty cent cotton. Reductions throughout the cotton goods market average 50 per cent. from the peak prices which prevailed last spring, only part of which, however, is saved to the manufacturer in the 50 per cent. decline in the cost of raw cotton.

The reduction does not appear yet to have caused an increase in orders on the books of the manufacturers, who at this time last year had sold the total production of their mills for six months in advance. At present few of the mills have any large advance orders on their books, and those that are continuing operations are manufacturing merchandise which they will place in stock until a demand appears. There are fairly large stocks of cotton goods available in the market which are distributed among the retailers, wholesalers and the producers. Many retailers continue to compute their profits upon the cost price of stocks on hand rather than upon the replacement value of the merchandise they own. The jobbers have accepted their losses and are now endeavoring to do business on the new price basis.

Aside from reducing prices, the manufacturers by way of stimulating demand have reverted to their former practice of giving long-term credits. Merchandise is now being offered with March 1 datings, with an additional 2 per cent. off if paid prior to March 10. These terms were in effect before the war but were abolished when the demand for merchandise was greater than the supply.

Present operation of cotton mills is at about 60 per cent. of capacity. While few mills are closing down completely many are limiting their output by shutting down for one, two and even three days a week. Manufacturers are

reported to have moderate stocks of raw material on hand. They are not buying for future needs at prevailing prices, but only to meet immediate requirements.

The raw cotton market showed the widest change during the past month since the break in July. Spot cotton fell from 31 cents per pound to 20½ cents, a decline of 34 per cent., and the options declined 27 to 32 per cent. The trend was almost continuously downward during the month and few rallies were long sustained.

Woolen Goods and Clothing

Orders for woolen and worsted piece goods received up to this time by manufacturers for the 1921 spring season are estimated at about ten per cent. of the total volume and eight per cent. of the value of orders received up to the corresponding date a year ago. Price reductions of 20 to 25 per cent. from last year's level do not yet appear to have stimulated forward buying, and production is still much curtailed. It is estimated that the industry as a whole is now running at about thirty per cent. of its capacity. Many of the mills that were forced to close last summer when a large number of cancellations were received, have not found it necessary to reopen. Others that have resumed operations are running but three or four days a week.

The cutting up trades still hold a surplus of materials because of a falling off in the manufacture of clothing from the high level of production in the previous three years. The surplus of men's wear fabrics is proportionately greater than in other classes of goods, and the decline in the market price of this class of materials has been more marked.

The men's clothing industry is undergoing a period of readjustment. Usually at this time of the year half the orders for spring merchandise have been booked. So far this year the clothiers have received very few orders for next spring. In addition they hold large stocks of fall merchandise for which they have found no outlet thus far. Unseasonable weather during September and October was a factor in the accumulation of this large surplus.

Wages of clothing workers have been increased very largely during the last two years. So far labor has shown no disposition to accept lower wages. Clothiers assert that while wages have increased production has decreased. A majority of the factories were closed during the summer and only about forty per cent. of them are now open. In these plants efforts are being made to induce labor to return to the piece work basis of pay in lieu of the weekly wage system now in effect. Clothiers assert that they can double production without the necessity of reducing wages if this system is adopted. Negotiations are now under way between union representatives and the manufacturers.

Woolen manufacturers are reported as having fairly large stocks of raw materials on hand and are not in the market for raw wool except in very limited quantities. They are not buying for future needs. This year's domestic clip is practically untouched.

Silk

The average price of manufactured silk to-day is about 40 per cent. of the price prevailing last spring when the market was at its peak. Orders for silk goods now on the books of the manufacturers are estimated to be 60 per cent. in volume and 35 per cent. in value of the total orders received up to the corresponding date last year. Manufacturers estimate the price paid for raw silk, which has declined 70 per cent. since last February, at one-third of the cost of production.

When the recession in the value of silk came, there was a large surplus of all kinds of silk merchandise available in the New York market, held by the retailers, by a large number of jobbers, many of whom entered the industry when speculation was rife, and by the manufacturers. During the subsequent period of readjustment, there has been a partial liquidation. The retailers are not basing their prices on the replacement value, but rather are endeavoring to average their stock by adding merchandise bought at the new price level. The jobbers in their efforts to liquidate are disposing of their holdings whenever possible at prices slightly below those which the manufacturer can afford to offer. This has had a tendency to decrease the orders so far received by the producers of merchandise. The manufacturers, many of whom have sufficient raw silk on hand to meet their immediate needs, are reluctant to make future commitments at present prices for more than they need to keep their mills in operation, even at the present partial schedule.

