

(The article on the last page describes the broadening market for bankers acceptances)

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, July 1, 1922

Credit Conditions

A GENERAL decline in interest rates, continuing the movement which has been gradually progressing since the end of 1920, preceded the announcement on June 22 that the rate of the New York Reserve Bank on all rediscounts and advances was reduced from $4\frac{1}{2}$ to 4 per cent. The reduction brought the rate of the Reserve Bank to substantially the same level as that which prevailed during 1915, 1916, and 1917.

As in previous changes in the discount rate, this reduction was a reflection of existing credit conditions, of which market rates of interest are themselves an indication. Interest rates register the return which the investor, whether a bank or other lender, is willing to accept for the use of his funds. They reflect not only the relation between the demand for money and the supply, but the element of risk also. At this time the total loans and investments of New York City banks are about 9 per cent. below the average for 1920, whereas their deposits are about 3 per cent. above the average for that year; and the credit position of borrowers is reported to show continued improvement, as is illustrated in the reduction both in the number of business reverses during May and the volume of liabilities involved.

It will be seen from the following summary that many of the rates borne by the various forms of short-time loans were lower in June than for several years past.

Bankers acceptances, 90 days, offered at 3 per cent.
the lowest since 1917.

Treasury certificates, 4-6 months, open market 3.13 per cent.
the lowest rate ever quoted.

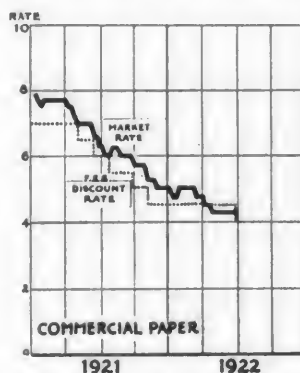
Stock Exchange call money, renewal rate $2\frac{1}{2}$ per cent.
the lowest since October, 1917.

Commercial paper, 4-6 months, open market 4 per cent.
the lowest since April, 1917.

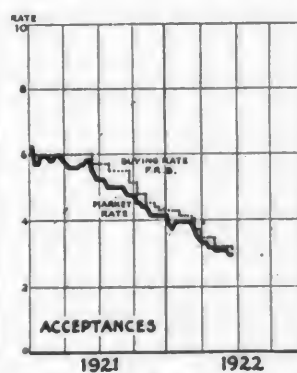
Commercial paper, 4-6 months, prevailing commercial bank discount rate to customers 5 per cent.
the lowest since this bank began recording these rates in August, 1918.

Supplementing the foregoing, it is to be noted also that the June 15 offering of about \$250,000,000 of Treasury certificates running for one year, carried a rate of $3\frac{3}{4}$ per cent. as compared with $4\frac{1}{4}$ per cent. on a similar maturity issued last March. This issue, like its predecessors, was quoted at a slight premium as soon as it was traded in on the open market. All outstanding issues of Liberty bonds and Victory notes were quoted at or above par on the Stock Exchange during the greater part of June.

The general lowering of interest rates was not due to any new factors apparent in the situation, other than the temporary effect of Treasury operations around the quarterly tax day. It has become usual at such times for the money markets to yield somewhat during the period between the date when maturing certificates of indebtedness are redeemed and the time when tax checks are collected. A more fundamental factor was the continued liquidation of commercial loans at the banks, a process which has been accelerated by the issuance of new corporate securities. The sale of the latter has permitted corporations to pay off bank loans, and the volume of commercial loans reported by member banks has declined in consequence. Liquidation of this sort



Open Market Rate on Prime 4-6 Months Commercial Paper compared with the Discount Rate of the Federal Reserve Bank of New York



Open Market Rate on Prime 90 day unindorsed Acceptances compared with the actual buying rate of the Federal Reserve Bank of New York

has in part been offset by increased loans on stocks and bonds which are now higher than at any time since 1919. This increase has resulted partly from the issue of new securities which has required a larger amount of credit for the dealers and the investing public, and partly from the activity of the stock market.

The diagrams on page 1 compare the course taken during the last eighteen months by rates on commercial paper and bankers acceptances in the New York open market with the rates of the New York Reserve Bank during the same period. From the first diagram it will be seen that up to two months ago the rediscount rate of the Reserve Bank on commercial paper was generally below the open market rate. In late April, however, the open market rate fell below the Reserve Bank rate, and remained so until the latter was reduced on June 22. Thereafter the two rates were the same.

The second diagram compares the offering rate for bankers acceptances in the open market with the Reserve Bank purchase rate. This rate is the rate at which the Reserve Bank buys bankers acceptances for its own account and has a much more intimate relation to the acceptance market than has the rediscount rate, because bankers acceptances are not often rediscounted. It will be seen that the purchase rate has been generally above the market rate. If the rediscount rate were shown on the diagram it would appear still further above the market rate.

The Federal Reserve Bank of Boston established on June 23 the same discount rate as that fixed in New York. Banks of issue in a number of foreign countries have also made recent changes in discount rates. For purposes of reference the following table is printed, showing their current rates of discount, with the dates when they became effective.

	Date of Change	Rate
	1914	
Germany.....	Dec. 23.....	5
	1915	
Holland.....	July 1.....	4½
	1919	
Japan.....	Nov. 18.....	8
	1920	
Italy.....	May 11.....	6
Greece.....	May 15.....	6½
Portugal.....	Sept. 3.....	7
Finland.....	Nov. 8.....	9
	1921	
Belgium.....	May 19.....	5
Austria.....	Nov. 29.....	7
	1922	
Switzerland.....	Mar. 2.....	3½
Sweden.....	Mar. 10.....	5
France.....	Mar. 11.....	5
Denmark.....	Apr. 25.....	5
Czecho-Slovakia.....	Apr. 27.....	5
Norway.....	May 16.....	5½
Spain.....	May 17.....	5½
England.....	June 15.....	3½
India.....	June 15.....	5

Savings Bank Deposits

Deposits in thirty reporting savings banks in the Second Federal Reserve District showed practically no net change between May 10 and June 10. Small increases in aggregate deposits in fifteen banks were offset by similar decreases in the deposits of the other fifteen reporting banks. Usually there is a distinct upward trend in this period of the year.

Bill Market

Offering rates for endorsed bankers bills declined ¼ of 1 per cent. to 3 per cent. early in June and unendorsed bills were reduced to that figure about the middle of the month. The market was less active than in previous months this year as the supply of new bills was small and the demand was mainly for bills of early maturity.

The rates at which dealers purchased bills fluctuated somewhat more closely with other money rates than did offering rates, ranging from 3¾ per cent. when money conditions were firmer, to 3¼ per cent. after the middle of June.

Bills drawn to finance the importation of raw sugar were most numerous of the month's offerings and those drawn to finance the domestic or export movement of cotton were next in importance.



Commercial Paper

In the latter part of June, 4 per cent. became the ruling rate for prime commercial paper, compared with 4¼ per cent. previously. Rates for slower moving paper were 4¼ to 4½ per cent. The lowering of rates was attributable in part to the reduction of discount rates at the New York Reserve Bank on June 22, and in part to conditions within the commercial paper market itself.

