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, March 1st, 1921.

Credit Conditions

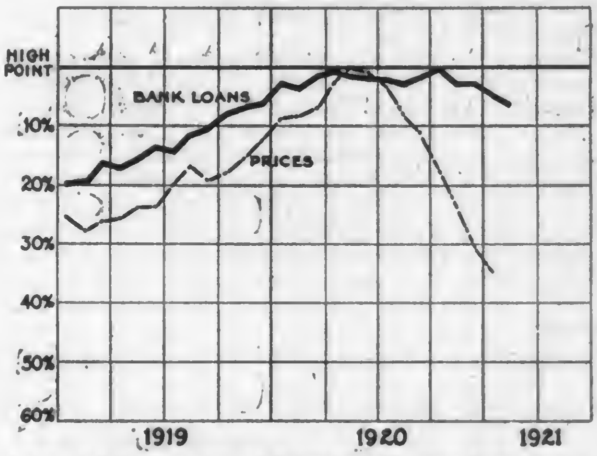
COMMODITY prices, bank loans, and bank deposits continued to decline during February, maintaining the process of readjustment which has been going on for several months. But the degrees of decline which prices, loans, and deposits have registered from their highest points are very unequal. These differences have a direct bearing upon credit conditions in this district at this time.

The changes which have taken place are as follows:

Prices—Department of Labor index of wholesale prices for the month of January showed a decline from the high point reached in May, 1920, of......	35 per cent.
This bank's index of wholesale prices of twelve basic commodities showed a decline on February 19 from the high point reached on May 17, 1920, of ...	48 per cent.
Loans—Total loans of all Federal Reserve Banks showed on February 18 a decline from the high point reached on October 15, 1920, of	18 per cent.
Total loans of the Federal Reserve Bank of New York showed on February 18 a decline from the high point reached on February 27, 1920, of ...	18 per cent.
Total loans of 829 member banks in principal cities throughout the country showed on February 11 a decline from the high point reached on October 15, 1920, of..............................	7 per cent.
Total loans of 72 member banks in New York City showed on February 11 a decline from the high point reached on October 10, 1919, of	12 per cent.
Deposits—Total deposits of 829 member banks throughout the country showed on February 11 a decline from the high point reached on January 16, 1920, of	7 per cent.
Total deposits of 72 member banks in New York City showed on February 11 a decline from the high point reached on September 19, 1919 of......	18 per cent.

That this bank's index of wholesale prices for basic commodities has declined somewhat further than that of the Department of Labor is owing largely to the fact that it covers only twelve commodities as against about 325, and that among the latter are not only raw materials but articles which have passed through one or more processes of manufacture involving successive labor costs. Moreover this bank's index comes up to a slightly later date.

Both of these indices, however, register a decline of prices which is from twice to three times the percentage decline in the volume of loans, not only of the Federal Reserve Bank of New York, but of all twelve Federal Reserve Banks. The Federal Reserve Bank loans in turn show considerably larger percentage declines than do the loans of member banks, both in the country as a whole and in New York City. This inequality between the decline of prices and the decline of bank credit, particularly as the latter is shown in the loans of member banks, is a direct reflection of the use to which credit has been put in recent months. The very rapidity of the fall of prices, particularly during the last three months of



Loans and Investments of Reporting Member Banks in the United States, and Wholesale Commodity Prices in Percentages Below Figures for the Highest Point Reached in 1920

1920, has required the continued use of credit for the protection of farmers, manufacturers, and merchants. If they had been forced for purposes of liquidation to throw their stocks on the market at one time, they would have been obliged to face a situation far more serious than any that developed, and the prices which they would have realized would have been far lower than the prices which actually prevailed.

It is entirely natural that Federal Reserve Bank loans at this time should show a greater percentage decline than do those of member banks. Bankers have found it advantageous to use surplus funds to pay off loans at the Federal Reserve Bank, as funds became available, and such slack as has developed in the volume of credit has naturally been taken up in the Federal Reserve system.

The deposits of member banks, taken the country over, have declined in much the same proportion as their loans, thereby conforming to the general banking principle that loans and deposits tend to rise and fall together. But the loans and deposits of New York City banks at this time show no such close relation. This is due in great measure to the fact that there has been a marked tendency for loans to shift from other parts of the country to New York, the financial centre. As pressure to liquidate has increased in other Federal Reserve districts upon banks, corporations, and individuals, a growing demand for loans has been manifested in New York, from those districts. Much of this demand has been upon banks of large resources in New York City doing a nation-wide business. Not only have they given accommodation in large amounts to banks and corporations in other parts of the country, but the balances which banks ordinarily keep with them have been drawn down. From January 1 to February 19 the deposits of the leading New York City banks declined $515,000,000, of which about $110,000,000 represents the drawing down of deposits in New York City by out-of-town bank correspondents, and is in addition to the accommodation New York City banks have given to banks and corporations in the interior.

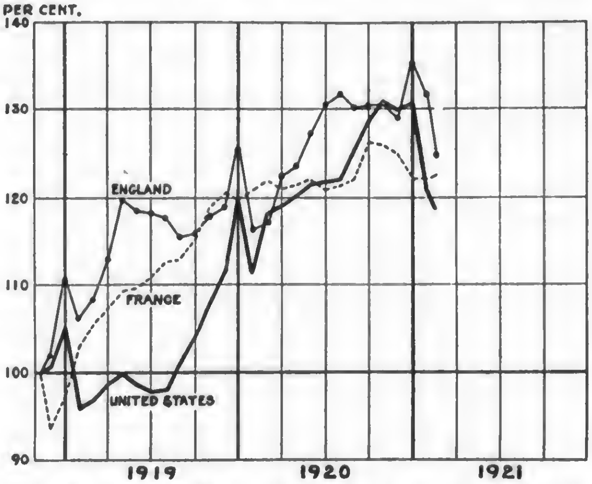
An important factor in the decline in loans both in New York City and in the country as a whole is found in the reduction of loans secured by United States war obligations. Such loans in New York City banks declined from $600,000,000 on January 2, 1920, to $336,000,000 on February 11, 1921, and in the banks of principal cities throughout the country declined from $1,323,000,000 on January 2, 1920, to $796,000,000 on February 11, 1921.

In part this decline was accelerated by the development of an active outside market for certificates of indebtedness, where all outstanding issues are now quoted at or above par. The discontinuance on February 5 by the Federal Reserve Bank of New York of its preferential rate on paper secured by certificates of indebtedness affected neither the success of the February 15 issue nor the position of outstanding issues in the market, thereby establishing their independence of Federal Reserve Bank support. On February 18 the volume of certificates pledged with all Federal Reserve Banks had declined to $128,000,000, against a total of $2,484,000,000 outstanding.

Note Circulation

The accompanying diagram shows the amount of Federal Reserve notes, Bank of France notes, and Bank of England notes plus currency notes, in circulation at the end of each month since the Armistice up to the middle of February, 1921. The figures for France and England represent practically the entire note circulation of those countries, and those for the United States about 64 per cent. of the total paper money circulation, but nearly the entire fluctuating element.

