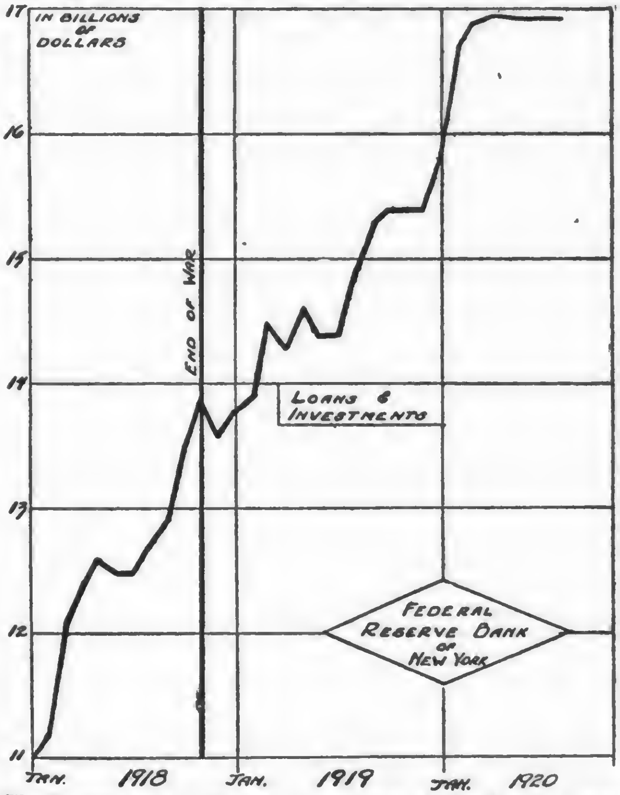
Monthly Review

Of Credit and Business Conditions
by the Federal Reserve Agent at the
Federal Reserve Bank of New York

August 28, 1920

The Credit Situation

THE period from July 1 to August 20 has been one of shifting credit, but of no substantial change in the volume of bank loans. This, however, may be considered as equivalent to a slight decrease in loans for loans normally increase somewhat during July and August in anticipation of autumn demands. Since July 1 the deposits of the New York City reporting banks have decreased $221,000,000 and the Federal Reserve Bank of New York has lost $64,000,000 of gold through the gold settlement fund to other districts.



The Expansion of Loans and Investments of the Member Banks of the Federal Reserve System reporting weekly.

The loss of deposits is due in part to reductions of out-of-town bank balances, but more largely to the maintenance of smaller balances by commercial customers, either to avoid further borrowing or in anticipation of having to borrow less during the coming months. Gradual liquidation in the prices of securities has lessened the demand for call money, resulting in slightly lower rates, but otherwise the credit situation has remained unchanged during the past thirty days.

Between early last November, when the Federal Reserve Bank of New York began increasing its discount rate, and August 1, the number of banks borrowing from it decreased from 380 to 313. Of those which went out of debt to the Federal Reserve Bank, 7 were in New York City and 60 outside of New York City. During these nine months the banks in New York City increased their borrowings $22,000,000, or 3 per cent., while the banks in the district outside of New York City decreased their borrowings $61,000,000, or 49 per cent.

For the country at large, the chart on this page indicates fairly accurately the rate at which loan expansion was proceeding until early in 1920 and the effective manner in which the banks have since been holding further expansion in check.

Business and Credit Expansion

Manufacturers and merchants have at last come to realize that the period of constant expansion of the past few years, based upon the constant increase of the buying power through credit expansion, should cease and that they should content themselves with a more stable and conservative volume of business. This realization has come simultaneously with the determination of consumers to combat high prices by reducing purchases. Nor is the movement confined to the United States. Credit pressure is being exerted by the responsible agencies all over the world, and the consumers' reaction against high prices is world wide as well.

In every period of rising prices a large volume of speculative dealing in commodities occurs, not only by those whose business it is in whole or in part to do so, but by many who, without experience or adequate capital, are able to engage in such dealings with excellent prospects of success. When the tide turns and prices decline, not only do speculative dealings and the carrying of unnecessary supplies tend to cease on the part of those with experience and capital, but those who have been over-trading in proportion to their capital find themselves in difficulties, and those who have neither capital nor experience are very quickly eliminated. While prices are rising failures are few. But they usually increase as prices decline. Since January the number of failures has increased, but not proportionately to the heavy declines in many commodities. Nor have these declines brought about any such business collapse as might in times past have followed so severe a decline in many basic commodities. Except for those trades in which through price or other uncertainties producers have adopted a waiting attitude, production, distribution and consumption are still proceeding at a high rate. This is an indication that though credit is high and under pressure, the bankers and business men of the country know that through the immense resources of the Federal Reserve System credit is nevertheless elastic and can be commanded at all times within legitimate limits for necessary productive and distributive requirements.