Greater activity in sales, which the lowering in rates reflected, was confined chiefly to New York City banks. In this market the accumulation of funds led a number of commercial banks and trust companies to continue to buy, notwithstanding a range of rates that was un-

attractive to out-of-town demand. In some instances, banks in this city recently have found it necessary to buy through the open market paper of their own customers in order to find employment for their money.

Some dealers reported larger offerings of paper accompanying the reduction in rates, but in general the supply of paper remained small. Apparently, most concerns continue to borrow only for the most pressing needs.

A decrease in the total of paper outstanding at the end of May as shown in the accompanying diagram reflects a period of dulness in the market in May accompanying firmness in rates.

Stock Market Money Rates

Temporary pressure for funds during the latter part of May and early days of June caused call loan renewals to rise to 5 per cent. and new loans to $5\frac{1}{2}$ per cent., the highest rates since February and March. Thereafter, the downward tendency in rates was reasserted, and after June 15, when Government disbursements here in redemption of maturing certificates and payment of Liberty bond interest were in excess of receipts from tax checks, the renewal rate dropped to $2\frac{3}{4}$ per cent. for the first time since October 1917. Large withdrawals to the interior then caused the call loan rate to rise to 5 per cent. on June 23.

Time money reflecting the same influences, rose to a range of $4\frac{1}{4}$ to $4\frac{1}{2}$ per cent. and after June 15, dropped temporarily to a $3\frac{3}{4}$ to $4\frac{1}{4}$ per cent. level, as in the middle of May. A small amount of money was lent for 30 days at $3\frac{1}{2}$ per cent. Accompanying the upward reaction in call loan rates, time money became somewhat firmer.

Stock Market

A general decline of stock prices at the end of May and during the first two weeks of June was the first sharp reaction in an advance that had been almost uninterrupted since last August. Weakness was first shown by railroad issues, average prices of which declined more than 5 points between May 29 and June 16. Averages of industrial issues, influenced by discussions of industrial mergers and announcements of lower railway freight and wage rates, continued to rise until June 3, when a decline began which amounted by the 16th to about 7 points. By June 27, railroad and industrial averages recovered one-half to three-quarters of these losses.

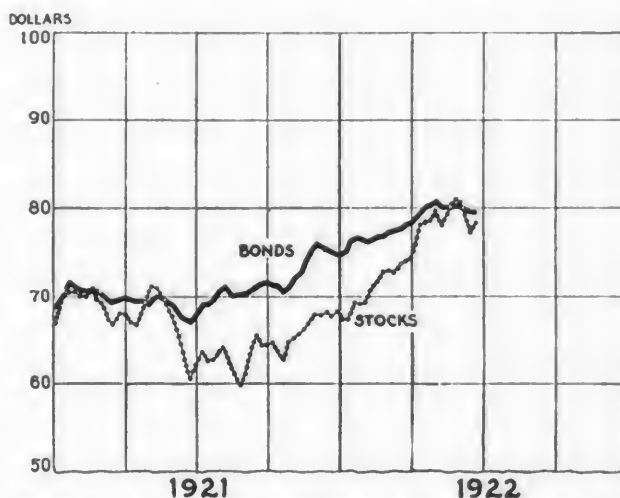
Total stock transactions during May amounted to 29,000,000 shares, about a million shares less than in April, but with that exception the largest total for one month since March 1920. Trading was also heavy during the June price reaction, and transactions on June 12 involving 1,806,000 shares, were exceeded only once this year.

Bond Market

After prices of domestic corporation bonds had reached early in May the highest point since 1918, the demand slackened, and averages of high grade issues

showed a gradual easing which continued until the third week of June, when averages were approximately one point under the early May level. This reaction, which was in contrast with firmness in Liberty bonds, was generally attributed by dealers to the heavy supply of new issues in recent months. After June 20 there was some recovery.

The accompanying diagram shows by weeks from January 1921, through June 24, weekly prices for fifty stocks and forty bonds. Up to their recent high points, both bonds and stocks showed a remarkably even rate of advance, which, in the case of bonds, amounted to nearly 14 points, to the highest level since 1918, and in the case of stocks 21 points, or about half the amount of the decline from November 1919, to August 1921.



Average Weekly Prices of 40 Bonds and 50 Stocks on the New York Stock Exchange

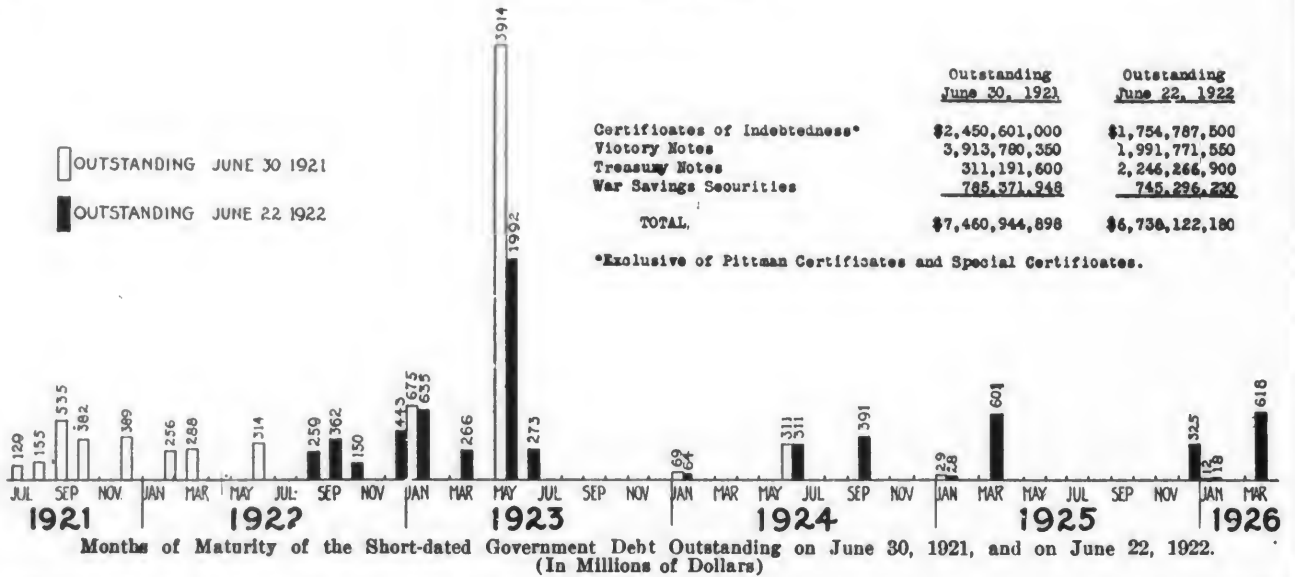
Foreign issues shared with domestic bonds the reaction during May and June. Declines of 3 to 4 points from the highest levels were common. A noteworthy feature of the market in June was heavy trading and wide price fluctuations in Mexican Government issues during negotiations between representatives of the Mexican Government and an international group of bankers over defaulted interest on the Mexican debt. Dominion of Canada 5s, offered in April at par, sold below 98 upon dissolution in June of the distributing syndicate.

May transactions in bonds on the New York Stock Exchange, exclusive of United States Government issues, were \$238,000,000 compared with \$287,000,000 for April, and \$237,000,000 for March.