On February 18 the Federal Reserve notes in circulation of all Federal Reserve Banks showed a decline of $367,487,000 or 10.8 per cent. from the high point of



Note Circulation in Three Countries in Percentages of Figures at the Armistice

Bank Deposits and Loans
(In Millions)

Date	Reporting Banks in New York City*			Reporting Banks in all Districts*		
	Total Deposits†	U. S. Securities and Loans Thereon	Total Loans and Investments‡	Total Deposits†	U. S. Securities and Loans Thereon	Total Loans and Investments‡
1921						
Feb. 11	4,475	683	5,314	13,610	1,865	16,118
Feb. 4	4,541	687	5,387	13,679	1,891	16,267
Jan. 28	4,558	707	5,377	13,707	1,916	16,297
Jan. 21	4,705	726	5,449	13,883	1,960	16,439
1920						
Feb. 13	5,017	1,031	5,651	14,209	2,694	16,721
1919						
Oct. 10	5,397	1,550	6,010 (high)	13,699	3,500	15,944

* Between February 13, 1920 and February 11, 1921, New York City reporting banks increased from 71 to 72, and reporting banks throughout the country from 804 to 832. † Including Government Deposits. ‡ Including rediscounts.

$3,404,931,000 reached on December 23, 1920. Both English currency notes and Bank of England notes have continued to decline and on February 16 the total reduction in the sum of these notes from December 22, 1920 was £39,508,000 or 8.2 per cent. Notes of the Bank of France at the last report stood 1,574,000,000 francs or 4.0 per cent. below the high point on November 4, 1920.

Interest Rates for 90 Years

The accompanying diagram shows for a period of 90 years the interest rates on prime two-name 60 to 90-day commercial paper. The vertical line plotted for each year indicates the range between the rates prevalent in the highest month of the year and those prevalent in the lowest month. The average rate for each year is indicated by a circle.

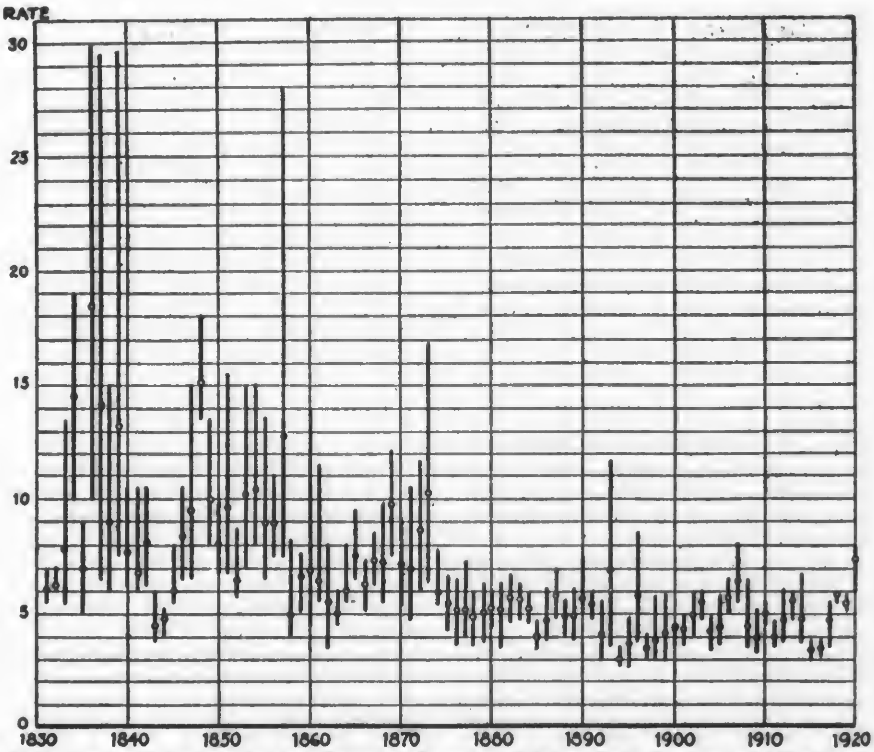
The 8 per cent. rate, which ruled through several months of 1920, was touched in recent years in 1893, 1896, and 1907. In each of these years, however, the high rates continued for a shorter period than in 1920 and the annual average was lower. The 1920 annual average, 7.35, was higher than that of any year since 1873.

The diagram is based upon figures compiled by Professor F. R. Macaulay of the National Bureau of Economic Research.

The Bill Market

The firmer money market in late January slowed down the demand for bills, and in the final week of January dealers' sales were the smallest since early fall. At the same time there was a substantial increase in the supply of bills. As a result, dealers gradually advanced their offering rates until by the second week of February, New York member bank 90-day bills were offered at 6⅛ per cent., ⅜ per cent. above the level of mid-January, but still ⅛ of 1 per cent. below the rate at the beginning of that month. The shorter maturities were advanced from 5⅝ to 5⅞ and 6 per cent. These higher rates resulted in a freer movement of bills, and as the money market relaxed somewhat in stringency, rates for New York member bank 90-day bills declined in the latter part of the period to 6 per cent.

Dealers reported that the number of new customers was still increasing, and that sales were widely distributed throughout the country. Bills drawn were principally for the purpose of furnishing dollar exchange or in connection with movements of grain, cotton, sugar, coffee and metals. In February, a decrease in cotton and grain bills was reported, and an increase in four months' bills from the Orient. The minimum buying rates of the Federal Reserve Bank for endorsed New York member bank bills remained unchanged at 5¾ to 6 per cent., according to maturities.



High, Low, and Average Interest Rates on Commercial Paper Each Year from 1831 to 1920

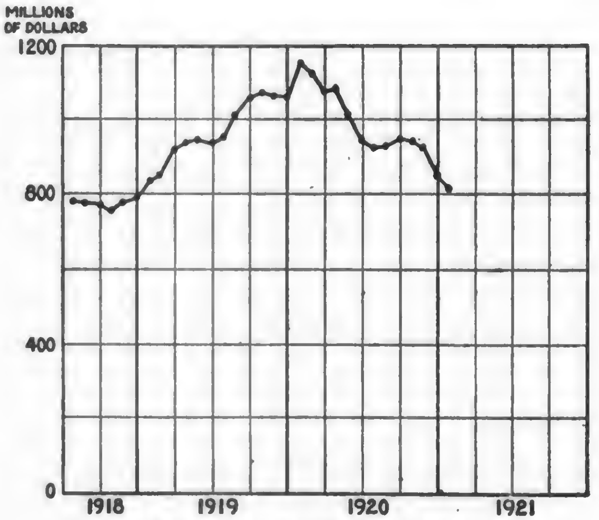
Commercial Paper

The ruling rate for commercial paper remains at 7¾ per cent., though for a time prior to the end of January there was a tendency for it to decline to 7½. At the close of the month, however, shorter supplies of money caused the ruling rate to revert to 7¾, in common with firmer rates on other classes of investment paper.