That some addition to production costs is caused by the higher cost of credit is obvious, but compared to total production costs the amount added by higher interest rates is negligible, and its effect does not appear to be reflected in higher prices for the goods produced.

Bill Market

The bill market for bankers acceptances has continued active with supply more plentiful toward the end of the period and demand fairly sustained so that dealers were able to report some increase in their turnover.

Seasonal movement in grain and cotton and unusual imports of sugar accounted for the bulk of increased drawings.

Rates remained practically unchanged, best known names commanding 6 to 6⅜ per cent. in the primary market, according to maturities.

Commercial Paper Market

Conditions in the commercial paper market showed little change during the period. In New York City and other large commercial centers, the banks generally refrained from buying, and dealers relied upon country banks to maintain their distribution. Sales in the rural districts were widely scattered and in small units, but in the aggregate were quite good. In general, the best absorption continued in the eastern sections. No great change appeared in the volume of offerings, which were plentiful, but apparently not in excessive supply. In some quarters it was reported that offerings recently have not allowed quite so wide a choice of highest grade names, indicating an increasing tendency on the part of some business concerns to employ bank lines rather than borrow in the open market at the prevailing rates. These ruled at 8 per cent. for the best names and for the larger proportion of offerings, with 8¼ to 8½ per cent. quoted for other names.

Bank Deposits and Loans

(In Millions)

	72 Reporting Banks in New York City			815 Reporting Banks in all Districts		
Date 1920	Net Deposits	U. S. Securities and Loans thereon (excluding U.S. Bonds to secure Circulation)	Total Loan and Investments (including Rediscounts)	Net Deposits	U. S. Securities and Loans Thereon (excluding U.S. Bonds to secure Circulation)	Total Loans and Investments (including Rediscounts)
Aug. 20	4,902	800	5,621	.....	.....	.....
Aug. 13	4,924	783	5,618	14,161	1,894	16,820
Aug. 6	4,946	799	5,608	14,097	1,915	16,814
July 30	5,032	833	5,653	14,209	1,960	16,886
July 23	5,036	846	5,684	14,274	1,985	16,903
April 16	5,217	968	5,783	14,467	2,303	17,189 (high)
1919						
Oct. 10	5,397	1,512	6,010 (high)	13,699	3,231	15,944
Aug. 15	5,104	1,516	5,614	13,401	3,495	15,287

Between August 15, 1919, and August 20, 1920 New York Banks increased from 71 to 72 and banks throughout the country from 773 to 815.

Call Money Market

Call money rates have ruled at relatively moderate levels. The general range through the final two weeks of July was 8 to 9 per cent., though the rate once touched 10 per cent. on the 26th. Stock liquidation caused an easing in rates early in August, and renewals for a considerable period ruled at 7 per cent. with new loans as low as 6 per cent. for the first time since the middle of June. Time money, on the other hand, became firmer and was quoted at 8¾ to 9 per cent., according to collateral. These quotations were largely nominal and what little time money was available usually brought 9 to 9½ per cent., compared with 8½ to 9 per cent. in the preceding period.

Government Bonds

Trading in Liberty bonds during the past thirty days has been relatively light, compared with previous months, both in the actual volume of sales and in the proportion to total bond sales. Prices showed a gradual settling tendency which was slightly accelerated towards the close of the period. The range of fluctuations, however, was narrow, and at the widest, in the case of the first 4¼s and the third 4¼s, was not quite a point and three-quarters. The comparative steadiness of Libertys in the face of stock market weakness was noteworthy in view of their sharp decline during the May stock liquidation. As a result, however, of gradual declines, some of the issues are again approaching the lowest prices of the year. The first 4¼s around 84.50, are only half a point above the low level, and the 3½s, at 90, are slightly less than a point from the year's lowest.