United States Government Securities

By the redemption on June 15 of the balance of $3\frac{3}{4}$ per cent. Victory notes which were outstanding, the Treasury Department effected the first complete retirement of any of the war loan series. A further operation of exchanging $4\frac{3}{8}$ per cent. $3\frac{1}{2}$ -year notes for \$325,000,000 of the $4\frac{3}{4}$ per cent. issue of Victory notes due to mature in May 1923, carried to a still fur-

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	Outstanding June 30, 1921	Outstanding June 22, 1922
Certificates of Indebtedness*	\$2,450,601,000	\$1,754,787,500
Victory Notes	3,913,780,350	1,991,771,550
Treasury Notes	311,191,600	2,246,266,900
War Savings Securities	785,371,948	745,226,230
TOTAL	\$7,460,944,898	\$6,738,122,180

*Exclusive of Pittman Certificates and Special Certificates.

ther stage the Treasury's program of redistributing the short dated debt, which had been concentrated in a few maturities, into a diversified series extending over a period of four years.

Operations of the Treasury on June 15 also included the redemption of approximately \$380,000,000 maturing certificates, the collection of the second quarterly instalment of income taxes, and the sale of a new certificate issue bearing $3\frac{3}{4}$ per cent. interest for one year. Although this rate was $\frac{1}{2}$ of one per cent. lower than on the preceding one-year issue sold in March, the new offering was oversubscribed. Of total subscriptions amounting to nearly \$470,000,000, allotments aggregated \$270,000,000, of which \$107,800,000, or 40 per cent., were allotted in this district.

The changes which have been brought about since a year ago in the distribution of the short-dated Government debt are shown in the diagram at the top of this page. The maturity of Victory notes in May 1923, has been reduced by redemption and redistribution from \$3,913,780,350 to \$1,991,771,550.

Prices of outstanding issues of war loans in the market showed a gradual upward tendency, which became more marked following the reduction of the rediscount rate at the Reserve Bank on June 22. For the first time, all active issues were quoted simultaneously at a premium. Prices of outstanding issues of certificates and notes were little changed.

May trading in Liberty and Victory issues on the New York Stock Exchange aggregated \$145,000,000, a decrease of 21 per cent. compared with the April total and the smallest volume since February 1922.

New Financing

Revival of activity in foreign financing in this market during the first three weeks of June added \$118,775,800 to the volume of foreign issues offered here, and brought the total since the beginning of the year to \$673,800,000, or nearly equal to the total of \$695,000,000 for the whole of last year. As a result of these

and other offerings, the market again became somewhat congested and the disposal of new issues in some cases was retarded considerably. This was particularly true of issues of the second grade or those offered at prices regarded as out of line with the general market.

The June offerings of foreign securities showed a further broadening of the list of borrowers in this market. The following table gives the more important issues through the 21st of the month, together with their yields at sale prices. Issues payable in foreign currencies are converted at current rates of exchange.

Month	Amount
January	\$92,618,000
February	57,768,000
March	163,220,000
April	207,100,100
May	34,320,000
June	
Kingdom of Serbs, Croats and Slovenes, at 8.40 per cent.	\$25,000,000
U. S. of Brazil, Central Ry. Electrification Loan, at 7.30 per cent.	25,000,000
Republic of Bolivia, at 7.90 per cent.	24,000,000
Anton Jurgens United (Margarine) Works (30,000,000 guilders), at 6.60 per cent.	10,860,000
City of Greater Prague, Czechoslovakia, at 8.17 per cent.	7,500,000
City of Montevideo, Uruguay, at 7.25 per cent.	6,000,000
State of Santa Catharina, Brazil, at 7.90 per cent.	5,000,000
International Sleeping Car Co., Belgium (£500,000) at 6.50 per cent.	2,236,250
Kingdom of Norway (12,500,000 kroner) at 6 per cent.	2,071,250
Republic of Chile (10,000,000 pesos) at 7 per cent.	1,233,300
United States Possessions at 4.15 and 4.50 per cent.	4,700,000
Canadian Issues at 5.70 to 7.30 per cent.	5,175,000
Total January 1 to June 21...	\$873,801,900

Domestic corporation financing was moderately active in June, though considerably below the totals of the preceding two months. The largest single offering was \$27,645,000 five per cent. equipment trust certificates of the New York Central Railroad Company at prices to yield 5 to 5.30 per cent., according to maturity. An issue of \$15,000,000 Atlantic Refining Company 15-year noncallable 5s, offered at par, for the purpose of redeeming an outstanding higher rate issue, was noteworthy as illustrative of an increased tendency for companies to refinance at present rates.

Except for \$13,000,000 State of Michigan bonds, and \$9,000,000 for the State of North Carolina, most State and municipal issues during June were of comparatively small size.

Foreign Exchange Rates

After advancing to a new high quotation of \$4.51 on June 6, sterling exchange reacted to the levels prevailing in the latter part of May. At about this time of the year sterling exchange is usually somewhat depressed by the beginning of seasonal buying of American cotton and grain. Dealers also attributed the decline in sterling in some degree to the lack of financial results at the Genoa Conference and the conference of bankers at Paris.

Exchanges on other countries moved in general to slightly lower levels.

Country	June 20 last	Change from May 20	Per cent. depreciation from par
England.....	4.4450	-.0025	8.7
France.....	.0872	-.0034	54.8
Italy.....	.0491	-.0020	74.6
Germany.....	.0032	-.0001	98.7
Belgium.....	.0832	+.0002	56.9
Holland.....	.3850	-.0026	4.2
Switzerland.....	.1888	-.0016	2.2
Spain.....	.1555	-.0030	19.4
Sweden (Stockholm)....	.2547	-.0023	5.0
Argentina.....	.3554	-.0053	16.3
Brazil.....	.1363	-.0005	58.0
Japan (Yokohama).....	.4790	+.0050	3.9
China (Hong Kong).....	.5788	-.0150	*
China (Shanghai).....	.7863	-.0275	*
India.....	.2913	-.0006	40.1
Canada.....	.9906	-.0007	0.9
Bar Silver in New York.	.7063	-.0262	....

* Silver Exchange Basis.

Foreign Trade

While reports from exporters are still of conflicting character there appears reason to believe that on the whole export demand for American manufactured products has continued the gradual increase noted for some months past. Exporters dealing principally with South America generally confirm this tendency and there is a scattering of more favorable reports from other markets. For some commodities, such as automobiles, demand for several months has been sufficiently active to tax the production and export facilities.

In contrast, however, with somewhat larger buying in

some quarters has been continued dulness in the Far East, due partly to political disturbances in China and price unsettlement in Japan. The decrease in Japanese steel buying has been particularly important and has more than offset increased demand for that product in South America and Canada. In April, the latest month for which detailed figures of exports are available, iron and steel shipments from this country showed a decrease of 10,000 tons compared with the March total, which was the largest in a year.

No new tendencies of importance were revealed in the May movement of leading crude material exports. Cotton exports decreased 29,000 bales compared with the April total, but were slightly larger than in March. May wheat exports were approximately double the small April total, but were much below monthly shipments of last year. The various classifications of meats and other foodstuffs showed irregular changes.