Dealers report that financial statements of borrowers were generally better than they had had reason to expect. It was their opinion that borrowers whose statements were not yet of a sort to recommend their paper, were seeking accommodation elsewhere, pending the completion of the process of liquidating stocks. For some time the supply of choice and new names has been inadequate to the demand, even at rates well below the ruling rate.

Banks in New York City and other financial centers, being generally borrowers from the Federal Reserve Banks, remain practically out of the commercial paper market, and country banks continue to be the principal buyers. Dealers report that the demand does not come from any particular section of the country, but that it reflects rather the condition of individual banks.

The diagram printed below shows that the volume of commercial paper outstanding has continued to decrease. The diagram is based on reports to this bank from dealers who represent a large majority of the business done in the country.



Commerical Paper Outstanding—11 Dealers

Stock Market Money Rates

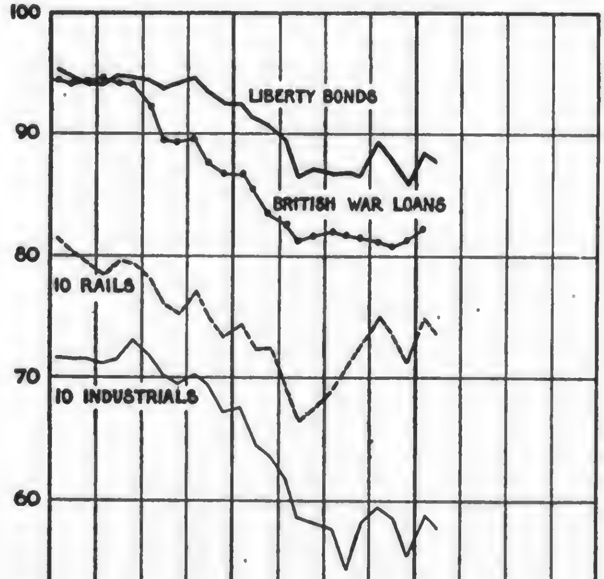
Coinciding with heavy demands for funds upon this center by interior banks, Stock Exchange call money rates rose to the highest figures in over two months. Call loans, which had been quoted in mid-January at 6 per cent. on the Stock Exchange, and as low as 4 per cent. in the outside market, advanced to 7 per cent. in the last week of January, and to 9 per cent. the first week of February, with renewals at 8 per cent. There were then indications of a return flow of funds towards New York, and in the last week of the period renewals declined to 7 per cent. and the closing rate fell to 6 per cent.

The time money rate moved in the same general manner as the call rate. During January, quotations rose from a range of 6 to 6½ per cent. to a range of 6½ to 7½ per cent. In the third week of February the market became slightly easier at 6½ to 7 per cent. As in previous months, little business was transacted.

Bond Market

Recurrence of higher money rates, and the heavy output of new high yield securities, halted the first-of-the-year rise in the bond market, and prices turned downward on a diminishing volume of trading. The reaction generally was gradual and the average price of forty representative issues on February 20 was only a little more than 1 point below the high level reached in January. Railroad bonds declined somewhat more than the general average, particularly issues of roads in a less favorable position. Industrial bonds were only moderately lower, while tractions, though active and extremely irregular, closed near the high levels reached in January, reflecting expectation of legislative action looking toward a solution of New York City transit difficulties. With some easing in money conditions about the middle of February, bond prices became steadier.

Foreign government bonds were stimulated at first by the successful sale of the new Belgian 8s, but later declined in sympathy with the corporation list. Japanese



Average Monthly Bond Prices

and Mexican issues were exceptions. The former, payable in sterling, though at a fixed rate of exchange, showed the sentimental effect of the rise in British exchange, while Mexican issues were bought on possibilities that steps might be taken to restore Mexico's external credit.

January trading in corporation and miscellaneous bonds on the New York Stock Exchange totaled $120,000,000. This was a decrease compared with the heavy trading of December, but nearly equal to that of October and November, and an increase of 64 per cent. over January a year ago. The middle of January was the most active period, and by the middle of February trading had fallen off nearly one-half.

The diagram on page 4 shows the average monthly prices on the New York Stock Exchange of 10 high grade rails, 10 industrials, and war bonds of the United States compared with prices of British war bonds on the London market.

United States Securities

Liberty bonds, in common with corporate bonds, have declined from the high levels reached the third week in January. The 4¼ per cent. issues declined 1¾ to 2½ points, but subsequently recovered fractionally. Victory notes have held closely around the highest prices since April, 1920.

January trading in Liberty bonds and Victory notes on the New York Stock Exchange was in the smallest volume since September. Sales totaled $180,000,000, a decrease of 55 per cent. from the heavy total of December, and 39 per cent. from sales in January a year ago.

The February 15 issue of Treasury certificates of indebtedness, running five months at 5½ per cent., was largely oversubscribed. Total subscriptions received amounted to $219,000,000, of which $81,000,000 were from this Federal Reserve district. Subscriptions allotted were $133,000,000 of which $50,000,000 were from this district. Prior to the announcement of the offering, the Federal Reserve Bank of New York discontinued its 5½ per cent. preferential discount rate on paper secured by Treasury certificates of indebtedness, establishing a 6 per cent. rate in its stead. The new rate is identical with that charged on paper secured by Liberty bonds and Victory notes. The large oversubscription of the new issue and the fact that all outstanding issues are quoted in the open market at or above par, show that certificates of indebtedness are now independent of the support of the Federal Reserve Bank discount rate. Bid and asked prices for certificates are now for the first time being quoted currently in the daily newspapers.

New Financing

The market for new securities was more active in the four weeks ended February 20 than for some months past. Total offerings amounted to more than $400,000,000. In the earlier part of the period interest rates tended lower, and several prime railroad and industrial issues were oversubscribed, the yield basis of which was about ¼ to ½ per cent. below the minimum for comparable offerings a year ago. Some of these issues, however, under heavy pressure of new business and generally firmer money rates, fell below their offering prices. The later issues were less well taken and the yield basis was higher.

Foreign government borrowings increased. They included $30,000,000 of bonds of the Kingdom of Belgium, a $15,000,000 Danish Cities Consolidated loan, and $24,000,000 of bonds of the Republic of Chile. These issues will mature in twenty to twenty-five years, bear 8 per cent. interest, and were offered on a basis to yield from 8 per cent. to over 8¼ per cent.

January corporate financing, both railroad and industrial, amounted to $257,000,000, which was above the average monthly sales in the last half of 1920, but was 24 per cent. below the sales in January a year ago. Notes and bonds continued largely to exceed stock issues. It is estimated that about 25 per cent. of January financing was to pay off maturing obligations.

Stock Market

The stock market in February passed into a period of dulness and irregular price changes. Both industrial and railroad stocks, however, held the greater part of their January gains, and the market was little affected by higher money rates early in February, unfavorable reports regarding railway earnings, and further indications of price readjustment in industry. What little pressure developed appeared to be largely of professional origin.