Iron and Steel

Since early in September there has been a marked and continuous change in the iron and steel industry. Foreign and domestic orders have fallen off sharply, cancellations have been heavy, collections have slowed down and there has been some softening of prices.

The decline was due to a number of factors, but the major cause apparently was the curtailing of operations and the decided price reductions in other industries, such as the automobile industry. Mills charging premium prices and those with price schedules comparatively high have felt the depression most. Premiums have practically been done away with and there has been some shading of the prices of independents toward the level of the United States Steel Corporation.

Deliveries have greatly improved during the past two months and this accounts in some degree for the decline in unfilled orders which for the Steel Corporation amounted to 430,000 tons from the previous month. Orders held by the Steel Corporation are estimated to be enough to run its mills at capacity for eight months, and orders held by independents are believed to be enough for two or three months' operations.

The production of pig iron and of steel ingots in September was approximately the same as in August. Prices have softened and most transactions consist of resales or purchases from small producers. Quotations in some instances are nominal with actual business transacted at lower levels.

Retail Trade

Figures received from representative retail stores in New York City indicate that net sales in September were below those of September, 1919. Elsewhere in this district, however, sales are reported to have increased. Similarly, the rate of turnover as shown by the proportion of average stocks held in the last three months to average sales has decreased in New York City, and has increased slightly elsewhere in the district.

Estimates covering business thus far in October indicate a fair comparison with the business done in October a year ago. In a number of lines, such as men's clothing, unusually warm weather for this season has delayed sales. The demand for jewelry, musical instruments, furniture and house furnishings is below the average. The cut in automobile prices has stimulated business somewhat, particularly for the higher priced cars.

Consumers are attracted by price cuts and continue to scrutinize values. Retailers are buying only for immediate needs and not so much from manufacturers as from jobbers and wholesale dealers, who found themselves with heavy stocks on hand when the market declined.

The schedule printed below, compiled from figures furnished us from department stores, is self explanatory.

Building

Although there was some softening of the material market during the month of September, the building situation in this district is not markedly different from what it was a month ago. Contemplated projects decreased in number and value, but there was a sharp increase in the value of contracts awarded, due mainly to an increase of about \$25,000,000 in the value of contracts for public works and public utilities.

According to the figures compiled by the F. W. Dodge Co. for September, 837 contracts for buildings of all classes were awarded in New York State and Northern New Jersey, the valuation of which was \$59,818,100. Comparable figures for August were 1,010 contracts amounting to \$38,430,500. The number of contracts awarded for residence projects in this district decreased from 496 in August to 402 in September, and their value from \$12,788,300 to \$9,687,300.

The acuteness in the housing situation in New York City did not develop into a crisis on October 1, the date when most residential leases expire. Newly enacted legislation, intended to protect the interests of tenants, permitted them to remain in their former quarters, whether they held new leases for them or not. Consequently, there was less rather than more moving on that day, the reverse of general expectations. Since October 1 there have been a few reductions in rentals.

Considerable vacant loft space in the city is reported and rentals on this class of property have declined slightly.

Crop Conditions

September weather was exceptionally favorable not only for the growing crops but for harvesting. Crop yields in the Second Federal Reserve District this year will be proportionate for the most part with the record crops of the country as a whole. The average yield per acre of all crops in New York State this year will be about 9 per cent. above the average of the past ten years, while the composite condition of all crops in the country is estimated at about 7 per cent. above the ten year average.

The corn crop in this district is 4.7 per cent. below last year's record yield but the oats crop forecast this year is 51.6 per cent. greater than the 1919 crop, and has shown a gain of 4.7 per cent. over the harvest forecast a month ago.