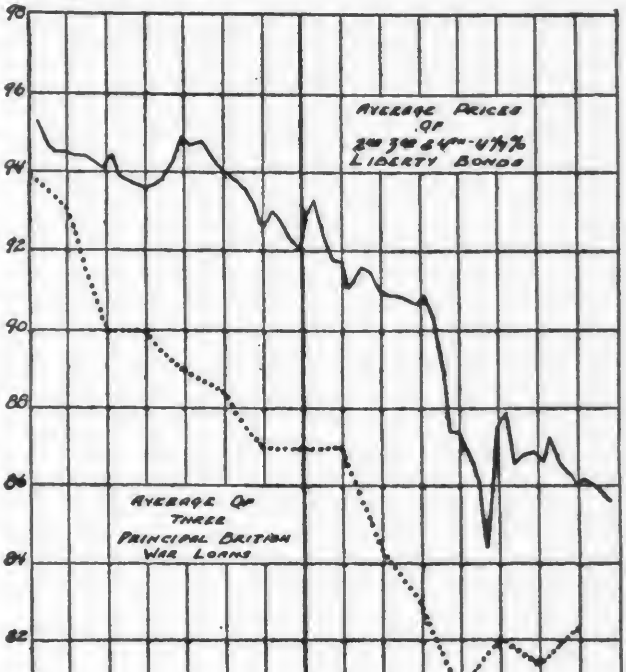
During July, sales of Libertys on the New York Stock Exchange totaled $175,000,000, compared with $257,000,000 during June and an average of $262,000,000 for the first six months of the year. Sales in July last year were $205,000,000.

Having heard from a number of bankers outside of New York City that their purchases of government bonds for customers have recently exceeded their sales we asked 68 banks in representative cities, towns and villages in New York and New Jersey to advise us of their purchases and sales of Liberty bonds and Victory notes for customers during May, June and July, with the following result:

Their customers sold $2,587,000.

Their customers purchased $3,701,000.

Only 20 out of the 68 banks reported that sales exceeded purchases. It is quite evident from supplementary data furnished that purchases are mainly in denominations of $1,000 and over, while sales still include large numbers of $50 and $100 bonds. It did not seem of interest to secure similar data from banks in New York City because in New York so large a proportion of the business is done directly through brokers, whereas in most out-of-town places, particularly the smaller ones, it is done through the banks.



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

Certificates of Indebtedness

The offering of one year 6 per cent. certificates on August 16 was heavily over-subscribed. The amount alloted was $157,654,500. These certificates, like the 6 per cent. certificates due next June, are in demand at a slight premium, while there is a good demand at par for the 5¾ per cent. certificates due in January and March, for the December certificates on a 5¾ to 5⅞ basis and for the September certificates on a 5⅝ basis.

The volume of treasury certificates of indebtedness of all issues outstanding on July 31, was $2,590,000,000. A careful study of the figures of the 815 member banks which report weekly to the Federal Reserve Board justifies the estimate that on that date, of the total volume of certificates $1,940,000,000 were held by the public and only $650,000,000 were held by the banks of the country. This is a degree of distribution not generally realized, for many who write on economic and financial affairs seem to be under the impression that the great bulk of the certificates are held by the banks, as was the case while government bonds were being offered to the public. And of the $650,000,000 estimated to be still held by the banks a considerable volume must be held by non-borrowing banks, as only $350,000,000 are now being used as a basis for loans, or credit expansion, at the Federal Reserve Banks.

Bond Market

The bond market has maintained a steady tone, despite stock market weakness, and railroad issues have been distinctly more active and firm since the rate decision. Semi-speculative issues responded more sharply than the high priced groups, but the latter also strengthened, continuing an advance which since the first of July has averaged about 3 points. Prime, high interest bearing notes of recent issue continued in good demand, and though some of the underlying issues, particularly the convertibles, reflected at times the decline in stocks, buying was in sufficient volume to stabilize the market.

Industrial bonds were rather irregular, but maintained a fairly even average throughout the period. An outstanding exception was the break in Sinclair Oil Company 7½ per cent. notes to 86¾ in the outside market upon the dissolution of the underwriting syndicate; these notes were originally offered at 98, to yield about 8 per cent. Public utility bonds averaged lower prices.

Foreign bonds were unsettled by the political developments abroad, and some rather sharp losses occurred. The new Belgian 7½s declined from 101 to 97, while the 6s, due 1925, reflected the loss of nearly 10 points in Belgian exchange. Swiss 8s and United Kingdom 5½s, due 1921, were somewhat lower, and Paris 6s lost 3 points to 91; Anglo-French 5s were held firm by approaching maturity. Other foreign issues of more distant maturities were heavy, selling at, or slightly above, lowest prices of the year.

Trading in railroad and miscellaneous bonds was slightly more active during July than in the month previous. Sales totaled $44,800,000 compared with $39,700,000 in June, and $42,500,000 in July, 1919.