Trading between January 20 and February 20 diminished to the smallest volume since October. Sales averaged about 2,600,000 shares a week, or less than half the weekly average of December.

Gold Movement

Gold imports in January were $38,200,000, a total smaller than in any month since August, 1920. Of that amount $22,300,000 came from England, $4,700,000 from France, and $2,000,000 from Japan. For many months prior to this time Japan has been drawing large amounts of gold from the United States. Exports in January were $2,700,000, chiefly to Mexico. The excess of imports over exports was nearly the same as the excess of exports over imports in January a year ago.

A preliminary estimate by the United States Bureau of the Mint and the Geological Survey places the country's gold production in 1920 at $49,509,400, a decrease of $10,824,000 from that of 1919.

Foreign Exchange

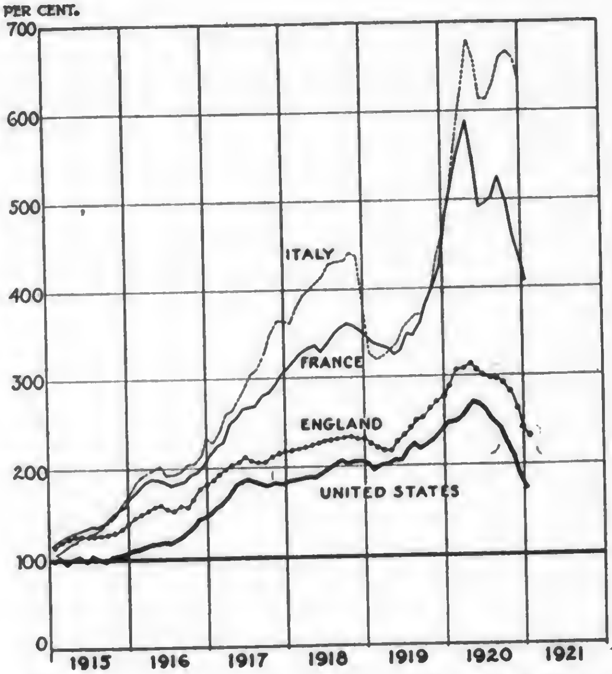
Sterling exchange continued to advance during the latter part of January and the first two weeks of February and the rate reached 3.92 on February 16, the highest quotation since last July. The continued rise was due principally to the restricted offerings of commercial bills. Other influences were the continued decline in British prices and the progress of negotiations concerning the German indemnity. First reports of German opposition to the proposed indemnity had a depressing effect upon exchange rates but the market strengthened on the announcement that the German Government had accepted the invitation to participate in the reparations conference next month. A somewhat depressing influence on the market during the past week was the intimation by Mr. Chamberlain that Great Britain intended to meet the interest on her American debt during the current year.

Continental exchanges have closely paralleled sterling during the greater part of the period. Downward tendencies have been counteracted by light offerings of commercial bills. The advance in lire, however, has been less than the advance in either francs or sterling. Chinese rates have been steady in spite of high stocks of silver and scarcity of export bills. Rupee exchange has been dull and listless.

The following table shows the high, low, and closing rates of principal exchanges for the period from January 25 to February 19.

Country	High	Low	Last	Per cent. Depreciation from Par
England	3.9213	3.7863	3.8525	20.8
France	.0748	.0681	.0710	63.2
Italy	.0376	.0358	.0364	81.1
Spain	.1422	.1342	.1390	28.0
Germany	.0183	.0144	.0159	93.3
Switzerland	.1667	.1571	.1648	14.6
Sweden (Stockholm)	.2260	.2150	.2220	17.2
Holland	.3450	.3313	.3425	14.8
Belgium	.0779	.0714	.0741	61.6
Argentina	.3563	.3437	.3511	17.4
China (Hong Kong)	.5550	.4800	.4863	*
China (Shanghai)	.7475	.6500	.6538	*
Japan (Yokohama)	.4838	.4838	.4838	2.9
Canada	.9063	.8613	.8656	13.4
Bar Silver in N. Y.	.6750	.5800	.5763	....

*Silver Exchange Basis.



Wholesale Commodity Prices in Four Countries in Percentages of Average Prices in 1913

Foreign Trade

Exporters here report that in some lines foreign customers are showing a slightly increased disposition to buy. This applies particularly to commodities which were among the first to show a decisive price readjustment. Recently inquiries for cotton goods, leather, dry goods, and general merchandise, have been more numerous, and a moderate proportion of these inquiries have developed into orders.

On the other hand, the demand for iron and steel products remains inactive, and is confined largely to rails and structural materials for projects already under way.

Indices of Wholesale Prices

Country	Latest Quotation(1)	Per Cent. Change During			Per cent. Decline from high	Date of high
		Nov.	Dec.	Jan.		
United States:						
12 basis commodities (2)	125.9 (Feb. 19)	−14.3	− 6.7	− 4.5	48.1	May 17
Dept. of Labor	177 (Jan. av.)	− 8.0	− 8.7	− 6.3	34.9	May
Dun's	153.7 (Feb. 1)	− 6.8	− 6.2	− 6.5	29.4	May 1
Bradstreet's	134.3 (Feb. 1)	−13.1	− 7.0	− 2.3	40.7	Feb. 1, 1920
Great Britain:						
Economist	208.6 (Feb. 1)	− 8.1	−10.2	− 5.2	32.7	Apr. 1
Statist	231.6 (Feb. 1)	− 6.7	− 7.4	− 4.8	25.9	May 1
25 basic commodities (2)	193.3 (Feb. 19)	− 7.1	− 9.9	−10.6	44.0	Mar. 12
France	406.3 (Jan. av.)	− 8.2	− 5.6	− 6.6	30.9	Apr.
Italy	635.4 (Jan. 1)	− 1.1	− 3.4	......	6.4	May 1
Japan	205.5 (Dec. av.)	− 1.9	− 7.1	......	36.0	Mar.
Canada	207.6 (Jan. 15)	− 4.2	− 4.5	− 3.2	21.1	May 15
Sweden (3)	267 (Jan. 15)	− 4.3	− 9.7	−10.7	28.2	Dec. 15, 1918
Australia (4)	197 (Dec. av.)	− 3.3	− 5.3	......	16.5	Aug.
Calcutta (5)	180 (Jan. 1)	− 5.8	− 7.2	......	17.4	Feb. 1, 1920
Norway	370 (Jan. 1)	− 3.7	− 9.4	......	14.6	Oct. 1
Netherlands	260.5 (Nov. av.)	− 8.1	....	......	34.6	1918
Germany (6)	139 (Jan. 7)	+ 5.5	− 9.2	......	9.2	Dec. 1
Denmark (7)	341 (Jan. 1)	− 7.2	− 8.8	......	15.4	Nov. 1