The total value of May exports, according to the Department of Commerce, was \$308,000,000, which was \$10,000,000 less than the April total and not much above the monthly average for the first four months of the year. The value of imports during May, on the other hand, rose \$37,000,000 to \$254,000,000, and with the single exception of the March total, was the largest for one month since April 1921.

Factors in the larger import total were sharply increased arrivals of silk, coffee, rubber, and sugar. Coffee imports were the heaviest since December, and silk imports at approximately 35,000,000 pounds showed a rise of 87 per cent. compared with the March total, and were within about 5,000,000 pounds of the heavy movement of January.

Gold Movement

Gold imports during May totaled \$8,994,000, the smallest monthly total received since February 1920. Exports of gold were \$3,407,000, more than half of which was shipped to British India. The sources of imports are given in the following table.

(000 Omitted)

	Monthly Average		April 1922	May 1922	Total 1922
	1921	Jan-Mar 1922			
England.....	\$16,841	\$6,266	\$1,855	.....	\$20,654
Sweden.....	5,530	9,345	1,588	\$1,920	31,543
Canada.....	3,071	1,765	1,955	103	7,352
China and Hong Kong..	1,964	170	1,075	1,707	3,293
France.....	15,891	3,317	1,161	544	11,656
Denmark.....	453	3,437	.....	2,255	12,565
Norway.....	128	1,601	1,945	.....	6,747
All Other.....	13,728	3,686	2,665	2,465	16,188
Total.....	\$57,606	\$29,587	\$12,244	\$8,994	\$109,998

World Wholesale Prices

Advances in wholesale prices in the United States during recent weeks have been accompanied by a similar movement in Great Britain and France. The movement does not appear, however, to have extended generally to other countries. The German price advance, which

is continued, reflects further increases in issues of paper money. Elsewhere price advances appear to be irregular.

Prices in Japan continue the downward reaction which began in November 1921, and the price index for that country is now 194, as compared with 148 for the United States. Prices in Norway, which were slow to decline, have also continued downward. Detailed figures are shown in the accompanying table.

(Base 1913=100 Unless Otherwise Noted)

Country	Latest Quotation	PER CENT. CHANGE		
		March	April	May
United States:				
20 basic commodities ¹	140 (June 24)	- 0.7	+ 0.2	+ 5.4
Department of Labor	148 (May av.)	+ 0.7	+ 0.7	+ 3.5
Dun's	141 (June 1)	- 2.1	+ 1.2	+ 1.1
Bradstreet's	129 (June 1)	- 0.6	+ 1.5	+ 1.7
Great Britain:				
Economist	162 (June 1)	+ 0.9	- 0.3	+ 1.9
Statist	159 (June 1)	+ 0.8	+ 1.1	+ 0.5
20 basic commodities ¹	136 (June 24)	+ 0.3	+ 0.2	+ 3.3
France	317 (June 1)	+ 0.3	+ 2.0	+ 1.0
Italy	524 (June 1)	- 5.2	- 1.2	- 0.6
Japan	194 (May av.)	- 1.6	- 1.5	- 1.6
Canada	167 (May 15)	- 1.7	- 0.2	+ 0.5
Sweden	164 (May 15)	- 1.2	+ 0.6	- 0.6
Australia	148 (April av.)	- 0.7	+ 1.4	
Norway	231 (June 1)	- 5.1	- 1.7	- 2.1
Germany	6659 (June 1)	+20.7	+11.4	+ 3.6
Denmark	179 (June 1)	- 2.2	- 0.6	+ 1.1
Holland	159 (May 1)	0	- 1.9	
Peru	186 (May 15)	- 0.5	- 1.6	- 0.5

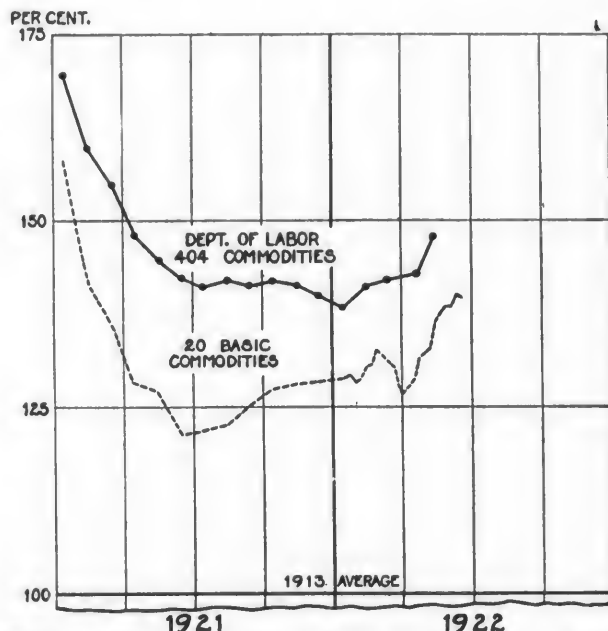
¹Computed by this bank. ²July 1, 1913-June 30, 1914=100. ³July 1914=100. ⁴Dec. 31, 1913-June 30, 1914=100. ⁵Middle of 1914=100. ⁶July 1912-June 1914=100.

Domestic Wholesale Prices

An increase of 3½ per cent. between April and May in the Department of Labor revised index of wholesale prices was the largest change in that index in a single month since April 1921. The increase in May reflects largely sharp rises in the prices of coal, pig iron, steel, cotton, building materials, and certain other basic commodities.

The Department of Labor, through the Bureau of Labor Statistics, has just completed a thorough-going revision of its index number of wholesale prices. The revision involves the addition of new quotations to bring the number of commodities included in the index from a total of about 325 to 404. The weights assigned to the different commodities in making up price averages have been revised by the use of 1919 census data, in place of the 1909 data. The commodities included have also been regrouped somewhat. The resulting index should be a more adequate measure of the general price level in this country than any which has hitherto been available. It has been worked back month by month to 1913.

The new figures are somewhat lower in relation to the 1913 level than the old index, as is indicated by the fact that the index number for April 1922 computed by



Wholesale Prices in the United States according to two Indices (1913 average = 100 per cent.)

the old method was 152, (1913 average = 100 per cent.) while the new April figure is 143. The most conspicuous change in the groups making up the index is in the group of building materials. The new index for this group has been computed to include metal products as well as the various specifications of lumber and other building materials which were formerly included. As a result, the new April index is 156, as compared with an old index figure for April of 201 for this group. The house furnishing goods group shows a reduction from 211 in the old index to 175 in the new.

The following table shows the revised index numbers by groups of commodities for May 1921 and for April and May of 1922. Since a year ago, the prices of farm products and fuel and lighting have moved distinctly upward, while the greatest downward changes have been in metals and metal products, chemicals and drugs, house furnishing goods, and miscellaneous items. In general it may be said that since a year ago prices of basic commodities have tended upward, while there has been a considerable downward movement in prices of many finished articles.

(1913 = 100 per cent.)