Stock Market

Further extensive liquidation has carried price averages of industrial stocks below the lowest levels, reached in February and May. The Interstate Commerce Commission's rate decision caused a momentary rally, but prices thereafter continued to weaken under sharp selling attributed to threatening political developments abroad, continued money stringency, and falling commodity prices. In general, periods of activity were accompanied by declining prices, while recoveries lacked aggressiveness and occurred on a reduced volume of sales.

Railroad shares showed only a moderate strengthening as a result of the rate announcement, and during the latter part of the period these issues did not escape entirely from the general weakness. For the past six weeks, railroad averages have fluctuated about a general level approximately half way between the February low point and the year's high point of March. Meantime, twenty-five industrial stocks have fallen 18 points on the average to 98, or nearly 4 points below the February low level.

July sales totaled 12,500,000 shares, which, though a slight increase over June, marks a reduction of over 60 per cent. from July of last year.

New Financing

The output of new securities continues to dwindle, as high rates apparently are causing the postponement of financing operations wherever possible. New offerings during July totaled $241,000,000, a decrease of $130,000,000 compared with July last year. Good demand was shown for issues which combined high degree of security with high yield.

In the first seven months of the year, new issues have totaled $2,041,000,000, a high record and $487,000,000 in excess of the same period of 1919. During July stock issues declined about 40 per cent. in relative volume, and railroad issues of all kinds aggregated only about $4,300,000. Industrial and public utility notes and bonds continue to be offered at prices and rates yielding 7½ to 8½ per cent.; recently, there has appeared to be a slight increase in the proportion of small issues at the higher yields. Appearance of 8 per cent. notes of corporations in good standing was a new development, but in most cases these did not represent any change in the yield basis. Demand for municipal bonds became somewhat more active and the number of offerings increased, but amounts involved were usually small.

Corporate maturities in September are estimated at $103,700,000, compared with $33,000,000 in August, and $73,300,000 in September of last year. It is reported that most of these have already been provided for.

Foreign Bank Rates

The Bank of Bombay reduced its discount rate from 6 to 5 per cent. on July 31. The rate was previously reduced from 7 to 6 per cent. on June 18, and from 8 to 7 per cent. on June 1. Unsettled political and business conditions with a resultant decrease in demand is responsible for the reduction, rather than an abundant supply of funds.

There has been no change in the official bank rates in leading financial centers. The firmness of the money market in London is reflected in the advance in the private bank rate to 6⅝ @ 6 11/16 per cent. for 60 days and 6 11/16 @ 6¾ for 90 days. The present bank rates are as follow:

	Rate	Changed
Bank of England	7	April 15, 1920
Bank of France	6	April 8, 1920
German Reichsbank	5	December 23, 1914
Bank of Italy	6	May 13, 1920
Bank of Japan	8	November 18, 1919

Foreign Exchange

Heavy declines have occurred in the European exchanges during the past thirty days and little strength was manifested at any time.

Sterling was carried down to 3.55¼ for demand bills on August 4 in a decline which was second in extent and violence only to the break of February 4, when the point of 3.18 was reached. Under the persistent pressure of a large volume of bills the break was precipitate, amounting to eight cents on a single day. Recent weakness has been attributed in part to the Russo-Polish situation, because bankers and dealers who ordinarily support the market at this time remain aloof pending developments, but the main cause for the decline appears to be the large offerings of grain and cotton bills at this time. An additional factor in the weakness is the fact that for some time England has been accumulating dollar credits, looking towards the maturity of the Anglo-French loan. This has been counterbalanced in part by the great improvement in England's foreign trade. Her exports for July were, in money value, the largest ever reported, and imports were the smallest of any month since November, 1919, leaving a debit balance of only £8,000,000. In spite of this, there has been no material improvement in rates and the market has been very irregular during the past ten days, closing at 3.59¾ on August 20, which is 23⅞ cents lower than on July 20 and represents a decline of 26.1 per cent. from par.

Continental exchanges paralleled sterling and both francs and lire registered even greater declines than sterling. After falling from 8.20 on July 20 to 7.07 during the first week in August, francs, having recovered slightly, showed greater resistance until within the last three days. They closed the period at 7.09, a decline of 63.3 per cent. from par. The announcement by M. Casenave, Director General of the French Services in the United States, that France would meet in full her share of the Anglo-French Loan probably had a stabilizing influence. Lire also have continued to decline throughout the period, falling from 5.78 on July 20 to 4.67 on the 20th of this month. Marks have continued weak and closed at 2.00 on the 20th against 2.55 on July 20. Transactions were light and the amount of speculation much reduced.