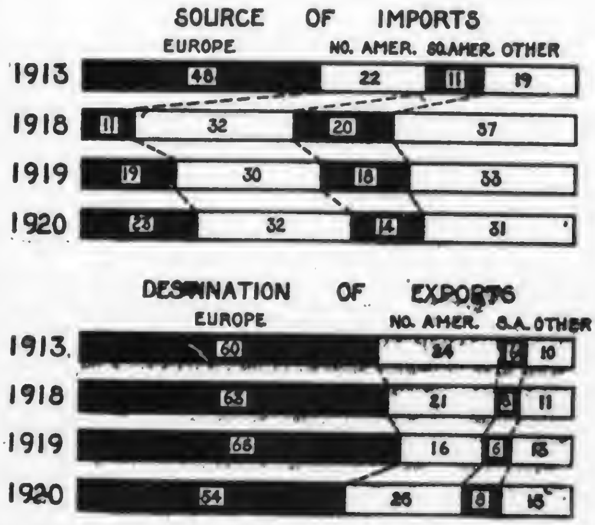
1. All indices have been converted to 1913 base unless otherwise stated. 2. Computed by this bank. 3. July 1, 1913 to June 30, 1914=100. 4. July 1914=100. 5. End of July 1914=100. 6. January 1, 1920=100. 7. July 1912 to June 1914=100.

An important development of the past thirty days was the suspension of work on the Havre-Paris oil pipe line, causing the return of a large amount of material to the market, much of which is being diverted to Mexico. The call for machinery, which has held up more steadily than for most other steel products, has lately decreased markedly. Due to the present dulness, a number of steel export firms have decided to cease operations, and some general export merchants have closed their iron and steel departments.

American wheat, which has been a large part of the country's exports during the past year, is now being undersold by Argentine offerings. There have even been reports of attempted cancelations of American contracts. Corn was more actively bought, and there was a larger demand for flour.

Cotton shipments were in substantial volume but less than those of previous months. January exports totaled 606,002 bales, a decrease of 23 per cent. compared with December and of 34 per cent. compared with the large total of January a year ago. These shipments are said to be largely in fulfillment of old contracts, as for several months new buying has been light. The British, French, and Japanese markets continue much depressed, and inability to find a means of obtaining payment has prevented business with Central Europe where there has appeared to be real need for cotton.

A project is now under way, however, to ship 15,000 bales to manufacturers in Czecho-Slovakia. According to the arrangements, the cotton is to be shipped to their mills, which will make it into finished cloth, and the manufacturers will be paid in raw cotton. It is then planned to dispose of the finished goods in European markets. The financing of the transportation of the cotton from this country is being undertaken by Edge Act Corporations in New York and New Orleans. Should this initial venture prove successful, it is expected that a substantial amount of cotton may be disposed of in this way.



Per Cent. of Total Imports Received from Different Continents; and Per Cent. of Total Exports Shipped to Different Continents

Payments by foreign buyers remain slow, owing to the disturbed exchange conditions. In the South African trade, however, definite improvement appeared when London banks decided to advance 85 per cent. on bills on South Africa, instead of the 50 per cent. which had been the rule since November. This is said to reflect a larger movement of wool from South Africa, at least a part of which is understood to be going to Germany.

Direction of Foreign Trade

The diagram below brings into comparison the direction of the foreign trade of this country during the past three years and in 1913. It is shown that an important change has occurred in the sources of imports, but that there has been comparatively little variation in the direction of exports.

Domestic Prices

The Department of Labor index number of wholesale prices for January shows a decline of 6.3 per cent. from the December figure, compared with an 8.7 per cent. decline in the preceding month. In the movement of the different groups of commodities making up the index number there is further evidence of a tendency towards a leveling of prices. The range between the index numbers representing the prices of the highest and the lowest groups has been reduced from 202 points to 147 points, and there is a general tendency for all the elements of the index to come together. The principal changes are in the house furnishing group which is down 18 per cent. and the lumber and building materials group which shows a decline of 10.2 per cent. Both of these groups had been slow in following the downward movement. The movement of prices for these two groups is particularly important because of their influence on building operations. The latest levels for the different groups are shown in the following table:

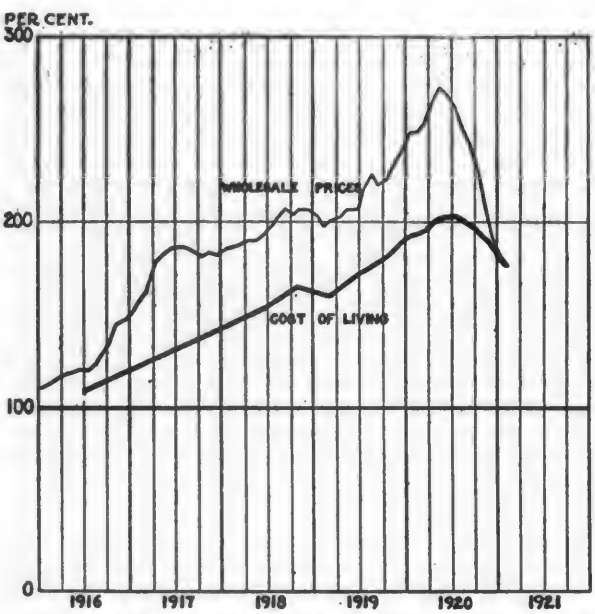
Commodity Group	Latest levels	Per cent. decline from high	Per cent. decline Dec. to Jan.
Farm products	136	44.7	5.5
Metals and metal products	152	22.1	3.2
Foods, etc	162	43.5	5.8
Chemicals and drugs	182	18.0	3.2
Miscellaneous	190	23.1	7.3
Cloths and clothing	208	41.6	5.5
Fuel and lighting	228	19.7	3.4
Lumber and building materials	239	29.9	10.2
House furnishings	283	23.7	18.2
All items	177	35.0	6.3

Food and farm products show the greatest declines and prices in the farm products group are now only 36 per cent. above 1913 levels.

Changes in wholesale prices as reflected in retail prices are shown in the index for the cost of living compiled by the National Industrial Conference Board. This index declined 2.7 per cent. during January compared with a decline of 4.6 per cent. during December. The January decline brings the index number to a point almost exactly as high above the 1914 level as are wholesale prices. The movement of the two indices is shown in the accompanying diagram. The cost of living figures, which include the slow moving item of rent, never rose as high as wholesale prices, and consequently have not shown as great a reduction.

The February 1 levels of the different elements making up the cost of living index number are shown in the following table in percentages of the figures for July, 1914.