Commodity Group	May 1921	April 1922	May 1922
Farm products	118	129	132
Foods	139	137	138
Cloths and clothing	173	171	175
Fuel and light	200	194	216
Metals and metal products	138	113	119
Building materials	165	156	160
Chemicals and drugs	134	124	122
House furnishing goods	209	175	176
Miscellaneous	126	116	116
All commodities	145	143	148

The relationship between prices of basic commodities and all commodities is illustrated in the accompanying diagram in which the new Department of Labor index for 404 commodities is compared with the index for 20 basic commodities computed by this bank. The 20 basic commodities index is shown by weeks in the year 1922. The Department of Labor index reached its lowest point in January 1922, and the index of 20 basic commodities was lowest in June 1921, and has been rising rather consistently since that time. In the 12 weeks between April 1 and June 24 this index rose 11 per cent.

Cost of Living

Recent increases in wholesale prices have not been reflected in the measure of retail prices furnished by the cost of living index number compiled by the National Industrial Conference Board. That index number has been practically stationary for the past three months. The May 15 index number is 154.9, indicating that it would now take about \$1.55 to pay for items of family living expenses which cost \$1 in July 1914. The only change since April 15 was an increase of .6 of one per cent. in the cost of clothing. The levels of the different groups making up the index number are shown in the following table. The retail price of food shows no change for the month, as increases in the prices of meats were offset by decreases in the prices of dairy products.

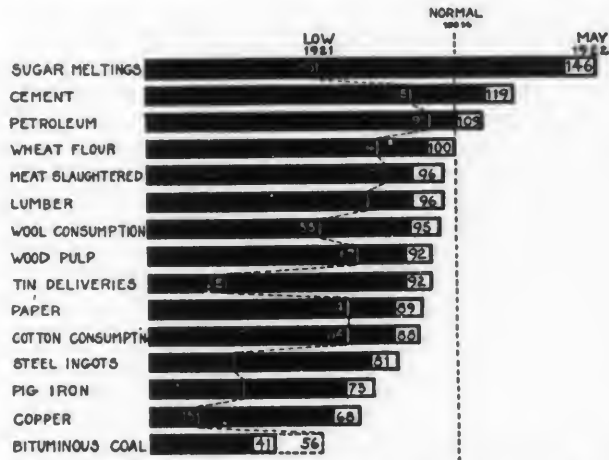
(July 1914 = 100 per cent.)

Items	May 15	Per cent. change since April 15	Per cent. change since June 1, 1921	Per cent. decline from high
Food.....	139	0	-4.1	36.5
Clothing.....	156	+0.6	-3.7	45.8
Shelter.....	165	0	-3.5	3.5
Fuel and light...	174	0	-2.2	13.0
Sundries.....	174	0	-5.9	9.4
Total.....	154.9	+0.1	-4.3	24.3

Production in Basic Industries

In all but one of the basic industries for which production figures are available for May the output was heavier than in April. The textile industry made a marked recovery from the low point reached in April as a result of strike conditions in New England and the weekly production of bituminous coal from non-union mines steadily increased, although the output was still less than half of the normal total for the industry. Anthracite mines remained practically idle.

In the iron and steel industry the increase in the rate of production was greater in May than in April and the industry is now operating at between 75 and 80 per cent. of normal. The Steel Corporation's announcement of the tonnage of unfilled orders on June 1 showed a further increase to 5,250,000 tons, the largest tonnage so reported since May 1921. The increase in



Production of Basic Commodities in May 1922 and the Low Point in 1921 compared with Normal Production. In Cases in which May Production Figures are not available, April Figures are shown

orders reflects larger buying by railroads, agricultural implement manufacturers, the building industry, automobile manufacturers, and miscellaneous industrial consumers. The increasing demand, together with the possibility that the coal strike may seriously interfere with production have caused prices of both pig iron and steel products to move upward.

The following table shows monthly production as percentages of estimated normal production. In the calculation of the normals allowance has been made for both year to year growth and seasonal variation. The accompanying diagram shows current production in relation to normal and the lowest production of 1921.

(Normal Production = 100)

Commodity	1922					
	Dec.	Jan.	Feb.	Mch.	Apr.	May
Anthracite coal mined.....	74	78	99	105	...	...
Bituminous coal mined.....	59	64	82	89	34p	41p
Pig iron production.....	58	55	57	65	67	73
Steel ingot production.....	48	50	58	71	74r	81
Copper production, mine....	15	22	33	46	59	68
Tin deliveries.....	74	85	58	103	100	92
Crude petroleum production..	112	108	111	111	109	111
Portland cement production..	98	97	82	104	111	119
Wheat flour production.....	74	85	105	114	95	100
Meat slaughtered.....	77	89	98	112	96	...
Sugar meltings.....	144	140	129	142	124	146
Wool consumption (1), (2)...	113	111	115	128	95	...
Cotton consumption (2).....	94	91	92	91	80	88
Lumber production.....	89	78	83	93	75	96
Wood pulp production.....	92	85	90	100	92	...
Tobacco consumption.....	78	80	77	83	79	1
Paper (total) production (1)..	88	86	85	100	89	...
Gasoline production (r).....	103	93	89	97	95	...

p—Preliminary.

r—Revised.

(1)—Seasonal variation not allowed for.

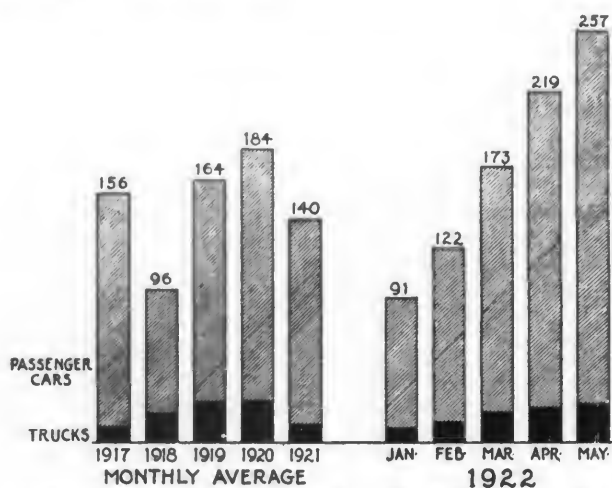
(2)—In the table published last month the production indices for wool consumption and cotton consumption were reversed in printing.

Automobile Production

The production of automobiles in the United States during May was larger than in any previous month in the history of the industry. Current reports show no diminution of activity in June.

The increase in production in recent months is shown by the following diagram based upon practically complete reports from the industry to the United States Department of Commerce. The normal trend of production in this industry is sharply upward during the first four months each year but there is usually some decline in May. Production in the second half of the year is usually smaller than in the first half.

Figures for April and May this year show an unusually rapid rise in the production of passenger cars and a somewhat smaller increase in the output of trucks. The manufacture of trucks was smaller than the monthly average of 1919 and 1920.



Production of Motor Vehicles in the United States each month in 1922 compared with the Monthly Average Production in Previous Years (in thousands)

Volume of Building

May building contract awards in twenty-seven north-eastern States were about 3 per cent. above the new high figure reached in April. Large increases in the volume of awards in the middle western States offset declines in the New England States and in New York City. May awards in New York and Northern New Jersey were about 13 per cent. less than in April, due entirely to a decline in New York City.