Due to a slackening in Argentina's exports, and the embargo on the exportation of gold, exchange on that country has continued to recede. The peso price is now about 86, a decline of 11 per cent. from par. Shanghai taels have recovered to 1.14 from the quotation of 1.01 on July 20, but Indian rupees have made slight additional declines. The rate was 36½ on the 20th.

Rates from July 24 to August 30 are given below:

	High	Low	Last	Percentage of Depreciation From Par
England	3.84¾	3.55¼	3.59¾	26.1
France	8.285	7.07	7.09	63.3
Italy	5.81	4.67	4.67	75.8
Spain	15.88	14.88	15.10	21.8
Argentina	40.85	38.10	38.25	10.0
China (Hong Kong)	81.00	72.00	82.00	—x
China (Shanghai)	111.50	100.50	113.50	—x
Japan (Yokohoma)	51.50	51.125	51.50	3.3*
Germany	2.56	1.99	2.00	91.6
Switzerland	17.51	16.53	16.58	14.1
Sweden (Stockholm)	22.00	20.30	20.30	24.3
Holland	34.875	32.625	32.625	18.8
Belgium	8.71½	7.57½	7.62	60.5

x—Silver exchange basis
*—Premium

Tendencies in Domestic Prices

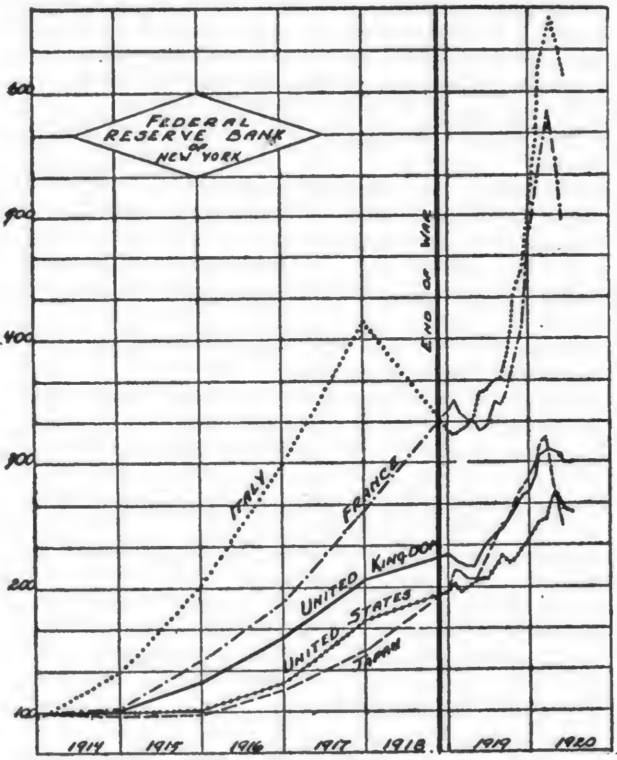
During the past thirty days prices of a number of important commodities have showed a downward tendency, such as sugar, coffee, potatoes, wheat, rye, oats, flour, cotton and tin. On the other hand, certain other important commodities including pig iron, hogs and paper have showed an upward tendency. Most of the commodities showing declines are raw or semi-manufactured goods which, before they reach the consumer, will require the application of labor; and wages are still, on the whole, increasing. The decreases shown in the raw commodities will naturally, therefore, not result in equally important decreases in the manufactured goods. Nevertheless, all our domestic price indices show further declines during the past month.

These price declines have come about mainly through increased actual or prospective supply, through decreased demand, or through the release of stocks of goods which had been carried for speculative purposes; while in the case of staples dealt in on exchanges, speculative movements may have played their part. But the fact that while some prices were increasing and many remained stable, so large a number of important commodities have declined, one at a time, in response to conditions in the respective industries, indicates that with further credit inflation checked natural laws are once more operating.

Retail prices, which lagged behind wholesale prices on the upward movement, are likewise lagging on the downward course, and have shown few appreciable declines as yet.

World Commodity Prices

The general decline in prices which began during April and May continued with somewhat increased impetus, with the exception of British prices, and furnishes further indication that the peak has been passed. Although the percentage of decline in the several countries varies considerably it is significant that the turning point in the present movement was reached in practically all the principal countries within a few weeks time. The trend is now downward in every country for which indices are available, with the exception of Australia.



Movement of Wholesale Prices in Five Leading Countries. Prices for 1913 taken as a base of 100.

The British Economist index for July advanced while the Statist index declined, but the change in both cases was slight. The drop in the French index for June was unusually heavy—10.4 per cent.—and it now stands 15.6 per cent. below the peak reached in April. Prices in Japan continued to decline in July and were 25.6 per cent. lower than the high point reached in March. This is the greatest decline in any of the reported indices.