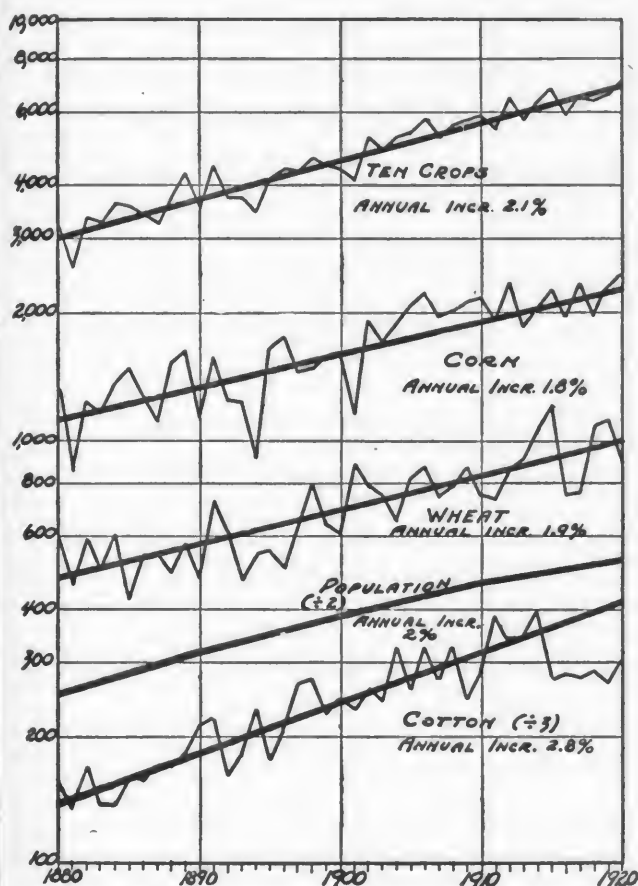
While the fruit crop this year will be of record size the recent sharp drop in prices has made it unprofitable to harvest a very considerable portion, particularly of the apple crop. The yield of potatoes will be the fourth highest in fifty years but a smaller acreage will reduce the total crop slightly below that of 1919. The condition of this crop, moreover, is very uneven through the State owing to rot in many sections.

A study of the crop production for the entire country, as forecast on October 1, weighted by the average price of each crop for the period 1909-1918, shows that the total of all crops this year will be at a maximum. Whereas index figures have averaged 185.2 during the past ten years the 1920 figure is 206.3, an increase of 11.4 per cent. over the ten year average and 6.8 per cent. over last year.

Business of Department Stores

	New York City and Brooklyn	Outside of New York City and Brooklyn	Second District
Percentage of increase or decrease in net sales during September, 1920, over net sales during the same month last year	3.16*	16.94	3.55
Percentage of increase in net sales from August 1, 1920, to September 30, 1920, over net sales during same month last year	3.61	23.41	10.22
Percentage of increase of stocks at close of September, 1920, over stocks at close of the same month last year	17.98	20.19	18.71
Percentage of increase of stocks at close of September, 1920, over stocks at close of August, 1920	5.65	9.26	6.85
Percentage of average stocks at close of each month from August 1, to average monthly net sales during same period	613.71	492.08	573.90
Percentage of outstanding orders at close of September, 1920, to total purchases during the calendar year, 1919	14.71	11.96	13.62

*Decrease



Showing How Field Products of the Country Have Moved Upward with Population.
(Crops in millions of dollars, reduced to average value 1909-1913; population in units of 100,000.)

Railroads and Transportation

Although the railway tonnage handled during the month of September showed a slight falling off from the unprecedented volume carried in August, September freights were heavier than in any other previous month. This slight decline occurred rather with the railroads of the south and middle west than with those centering in New York. Furthermore the traffic during the first week in October reached a new high level for the year and was heavier than in any one week heretofore with a single exception.

The eastbound traffic to the port of New York remains at or near the maximum and is about the heaviest that can safely be taken care of without danger of congesting the port. The volume of export freight, not only coal but manufactured goods, now passing through the port is extremely large, being no longer hampered by labor difficulties either among the railroad or port workers. In westbound traffic, however, the present totals are slightly below the recent business.