Further increases in construction in New York are limited by fluctuating labor and materials costs. Scarcity of skilled workmen has led builders in many cases to pay premiums above the standard wage scales and no settlement has been reached between builders and workmen to determine future wage scales. Moreover, as a result of the steady absorption of available building materials, distributors in this market are reluctant to quote prices for future delivery. In the face of these difficulties builders are hesitating to undertake new construction projects.

Wholesale Trade

The weighted index of wholesale trade maintained by this bank shows that the dollar value of sales by dealers in this district in ten principal commodities was practically the same during the month of May as during May of last year. This is the first month since the fall of 1920 in which sales have equaled those of the corresponding month of the preceding year.

In comparison with April figures May sales show increases in all lines except clothing, shoes, and machine tools. Declines in clothing and shoe sales are usual at this season.

The diagrams on page 9 show the fluctuations in sales of the different commodities since January 1919. No allowances have been made for changes in prices or for seasonal variations and the diagrams are to be interpreted in the light of such changes. The diagram at the top of the page shows a composite curve for all of the different lines. In computing the figures for this curve each line has been weighted in accordance with the relative total value of goods handled.

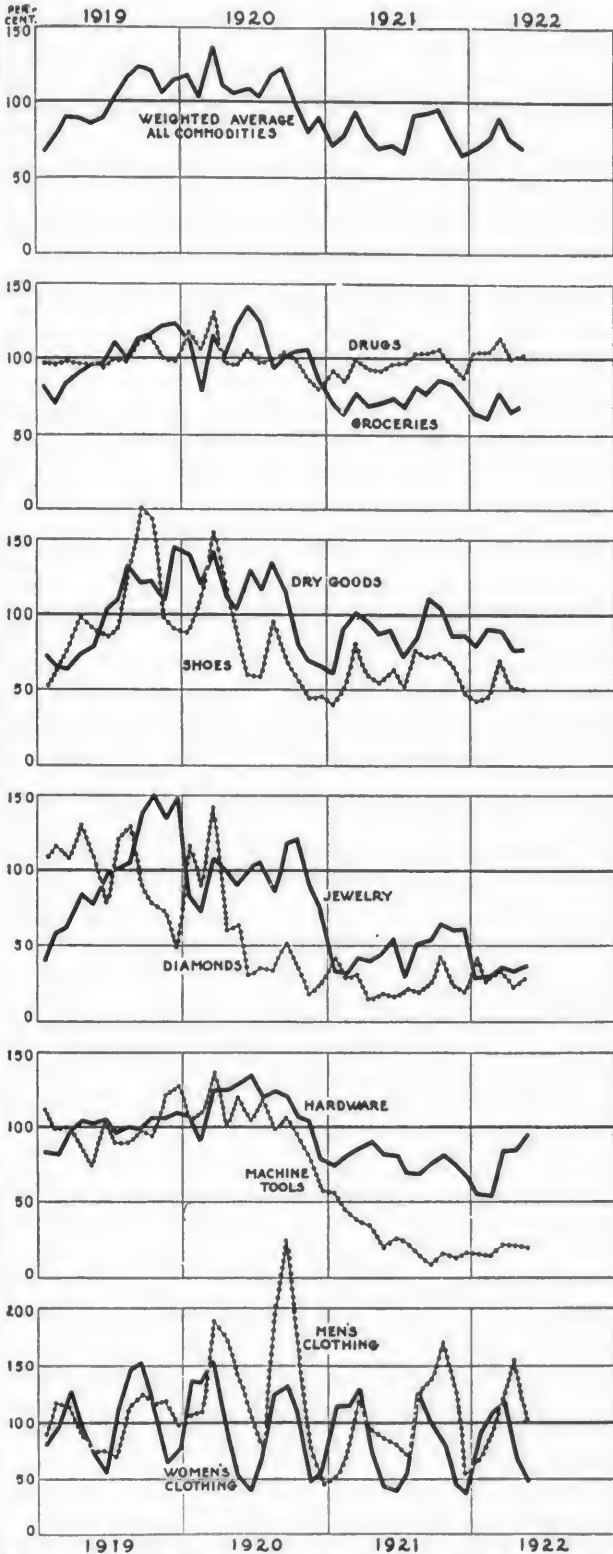
For the first time, reports from clothing firms have been divided into two groups—men's clothing and women's clothing. During May, sales of men's clothing compared more favorably with those of last May than did sales of women's clothing, but both were larger than last year. Sales of men's clothing have fluctuated more widely during the past three years than have those of women's wear. In both industries the seasonal changes are marked.

The following table compares sales during May 1922, with sales during May of preceding years. In each case sales during May 1921, are taken as 100 per cent. and sales during May of other years are expressed in percentages of this base. The only large increase over the year period was one of 57 per cent. in the case of diamonds, due to the fact that sale of diamonds reached an exceptionally low point in the spring of 1921. The year to year comparison shows in general a much greater uniformity in the changes in different lines than for some months past.

	Number of Firms Reporting	May 1919	May 1920	May 1921	May 1922	April 1922**
Diamonds.....	7	581	294	100	157	133
Hardware.....	11	123	155	100	114	93
Clothing.....	21	110	153	100	114	133*
(A) Men's.....	7	87	164	100	117	165*
(B) Women's.....	14	168	127	100	109	88*
Drugs.....	6	102	104	100	108	105
Stationery.....	6	114	158	100	106	84
Groceries.....	42	137	174	100	99	94
Machine Tools.....	4	340	546	100	94	63
Jewelry.....	6	219	226	100	91	85
Shoes.....	10	165	168	100	91	87*
Dry Goods.....	8	89	118	100	88	80*
Total (weighted).....	121	123	144	100	100	98*

*Revised on receipt of additional data.

**Expressed in percentages of sales in April 1921.



Monthly Sales of Representative Wholesale Dealers in the Second Federal Reserve District. (Average Sales in 1919 = 100 per cent.)

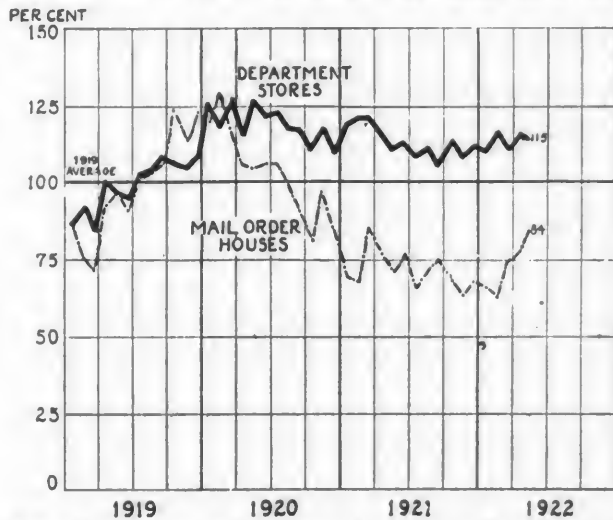
Department Store Sales

In May, for the second successive month, sales by department and apparel stores in this district were substantially larger than in the corresponding month of the previous year. May sales were 3.6 per cent. larger than in May 1921, while April sales were 2.3 per cent. larger than in April 1921. The larger volume of April sales was attributed by many merchants to the lateness of Easter, but no such unusual factor was present to account for heavy sales in May. The favorable comparison the sales of these two months make with the corresponding months of 1921 may be explained in part by the fact that the 1921 sales at this period of the year were in somewhat restricted volume, but there appears also to have been a genuine gain recently in the demand for goods.