The chart above presents the movement of wholesale price indices in five of the leading countries and indicates the similarity of the course of prices in all of these countries since the beginning of the European War.

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

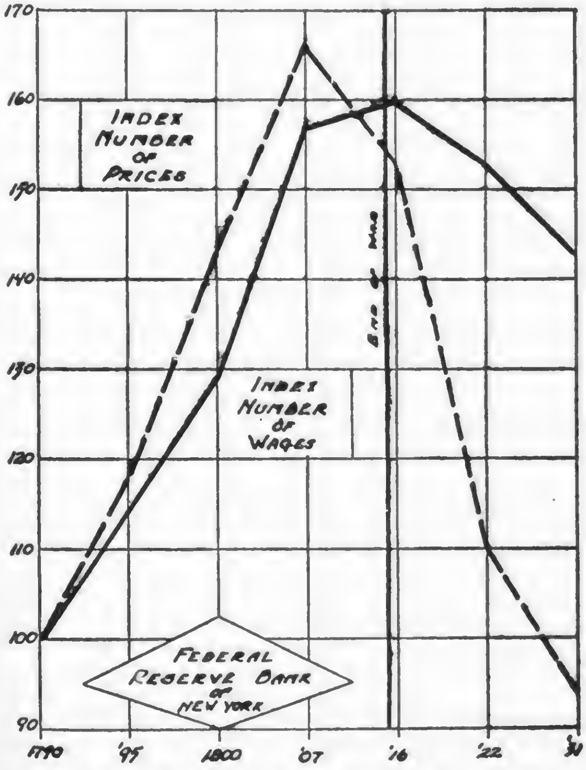
Wholesale Price Indices

Country	Latest Available	Preceding	Per Cent. Change	Highest	Per Cent. Decline from High Point
United States Bureau of Labor......	262 (July average)	269 (June average)	-2.60	272 (May average)	3.68
This bank's index............ (12 basic commodities)	104.6 (Aug. 14)	106.7 (Aug. 7)	-1.9	112.9 (May 17)	7.3
Dun's........................	208.7 (Aug. 1)	215.41 (July 1)	-3.1	217.81 (May 1)	4.2
Bradstreet's.................	204.4 (Aug. 1)	210.06 (July 1)	-2.7	226.46 (Feb. 1)	9.7
British Economist................	292.46 (July 31)	291.39 (June 30)	+.4	310.14 (Mar. 31)	5.7
British Statist	299 (July)	300 (June)	-.3	313 (April)	4.4
French...........................	493 (June)	550 (May)	-10.36	584 (April)	15.58
Italian...........................	614 (June)	659 (May)	-6.83	679 (April)	9.57
Japanese.........................	239 (July)	248 (June)	-3.63	321 (Mar.)	25.55
Canadian.........................	258 (June)	263 (May)	-1.90	263 (May)	1.90
Swedish..........................	364 (July)	366 (June)	-.5	366 (June)	.5
Australian.......................	233 (June)	225 (May)	+3.55	233 (June)	.00

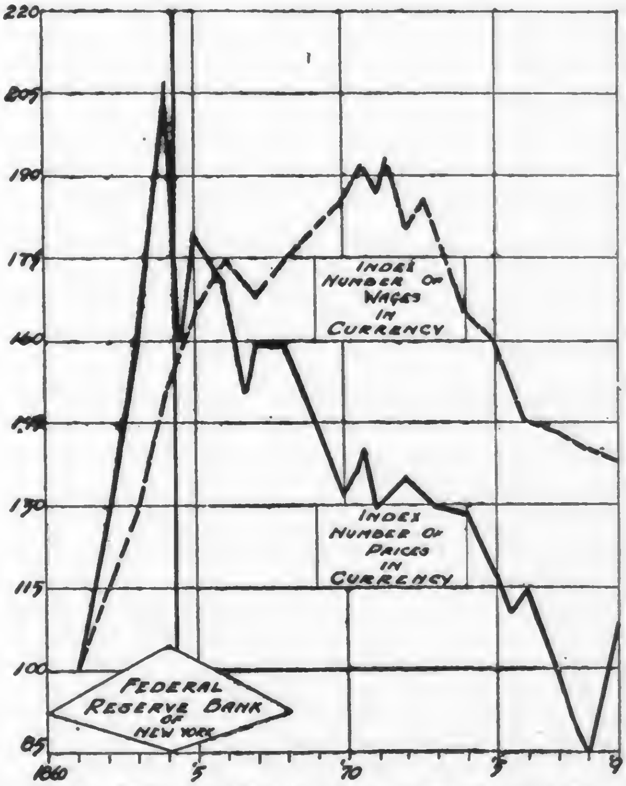
All indices have been converted to a 1913 base with the exception of this bank's index which is based on prices at the armistice.