Some reduction in volume of freight traffic recently is the result, it appears, of reduced receipts of livestock and

general merchandise, and, in some cases, coal by the roads in the south and middle west. An evidence of this is given by recent figures of the New York Central lines which show that while the total of revenue freight loaded at the stations on that system continues to show gains month by month and in September was 1.7 per cent. more than in August, the freight "received from connecting lines" showed a reduction of 15.5 per cent. from the previous month.

The movement of coal continues particularly heavy and the momentum lost during the short strike of anthracite miners last month has been regained. The Lehigh Valley Railroad, a heavy carrier of anthracite, reports an increase of 37 per cent. in the first 15 days of October over the last fifteen days of September and 6.3 per cent. over the corresponding period of last year. The Baltimore and Ohio, a representative carrier of bituminous coal, reports an increase of 3.7 per cent. in the first 15 days of October over the same period of September and 5.9 per cent. over the last 15 days of that month.

Statistics of the United States Geological Survey show that the movement of bituminous coal is now at the highest rate for the present year and closely approaches the previous maximum.

Immigration

More than 85,000 immigrants entered the port of New York during September—nearly 30,000 more than came in August and nearly the same as in pre-war years. The number of arrivals has been well maintained thus far in October.

Most of the immigrants are from northern and southern Europe. Those coming from northern Europe include Polish Jews, Irish, English and Scandinavians, the majority of whom are women and children. Those coming from southern Europe are chiefly Italians, Greeks, Jugo-Slavs, Spaniards and Portuguese. A much larger proportion of these are able-bodied males.

About 55 per cent. of the immigrants go west, 12 per cent. settle in the east outside the metropolitan district, and the remaining 33 per cent. stay in New York City and its suburbs. The distribution by nationality throughout the country at this time is generally as follows: The Italians about evenly divide between the west and the east, the Irish stay along the Atlantic seaboard, the Portuguese go to the New England spinning mill towns, the Scandinavians to the farming districts of the north-central valleys, the Polish Jews remain for the most part in New York and the Spaniards go to the oil fields and agricultural sections of the southwest. Very recently the local officials of Detroit, Akron and some other cities where unemployment is beginning to increase have asked the Ellis Island authorities not to send immigrants to them.

Approximate figures of arrivals and departures at this port from January 1 to September 30, are as follows:

	Arrivals	Departures
January.....	25,051	24,529
February.....	22,086	24,379
March.....	29,098	18,714
April.....	36,958	26,169
May.....	40,048	21,162
June.....	49,715	37,584
July.....	56,102	32,935
August.....	57,874	36,932
September.....	85,394	35,689
Total.....	402,326	258,093

Employment

The period of practically no unemployment terminated in this district with the railway strike last April. During the readjustment of the spring and summer those who left an industry where operations were being curtailed were generally able to find work elsewhere. But in September and more markedly during the first weeks of October it became apparent that the supply of labor was running beyond the demand. Many concerns have reduced their forces because of business dulness, particularly those manufacturing men's clothing, textiles, boots and shoes, refined sugar and automobiles. Other concerns are weeding out the less efficient employees. The result has been a considerable growth in unemployment and a trend toward lower wages, which is particularly noticeable in the textile industry.

Employment placement bureaus handling various types of labor say the number of applicants for positions has caught up to and passed beyond the demand. The present over-supply includes not only manual workers, but salesmen and clerks.

The larger amount of unemployment exists in the cities

to which workers were attracted during the era of business expansion. Labor union officers estimate that 50 per cent. or more of the operatives in the clothing trades in New York City are idle at the end of October. Unemployment appears to have been lower in other centers in New York State because factories there find it desirable to hold their working forces together.

According to the New York State Industrial Commission there were reductions from August 15 to September 15 in the number employed in State industries as follows: automobiles, 18 per cent.; sugar refining, 11 per cent.; cotton and woolen knit goods, 9 per cent.; buttons, 8 per cent.; boots and shoes, 8 per cent. and men's clothing and cotton goods, 6 per cent. Since last March the average reduction in factory employment is computed at 7 per cent., or approximately 100,000 employees.

There were some increases during the month, mostly seasonal, such as 10 per cent. in the canning industry, 9 per cent. in women's clothing and 28 per cent. in millinery. There were also increases in steel, candy and tobacco manufacturing. There is enough building going on in the metropolitan district of New York City to keep the various building trades active.