May sales were the largest of any May for which records have been compiled, with the exception of May 1920, which was marked by unusually large retail sales. It was during that month that one of the large New York stores announced price reductions of 20 per cent. on all articles in the store, and a number of other stores followed with sweeping reductions.

Additional evidence of the increased demand for goods during May is found in the increase of 8.6 per cent. as compared with May 1921 in the number of individual transactions, reported by the stores that maintain such records. This is the largest increase in the number of transactions reported this year. The average amount of each transaction declined 5.7 per cent. from \$2.80 in May 1921, to \$2.64 in May 1922.

A feature of statements from merchants this month is the uniformity of the report that sales have been



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.)

generally good in all departments. Sales of apparel stores were about the same percentage above those for May 1921, as were sales by department stores which also sell house-furnishing goods and piece goods.

For the first month since July 1920, sales by mail order houses exceeded those of the corresponding month of the previous year and the increase was a large one, amounting to 18.4 per cent. This is evidence that higher prices of farm products are resulting in an important increase in the purchases made by rural communities. The following table compares the sales of different types of stores in May with sales in the corresponding month of the previous year, and also shows for department stores similar figures for the amounts of stocks on hand.

	NET SALES				STOCK ON HAND (Selling Price)			
	May	May	May	May	June	June	June	June
	1919	1920	1921	1922	1,	1,	1,	1,
All Dept. Stores...	86	113	100	104	77	119	100	101
New York.....	87	120	100	105	76	119	100	102
Buffalo.....	86	100	100	102	79	111	100	96
Newark.....	86	110	100	99	79	133	100	99
Rochester.....	77	102	100	98	81	141	100	98
Syracuse.....	86	105	100	97	82	128	100	84
Bridgeport....	95	111	100	94	84	123	100	104
Elsewhere in 2d District.....	87	110	100	103	82	105	100	99
Apparel Stores...	86	95	100	104	65	109	100	111
Mail Ord. Houses	137	148	100	118	**	**	**	**

Chain Store Sales

The somewhat larger distribution of merchandise through retail channels, reflected in our reports from apparel and department stores and mail order houses, is also evident in sales reports from chain stores. Dollar sales by all reporting chain store systems in May were 13 per cent. larger than in May a year ago, and 1.5 per cent. smaller than in April this year. The largest gain over May 1921, was reported by grocery firms and amounted to 22 per cent. This was due in a large measure, however, to the opening of new stores. Average sales per store show a decrease of 4 per cent. Sales by five and ten cent stores increased 15 per cent., and those by apparel stores 8 per cent.

The chief decrease in sales, which amounted to 10 per cent., was reported by shoe stores, due principally to lower prices. The decline in the actual number of pairs of shoes sold by these firms was but 1.6 per cent. The average price per pair declined 8 per cent. from \$4.03 in May 1921 to \$3.71 in May of this year.

The following table shows the sales figures for different types of stores.

Type of Store	Number of Stores		Dollar Value of Sales				Per cent. Change in Sales per Store May 1921 to May 1922
	May 1921	May 1922	May 1919	May 1920	May 1921	May 1922	
Grocery.....	5,731	7,247	85	132	100	122	- 3.9
Ten Cent....	1,600	1,664	86	101	100	115	+11.0
Apparel.....	357	373	65	96	100	108	+ 3.0
Drug.....	253	253	83	99	100	100	- 0.3
Cigar.....	2,221	2,440	79	105	100	99	- 9.5
Shoe.....	183	204	73	108	100	90	-18.9
Total.....	10,345	12,181	82	112	100	113	- 4.1

Employment and Wages

The continued increase in the volume of business activity has been reflected in a marked change in the employment situation. Evidences of this change are found in a number of instances of wage increases which have resulted from shortages of workers, and in reports from employment agencies.

Wage increases have been taking place, particularly in the case of common labor, which has been difficult to secure at the low wage rates which many firms adopted in the past few months. What appears to have occurred is that the floating supply of unskilled labor has been largely absorbed by the heavy volume of new building construction, and as a result there has been some shortage of this type of labor for industrial establishments and for agriculture. Extensive building operations and increased manufacturing activity have also led to shortages of certain types of mechanics and other skilled labor which have been reflected in wage increases.

Employment agencies in this district report difficulty in securing sufficient unskilled labor and a number of types of skilled workers. There continues, however, to be a surplus of clerical workers and those who apply for such positions are not being placed rapidly. There is a shortage of good stenographers.

The United States Employment Service recorded an increase of 3.2 per cent. during May in the number of workers employed in sixty-five manufacturing centers throughout the United States. An increased number of workers was reported in forty-nine cities, while sixteen reported declines in employment. Changes during the month in the number employed in cities in the Second Federal Reserve District are shown in the following table in percentages.

Passaic.....	+6.4	Buffalo.....	+2.9
Syracuse.....	+5.8	Yonkers.....	+1.5
Niagara Falls....	+5.8	Bayonne.....	+ .8
Newark.....	+3.9	New York.....	+ 24
Bridgeport.....	+3.5	Paterson.....	+ .02
Albany-Schenectady	+3.3	Perth Amboy....	-1.8
Jersey City.....	+3.1	Rochester.....	-1.9

Average weekly earnings in New York State factories in May were \$24.59, as compared with \$24.15 in April, an increase of 1.8 per cent. Aside from the increase in earnings resulting from longer hours of operations in many plants, there are two conflicting tendencies affecting earnings. Increases in rates have occurred among certain classes of workers in which shortages have appeared but for certain other classes the downward adjustment of rates has been continued. In some cases changes of both types have gone on together in the same industry and in the same plant.

Railroad Wages and Freight Rates

During the past month the Interstate Commerce Commission ordered a uniform reduction of 10 per cent. in freight rates on all commodities except agricultural products, the rates on which had previously been reduced. The new rates become effective on July 1.

Also during the month, the Railroad Labor Board announced reductions in rates of pay of all classes of railway employees except those in train service and telegraphers, likewise to become effective on July 1. The extent of the wage reductions is indicated by the cuts made in the following large typical classes of workers.

- Unskilled labor5 cents an hour from 37.7 cents to 32.7 cents.
- Section foremen3 cents an hour from 54.3 cents to 51.3 cents.
- Machinists7 cents an hour from 77.0 cents to 70.0 cents.
- Clerks3 cents an hour from 61.5 cents to 58.5 cents.