Prices and Wages in Other War Periods

In many current discussions of the probable course of the deflation which appears to have begun it is quite commonly said that wages and prices must come down together, some writers even going so far as to assert that wages must come down before commodities can decline. It may be helpful in considering this question to study the actual experience of two war periods concerning which reasonably accurate statistics are available; namely, the Napoleonic war period in England, and the Civil War period here. The two subjoined charts show clearly the relative course of wages and prices in those periods.



Course of Prices and Wages during and after the Napoleonic Wars.



Course of Prices and Wages during and after the Civil War.

After the Napoleonic wars it will be seen that prices in England declined, at first rapidly and then steadily, over a long period of years, while wages receded not only more gradually but much less.

During the thirteen years following the Civil War it will be seen that our prices in currency dropped rapidly, while for seven years wages actually rose.

While unquestionably in the years following the European war the law of supply and demand will operate with respect to labor as well as to commodities, the foregoing charts indicate that in labor the law operates less promptly and freely. It is, of course, impossible to predict the future, but two things should be remembered at this time; that labor is now much better organized to resist wage reductions than it was in either 1815 or 1865, and that since 1914 the United States has received about 3,000,000 less immigrants than would normally have entered the country.

Manufacturing

Improved transportation which enabled some manufacturers to make up orders in hand has doubtless been a leading factor in maintaining industrial activity in this district during the past month. There is some evidence of declining activity in textile mills, in plants manufacturing building materials and in factories making pleasure automobiles. The decline, however, is generally not so great as is popularly believed and is offset by seasonal increases in the manufacture of foods, heating apparatus, and other articles.

The knit goods industry is particularly dull because of the lack of spring orders due to a price deadlock between manufacturers and distributors. Mills are running about 50 per cent. of capacity, generally, but they are kept busy only by orders for fall goods. Woolen mills are no more active than a month ago and some cotton mills have recently reduced operations to a part time schedule.

The passenger automobile trade has also shown a falling off. There have been recent cancellations of orders for automobile steel and for other materials used in the industry. The Iron Age estimates that manufacturers have curtailed production from 10 per cent. to as high as 75 per cent. A plant manufacturing a well-known make of car recently announced that it would run on a four-day schedule. The extreme dullness in the crude rubber market reflects unsettled conditions in the tire industry.

The report of the New York State Industrial Commission on employment in New York State factories in July shows that there has been little decline in the production of luxuries and that manufacturers of jewelry, pianos and player pianos, furniture and similar articles are kept busy.

Manufacturers of metal goods, machinery and conveyances, locomotives, clocks, typewriters and the like are active, although there has been a seasonal decline in plants making agricultural implements. Printing and paper goods and all kinds of chemicals showed increased activity in July as compared with June.

Makers of men's and women's clothing, boots and shoes, furs and leather goods are still experiencing the dullness of a month ago. The lack of demand by retail customers is assigned as the principal reason.

Our index figures on production and consumption, the great volume of freight movement and the continued high level of bank clearings all tend to show that manufacturing in July in the country as a whole was remarkably high for this usually dull month.

Iron and Metals

Shipments of iron and steel are moving in slightly larger volume than a month ago and the supply of coal and coke is more ample.

The unfilled tonnage of the United States Steel Corporation made a gain of 139,651 tons in July, against a gain of 38,351 tons in June, and reached a total of 11,118,468 tons, the highest point since June, 1917. As July is normally a dull month in the steel industry, this increase was fairly large, although it was chiefly due to delayed shipments and to purchases to forestall possible higher prices following the freight rate increase.

Steel ingot production in July was nearly 10,000 tons a day less than in June, pig iron production 2,500 tons a day less. Domestic and foreign demand for steel is moderate, as exports are declining and the falling off in the requirements of the automobile, shipyard and building industries is only partly offset by the purchases of railroads and of implement works.

Markets for the non-ferrous metals have been very quiet. Prices have held firm, with the exception of tin which has declined 2¼ cents a pound to 48 cents.

Cotton and Wool

Unstable conditions in the dry goods markets, a lower volume of exports and the rapid improvement in the various crop condition reports have borne cotton prices downward during the month after rather wide fluctuations. The Polish crisis, with its consequent uncertainty as to the future of European markets, and incoming shipments of the new crop have more than counterbalanced the continued reports of crop damage by insects and by excessive rains in parts of the belt. Spot cotton declined $50 a bale from 43.5 cents per pound on July 23 to 33.5 cents on August 20. The near months followed it but the distant deliveries held steadier. During the month of July wholesale cotton piece goods declined about 3 cents a yard or approximately 10 per cent.