Group	Latest Level	Per cent. decline from high	Per cent. decline during January
Food	172	21.5	3.4
Shelter	166	0.0	0.0
Clothing	174	39.6	7.0
Fuel and Light	198	1.0	1.0
Sundries	190	1.0	1.0
All items	176	13.8	2.7



Wholesale Prices and the Cost of Living in Percentages of Figures for July, 1914

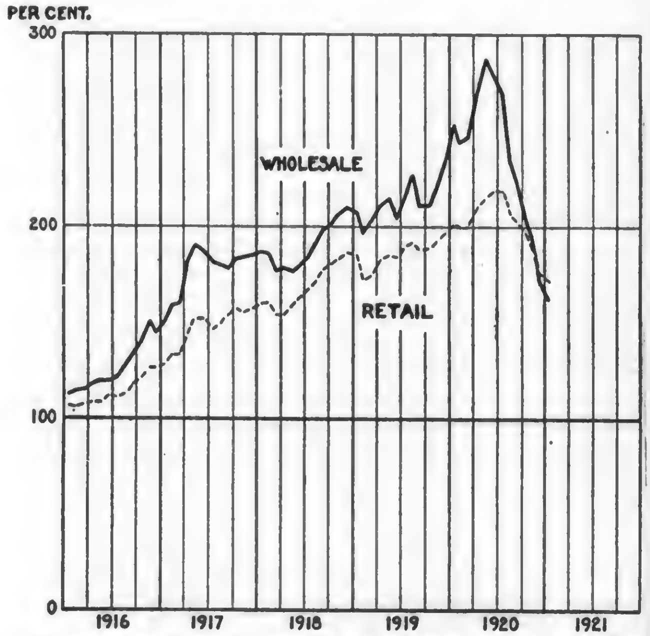
Wholesale and Retail Food Prices

With the exception of grain, the price of food in New York wholesale markets has continued to decline during February. The price of eggs fell from 75 cents a dozen on January 18 to 43 cents on February 18, and vegetables, which arrived in this market in large quantities during the month, were offered in some instances at prices barely sufficient to cover transportation charges. The price of butter was also lower, due to increased receipts.

There was little change in sugar and coffee quotations. Sugar is now about 70 per cent. below the high price reached last summer and coffee about 58 per cent. Lard is lower than a month ago, but both beef and pork show small advances.

Adverse crop reports and an increased demand for the coarser cereals caused an advance in wheat, corn and oats, although the recovery in wheat was not sufficient to offset the decline in the latter part of January. Flour, however, was somewhat cheaper, declining 50 cents to $10.00 a barrel during February.

In the past few months retail food prices have followed wholesale prices closely. The Department of Labor publishes each month an index number for the wholesale price of food in the United States based upon quotations for 54 articles, and an index number for retail food prices based upon quotations for 22 articles. The course of the two indices is shown in the accompanying diagram. In the upward movement advances in wholesale prices were followed by advances in retail prices only after a lag of from three months to a year. Retail prices never reached as high a point as did wholesale prices. In the decline, however, retail prices have followed wholesale prices with much less delay.



Wholesale and Retail Prices of Food in Percentages of Average Prices in 1913

Purchasing Power

In recent months there have been important changes in the purchasing power of different groups of the population. Those who receive a fixed income have enjoyed considerably increased buying power because of the decline in prices. Included in this group are persons receiving regular salaries in public service, in business, and in professional occupations. Such salaries in the main did not increase correspondingly with the income derived by other groups, and in many cases they did not reflect the increases in the cost of living and are not now reflecting the decline.

Among office workers and store employees there has been no concerted lowering of wages. That there has been some unemployment is indicated by the larger number of applicants for positions at stores, banks and offices. The surplus, however, has not reached large proportions.

In the factories of New York State the average weekly earnings of workers in January were little less than during the summer of 1920, when earnings were at their highest. While wage reductions have occurred in many plants they have not been sufficiently widespread to effect in marked degree the average wage level. In the meantime the cost of living has fallen about 14 per cent. and many workers who are still employed have a margin of income greater than ever before. A high percentage of unemployment has reduced purchasing power less than that figure indicates because a considerable part of the unemployment is seasonal and normally anticipated by the workers.

With the farmer the case is quite different. The value of his crops has on the average fallen faster than general prices and the cost of living. The money value of the 1920 corn, wheat, and cotton crops is little more than half their 1919 value. Against this loss must be balanced the fact that the farmer discounts his own losses to some extent by consuming a part of his own product. In spite of compensatory elements the purchasing power of the farmer is less this year than last.

A measure of the purchasing power of urban and rural communities is found in the sales of department stores and mail order houses. Sales of department stores in cities of this district in January, 1921 were in money value 5 per cent. below those in January, 1920, and when price changes are taken into consideration it is clear that the volume of goods sold was larger. On the other hand sales of mail order houses in the middle west which serve rural communities show after allowance is made for price changes, decreases of between 20 and 30 per cent.

Detailed statements of wages, employment, and retail sales appear in succeeding paragraphs.

Employment and Wages

Following a fairly continuous decline since last March in the number employed in industry in New York State, preliminary estimates for February indicate no appreciable decrease from January. Decreases in a number of occupations have been offset by normal seasonal increases and by the resumption of active operations in certain industries after a period of stagnation.

Decreases during February were chiefly among employees of railroads, express and trucking companies, longshoremen, freight handlers, dock workers and seamen, of whom many have been made idle because of the growing number of ships laid up at this port. There have also been some decreases among workers in the building trades.

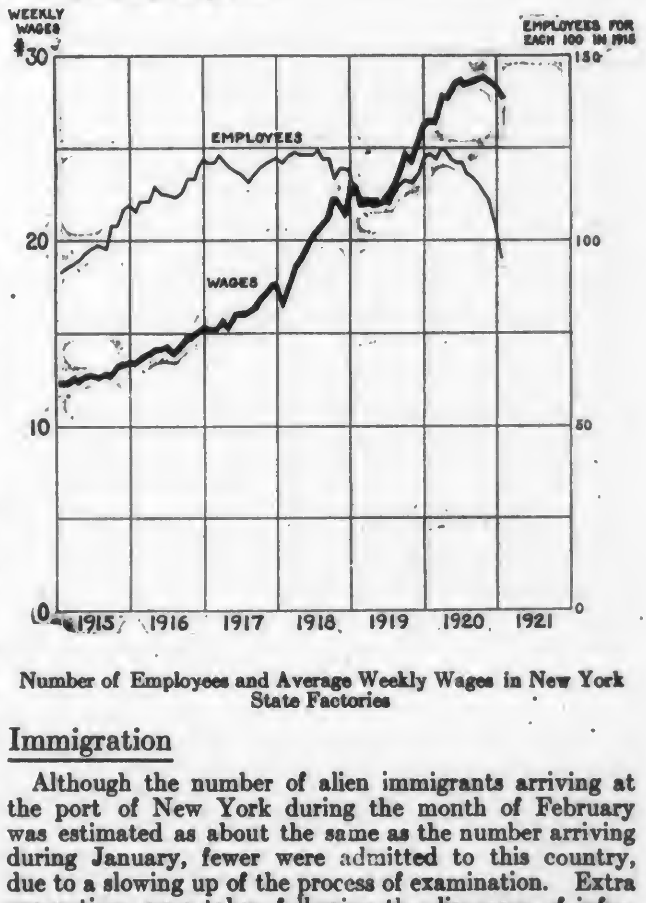
On the other hand there were important increases in the number of workers in the textile and clothing industries. Silk mills in Paterson employed additional workers and mills in New York up-State centers manufacturing shoes, hosiery and underwear, which had been closed for several months, were reopened. There was a seasonal increase in the clothing trades, although activity in New York City has been limited this year by labor disputes. In addition there have been slight increases in the printing trades. The New York Telephone Company reports that the number of applicants has recently been large enough to fill all needs.