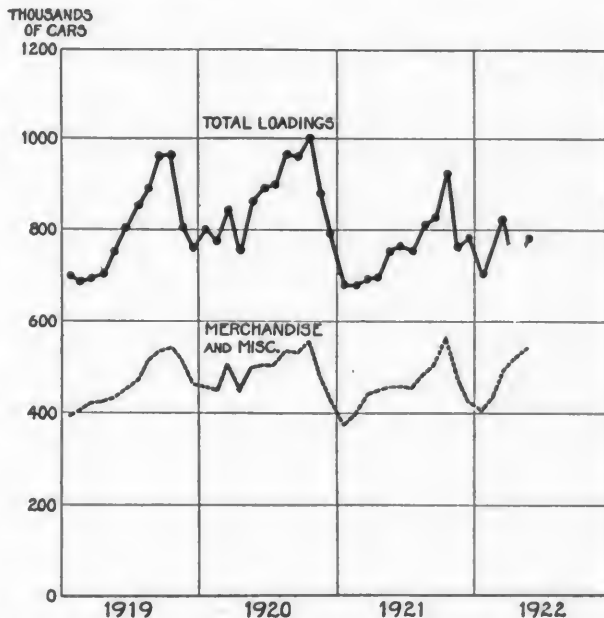
Railway Traffic

Heavier factory operations and a more active market for manufactured goods are indicated by a rapid increase in recent months in the volume of shipments of merchandise and miscellaneous freight on the railroads of the United States. As indicated in the following diagram the loadings of such freight were heavier in May this year than in any previous May in the four years these statistics have been tabulated.

As a result of the heavier movement of merchandise and miscellaneous freight, a somewhat increased shipment of coal from non-union mines, and increases in other commodity groups, average daily loadings of revenue freight increased steadily during May and early June although the total figures were still somewhat under those prevailing before the coal strike.

Business Failures

Commercial failures reported in the United States during May were 10 per cent. less numerous than those of April, although failures usually increase somewhat in May. This bank's index which makes allowance for seasonal change was lower in May than in any other month since January. Aggregate liabilities were 40 per cent. under those of April and the average liability was the lowest since May 1920. During the first three weeks of June a further substantial reduction in the number of failures was reported by Dun's.



Average Weekly Car Loadings of Revenue Freight on the Railroads of the United States

Crop Conditions

Crop growth in the United States generally was favored by moderate weather during May and by heavy rain during the early part of June. Acreages of spring grains were somewhat reduced as a result of unfavorable weather for planting but prospective yields for 1922 are average or better, according to the June 1 report of the Bureau of Markets and Crop Estimates.

On the basis of the condition of the wheat crop on June 1, the Government estimate placed this year's yield at 855,000,000 bushels, an amount 60,000,000 bushels larger than the 1921 crop, and 56,000,000 bushels above the average for the five years, 1916-1920. For the great wheat producing regions of the southern hemisphere and India, foreign crop estimates forecast an aggregate yield of 713,000,000 bushels, 101,000,000 bushels larger than last year and 80,000,000 bushels over the five year average, 1909-1913.

The condition of the cotton crop was reported at 70 per cent. of normal on May 25, as compared with an average of 75 per cent. on that date for the past ten years. The low condition of the crop this year is due to excessive rains, replanting of certain areas, and the appearance of the boll weevil to an unusually large extent. No estimate has yet been made of the probable size of the crop.

In the Second Federal Reserve District the acreage of most crops is reported larger than in 1921 and an average yield is expected.

The Broadening Market for Bankers Acceptances

FROM time to time references have been made in the Review and in the annual reports of this bank to the gradual broadening of the market for bankers acceptances. Eight years ago American bankers acceptances were not yet in existence. At present not only have they become familiar in eastern financial centers as a medium for investing short-time funds but they are known and purchased in many parts of the country remote from this seaboard. In this way interior banks, business houses, and individuals have assumed an important part in the financing of our foreign trade.

While bankers acceptances are used to some extent in the domestic movement of goods, their principal use is in the financing of exports and imports. A typical example of the use of a bankers acceptance in export trade, without describing technical details, is as follows:

A TYPICAL BANKERS ACCEPTANCE

A Liverpool merchant buys \$50,000 worth of cotton from an American exporter in New York. At the same time the Liverpool merchant requests his own bank to make an arrangement with a bank in New York for a "commercial acceptance credit"—that is, a formal agreement to honor at maturity a draft or bill of exchange in a specified amount drawn in accordance with terms laid down in the agreement. The New York bank issues this acceptance credit on the guaranty of the British bank, which in turn has the guaranty of the Liverpool merchant that funds will be available to pay the bill when it matures. Under this credit the American shipper draws a time bill of exchange on the New York bank that issued the credit, due, say, at the end of ninety days. The American shipper then presents to the New York bank the bill with any documents which may be called for under the terms of the acceptance credit, and if found to conform with them in all particulars, it is "accepted"—that is, the bank notes on the face of the bill, usually in the form given below, the fact of "acceptance," which signifies that the bank will pay the bill upon maturity.

No. 502
ACCEPTED
DUE Sept. 13, 1922
PAYABLE AT 60 BROADWAY
NEW YORK, June 15, 1922
TENTH NAT'L BANK OF NEW YORK

John Doe,
Cashier

The American shipper is then free to hold the bill until maturity, to discount it at his bank, or to sell it in the open discount market, whichever suits him best.

A CONSTANTLY WIDENING DEMAND

The banks and banking houses which "accept" bills are comparatively few, and the discount houses and dealers are a very much smaller group; but the group

which consists of the buyers of bills, both geographically and numerically, is a wide and constantly widening one.

These buyers of acceptances, who are the customers of the dealers or so-called discount houses, include, generally speaking, those who desire an investment practically without risk, the proceeds of which will come due and be paid within a short time, or which may be sold at will in the open discount market. Some investors purchase bills which mature at a time coinciding with a known date when they in turn have obligations to meet or longer investments to make. In this way the acceptance market furnishes a means whereby funds may be employed pending the time when they are required for some definite and previously known use.

WIDELY DIVERSIFIED LIST OF BUYERS

Inquiries were made recently by this bank of some of the discount houses, in order to ascertain actual purchasers of acceptances other than such obvious buyers as city and country banks, insurance companies, savings banks, and other financial organizations. Among the purchasers were the following:

- Salt, iron and petroleum companies in California.
- A creamery and a telephone company in Colorado.
- A hospital and various manufacturing plants in Connecticut.
- Cotton mills in Georgia.
- Many concerns in Illinois, ranging from publishing houses to manufacturers of screen doors.
- A lumber mill in Indiana.
- Elevators and milling companies in Kansas.
- Manufacturing concerns and municipal finance boards in Maine.
- An athletic club in Maryland.
- A linseed company in Minnesota.
- Coke and chemical concerns in Missouri.
- Butchers, laundrymen, and a boys' club in New York.
- A varied range of buyers from steel companies to sanitariums in North Carolina.
- A brewery and a coal miners' mutual association in Pennsylvania.
- A Utah candy company.
- Texas cotton companies.
- A feed store in West Virginia.
- A dairy farm in Wisconsin.

Also, scattered throughout the country, trustees of Protestant churches, Bishops of Roman Catholic dioceses, the Salvation Army, colleges large and small, lodges of Elks and other fraternal and welfare organizations.

Also, besides the very large purchases of bills by foreign Governments and by foreign banks having branches in this country, many foreign banks in cities as widely separated as Constantinople and Tokio, as well as many individuals in England, Switzerland, Holland, and other foreign countries.

This growing demand for bankers acceptances is a desirable development and indicates the increasing participation of individual business men and investors in the work of financing American foreign trade.