Although there were 25 per cent. fewer persons employed in industry in this district during January than there were in March, 1920, there have been comparatively few indications of distress. Charitable organizations in New York City report that the number of applications for assistance this winter because of unemployment have not been extraordinarily large and that the number of such applications has shown a gradual decrease since the middle of January.

The absence of any heavy demand for relief is explained in part by the fact that a large proportion of the 25 per cent. decrease in employment is purely seasonal. The normal seasonal variation is about 15 per cent. from the average of the highest month of employment to the average of the lowest month. Moreover, the cost of living has declined, and high wages among factory workers have been maintained until recently.

The New York State Industrial Commission reports that the average weekly wage of factory workers in this State during January was $27.61, a decrease of 4.6 per cent. as compared with the highest average, $28.93, in October. The decline during January was the largest of any month thus far and February figures are likely to show a further reduction as a number of mills announcing wage cuts resumed operations after being idle during January.

The trend of employment and wages as reported by the New York State Industrial Commission is plotted on the accompanying diagram.



Number of Employees and Average Weekly Wages in New York State Factories

Immigration

Although the number of alien immigrants arriving at the port of New York during the month of February was estimated as about the same as the number arriving during January, fewer were admitted to this country, due to a slowing up of the process of examination. Extra precautions were taken following the discovery of infectious diseases on a number of incoming vessels, but after passing rigid physical tests immigrants continued to be admitted.

Arrivals during January were less than those for December and net increases for both months were considerably below the pre-war monthly average, as shown in the following table:

Month	Arrivals	Departures	Net Increase
Monthly average 1910 to 1914	63,316	18,082	45,234
December, 1920	67,310	31,000	36,310
January, 1921	56,465	37,442	19,023

High passage rates for third-class passengers continue, but the demand for third-class accommodations has remained so high that several steamship companies recently have refitted vessels to carry that class of passengers exclusively.

Retail Trade

Figures submitted to this bank by 27 representative department stores in this Federal Reserve district show that retail sales during January were 5.3 per cent. below those of the corresponding month in 1920, and preliminary reports of February sales indicate that they also are slightly below those of February, 1920. When allowance is made for price changes it is probable these sales represent a total volume of merchandise larger than that sold in the corresponding months last year.

Supplementary data submitted by 15 stores show that there were 7.1 per cent. more transactions than in January, 1920. The actual increase in volume of sales may be even greater than is indicated by the number of transactions as there is a tendency on the part of the public to buy more articles at each purchase as prices become lower. One large store reports that in January, 1920, the average number of pairs of hosiery sold at each transaction indicates that the purchaser of two pairs a year ago now buys three.

Changes from January of last year in the dollar value of stocks, as shown in the table below, are partly due to the decline in prices, and the volume of merchandise on hand is reported to be at least equal to what it was at that time.

Merchants report that competition is much more intense than it was a few months ago and they are selling at a smaller profit and keeping goods in stock a shorter time. This is shown by the percentage of total stocks on hand to net sales which indicates a present turnover of stock at the rate of about four times a year.

Outstanding orders are about 7 per cent. below what is normal at this time of year. Usually orders placed at the end of January amount to about 12 per cent. of the year's purchases, as merchants buy a large proportion of spring merchandise during that month for later delivery.

Cotton and Cotton Goods

The January revival of buying in the cotton goods market was not continued into February. There was a decrease in both the number and size of orders placed. Prices which had advanced slightly in late January reverted to the levels of early January, which were about 60 to 70 per cent. below the high prices of last spring and about twice as high as in 1914. Neither buyers nor manufacturers have as yet been willing to contract for deliveries beyond April on this price basis.

During the active buying of January a majority of the mills received enough orders to keep them occupied for one or two months. The increase in operations is shown by an increase in cotton consumption in January of about 24 per cent. over consumption in December. It is probable that February figures will show a still further rise as many mills have reopened during the month. January consumption was 38 per cent. less than the amount consumed in January, 1920.

During February the price of raw cotton reached new low levels for the present movement, and New York spot cotton fell as low as 13.20. Increased consumption and steadily advancing foreign exchange rates, factors that ordinarily would cause an advance, were offset by increasing stocks on hand, by decreasing exports, by the reluctance of large buyers to place forward orders, and by the somewhat freer offering of cotton by Southern growers. The Department of Agriculture estimates that the world's carry-over of cotton on July 31 next, the end of the 1920-21 cotton year, will be more than 10,000,000 bales, the largest in history.

The amount of stocks on hand in the United States on January 1, has been as follows:

Year	Bales
1921	6,882,375
1920	6,000,911
1919	6,422,809
1918	5,387,207
1917	6,494,387
1916	7,048,699
1913	4,842,602

Business of Department Stores

	New York City Incl. Brooklyn	Elsewhere in Second District	Second District
Number of firms reporting	12	15	27
Per cent. change in net sales during January, 1921, compared with net sales during January, 1920	-6.5	-1.5	-5.3
Per cent. change in number of transactions in January, 1921, as compared with number of transactions in January, 1920 (15 firms reporting, 8 in New York City)	+5.1	+12.5	+7.1
Per cent. change in stocks at the close of January, 1921, compared with stocks at close of January, 1920	-9.5	-20.0	-12.0
Per cent. change in stocks at the close of January, 1921, compared with stocks at close of December, 1920	-8.1	-6.1	-7.6
Percentage of stocks at close of January, 1921, to net sales during that month	315.8	351.3	325.0
Percentage of outstanding orders at close of January, 1921, to total purchases during calendar year 1920	5.5	4.1	5.1

Wool and Woolen Goods

In normal years buying of woolen goods for the spring season is completed in January, but this year purchasing was delayed by instability of prices and the reluctance of buyers to place advance orders on a fluctuating market. As a result orders were fairly numerous throughout February, but in aggregate much below normal. They were sufficient, however, to enable many owners of "distressed" stocks to liquidate them. Manufacturers of women's clothing were the largest buyers. While there was no advance in mill quotations, prices in general were firmer.

The American Woolen Company held its fall opening late in February and the new prices, which are about 45 per cent. below those of a year ago, are about on a par with those which have been asked for spring goods, held in stock by the mills. Other independent mills also opened their lines on about the same price levels. Buying was reported to be satisfactory.

However, there has been no general reopening of the mills, although a limited number of mills have been active in manufacturing certain popular weaves. In the January 1 report of the Bureau of the Census the woolen goods industry was reported to be operating at about 33 per cent. of its capacity in terms of loom hours, and there has been but little change since that time.

There has been no change in the raw wool market. Consumption is below normal and the demand is spasmodic. As a rule the mills are not placing forward orders and little of last year's clip has been consumed.

Silks

Of the textiles it appears that silk, the first to feel the depression last spring, is the first to progress toward recovery. Buying early in February reached substantial proportions and there were small price advances. Dress manufacturers were the largest purchasers and their activity was due to a sustained demand for ready-made silk dresses from retailers who are now displaying spring merchandise. Retailers also placed small orders for new fabrics. Sales dropped off during the latter part of the month after immediate needs had been filled.

Increased buying was reflected in greater activity at the mills. In Paterson, N. J., 14,000 looms, exclusive of 10,000 looms which are owned by mills that failed or are closed for other reasons, are now running at 33 per cent. of their capacity whereas on January 1 they were running at not more than 20 per cent. In New Jersey, outside of Paterson, 4,500 looms are running at about 45 per cent. capacity, as compared with 33 per cent. a month ago. Similar conditions prevail in other large silk manufacturing centers.

This resumption of operations on the part of the mills, has in turn, stimulated the demand for raw silk. Sales in New York in January were about 22,000 bales, more than twice the sales in December and about 25 per cent. below those of January, 1920.

Stocks of raw silk in New York warehouses on February 1 were 31,859 bales, a decrease of 12,677 bales, or 28.5 per cent. during January. This decrease was due altogether to larger sales, as January imports increased 3,000 bales over December.

In spite of increased demand the price of raw silk declined slightly during the month. Sinshui No. 1 ruled at $5.70 per pound, as compared with a prevailing price of $6.20 during January.

Collections

Available trade reports from this district indicate that the increases in wholesale buying and in manufacturing operations in several lines of business have not yet been reflected in improved collections. A credit agency in close touch with the textile trades reports that wholesalers and jobbers of cotton and woolen goods have recently been slightly slower in meeting their obligations than for some time past. On the other hand collections from retailers have been reported in moderately good volume in recent weeks. In the fur trade, for the first time in many months, accounts are being met with a fair degree of promptness.

A tabulation of the reports on collections received weekly by Bradstreet's from an average of 40 of the larger cities in the United States and Canada reveals a steady increase in the past two months in the proportion of cities reporting "fair to good" collections and a corresponding reduction in the number of cities where collections are "poor."

Failures

In four weeks of January there was a weekly average of 441 business failures in the United States, according to Dun's reports, and in three weeks of February an average of 395. This decline is partly a normal seasonal reduction after the large number of failures that usually occur in the first two weeks of a new year. The January figure, when converted into an index which allows for this seasonal variation, was three points higher than in December, whereas the December figure was 15 points higher than that of November. In January the proportion of failures to firms in business was still about 10 per cent. below normal.

In the Second Federal Reserve District failures in January were 15 per cent. greater in number than in December, but liabilities were the smallest of any month since May, 1920. The following figures are taken from Dun's reports for this district:

Month	Number of Failures	Liabilities
November, 1920	281	$10,776,972
December, 1920	338	21,538,235
January, 1921	390	9,808,623

Real Estate

Office space in New York City has been offered for rent at materially lower prices within the past two months. Space in the midtown commercial district which last fall rented for $5 to $7 per square foot is now being advertised at $3 to $4 per foot. There have been heavy building operations in this area within the past year and the amount of space now available for lease is somewhat in excess of the reported needs. Many of the buildings in which this space is offered, however, may not be ready for occupancy until summer. While rentals in the financial section of lower Manhattan have not declined to so marked an extent they are showing a lower tendency.

Real estate brokers inform us that in their negotiations for October 1 leases of the larger and more expensive apartments in certain sections of Manhattan they are quoting rentals which average about 10 per cent. below the rates of a few months ago. For medium sized, moderate priced apartments, which constitute a large proportion of the city's housing accommodations, there has been no appreciable change in rentals. There continues to be a considerable unsatisfied demand for this type of apartment.

Separate dwellings in New York City are now being sold or leased at prices 10 per cent., and sometimes even 15 per cent., below the maximum prices asked for similar property last year. The concessions have been to some extent the result of too extensive remodeling operations in the past year or more. A considerable surplus of small apartments in remodeled dwellings has been created, and many of them are now offered for lease below last year's prices.

Iron and Steel

After further reduction of steel mill operations in the last two weeks of January the independent steel companies made new general cuts in their prices early in February. These mills now quote prices 10 to 15 per cent. below those of the United States Steel Corporation for most of the standard specification materials, plates, bars, and sheets, but for rails and a few other finished products the independent producers have maintained their quotations near those of the Steel Corporation.

The independent companies have made a general reduction in wages, ranging from 15 to 25 per cent., in order to bring costs in line with the new prices. An important saving also is being made in the price of coke which is now purchased at $5 to $6 per ton as compared with $15 to $18 a few months ago. Certain other operating costs, however, have not yielded. Ore is purchased under yearly contracts which do not expire for another month. High freight rates are an important item, as five tons of raw material have to be transported for every ton of steel produced.

While the price reductions have brought some new business to the independent companies in the two weeks since they were announced, the effect in many cases has been to postpone purchases not immediately needed. Blast furnace operation by the independent companies has slightly diminished in the last two weeks.

The unfilled orders of the United States Steel Corporation on January 31 totaled 7,573,000 tons, a decline during the month of 575,000 tons, but sufficient for about 6 months of operation, if the work were evenly distributed among the various plants. The corporation has announced that it has not considered any change from the schedule of prices held for the past two years, or any lowering of wages.

Building

Contracts awarded during January for residential buildings in New York State and northern New Jersey were more than 90 per cent. greater in value than in December. Buildings for residential purposes represented 40 per cent. of the aggregate, according to the F. W. Dodge Company reports, as compared with 25.8 per cent. in December and an average of 22 per cent. for the whole year of 1920.

Normally at this time the trend of construction is toward large commercial building enterprises but this year with a relative surplus of both factory and office space and with diminished manufacturing activity the greatest demand is for residential building. In the cities most new contracts awarded were for hotels, apartments and tenements. In the suburban districts dealers in materials report a preponderance of small orders, indicating the building of houses by individuals for their own occupancy rather than the speculative building of dwellings in groups.

Railroads and Transportation

January railroad traffic in the entire country, as measured by car loadings, was the smallest of any month since February, 1919, not even excluding the strike month of 1920 when the movement of freight was considerably below any other month in that year. The total number of cars loaded with revenue freight in the month of January was 15 per cent. below the loadings in December and more than 23 per cent. below January, 1920. Car loadings for all the railroads showed a further, although slight, reduction in the first week in February.

The movement of freight on the railroads having terminals at New York City increased somewhat during the first half of February. One railroad, the freight traffic of which is usually a good index of the general situation, reported that its car loadings in the first fifteen days of the month were 8 per cent. above the loadings in the last 15 days of January. This is probably slightly greater than the normal seasonal increase in traffic.

This increase resulted chiefly from the larger shipments of miscellaneous freight, mainly manufactured goods, a class of freight which had shown the greatest decline during the previous three months. A larger movement of automobile supplies, parts and equipment, toward Detroit is a factor in increased westbound traffic. There has also been a gain in recent weeks in the loadings of coal.