Despite the frequent and persistent rumors of curtailment of production by cotton mills, domestic consumption, according to our index figures based on 100 as the average for 1917, stood at 94.4 in July, against 97.8 in June. This is only slightly more than the usual seasonal decline of 2 per cent. for the period. The Census Bureau places the July consumption at 525,405 bales, against 555,521 bales in last June, and 510,328 bales in July of 1919. Active spindles in July were nearly 500,000 more than in July of last year. Exports were only 211,841 bales in July, against 241,450 in June of this year and 528,902 in July last year. The Government report on July 25 indicated a crop of approximately 12,519,000 bales, against 11,329,755 in 1919.

In the wool market there is some slight evidence of improvement, but quotations are still mostly nominal, stocks are high and the demand is far below normal. A better demand for cloth appears to be developing and there is some prospect of increased mill operations after Labor Day.

Export Trade

Slackening in the volume of export buying has become more marked during the past thirty days. Some important exporters say that within this period what has been a seller's market has become a buyer's market. Instability of prices has made buyers hesitate. Some markets have been over-bought, and reports of congested warehouses abroad are not infrequent. In a number of lines, goods sold have been turned back upon the market in large quantities. Renewed weakness in the foreign exchanges and the unsettling political situation in Europe have restricted purchases, and some countries, particularly those in South America and the West Indies, have been affected by the depressed condition of the markets for wool, hides, rubber, sugar, coffee and cocoa.

Credits are becoming more difficult to arrange, due to money stringency in all countries. As transportation conditions in this country have improved, exporters now are bending their major efforts to hasten deliveries of materials already contracted for.

Export inquiries for leather were reported somewhat more active, but demand for textiles, drygoods, and kindred materials is very slow. New buying of cotton goods is nearly at a standstill, and there is disposition to cancel orders. The stronger houses, however, report that cancellations are generally being refused. Dull conditions in the markets for cotton manufacturers are reflected in light buying of raw cotton by British and Continental mills. Exports from this country for July were only 211,841 bales, or much the smallest of any month since the early period of the war.

The foreign steel market is distinctly slower. Buying is tending to become hand-to-mouth, as both buyers and sellers are reluctant to undertake commitments far in advance. Reports from Europe tell of growing accumulations of certain classes of materials in dealers' hands and of offerings below manufacturers' prices. The Japanese market has not strengthened, and Japanese re-selling is materially affecting other Far Eastern markets. China continues quiet, and there is less demand from India. South American buying has also fallen off, and exporters are now receiving some cancellations from that quarter.

Building materials, hardware, construction machinery, and machine tools have been somewhat more resistant to the general softening. Building supplies available at the seaboard have been actively bought for Cuba and South America where large construction projects are under way. Export demand for oil and coal still exceeds supply. Coal shipments during July were very heavy notwithstanding priority allocations to New England. Preliminary figures for the month indicate that the railroads surpassed all previous totals in movements to tidewater. More stringent priority orders by the Interstate Commerce Commission, which went into effect August 2, caused only a slight decrease in exports during the first week of August which were at the rate of over a million tons a month.

Copper buying, which was more active for a time last month, has again dwindled. Tonnages sold were small, with France the principal buyer. It is reported that Japanese re-selling has diminished.

Grain exports continue heavy; for the six weeks ended August 12 the movement totaled 56,000,000 bushels, compared with 35,000,000 bushels in the same period last year. Foreign buying is reported to have slackened temporarily within the last few weeks during the period of extreme unsettlement in grain prices and foreign exchange rates. Buying of other foods continues generally light.

Retail Trade

With the single exception of April, retail trade in this district during July was the dullest of any month this year, according to reports from department stores in New York and other cities. There has been considerable liquidation of retail stocks by reduction sales, but it has been at the expense of profits. Frequently clothing and shoes have been sold below replacement values. Stocks have been reduced but stores are delaying refilling their shelves pending the development of a retail demand and the advent of expected lower prices in textiles, clothing and kindred lines.

There have been numerous sales of men's clothing where a uniform price on all grades has been used to offset the loss of high-priced stock by mixing it with low-grade stock. However, men's clothing has held comparatively steady as compared with women's apparel, which has shown larger reductions.

August furniture sales have been well patronized and a demand for the better grade of furniture has been noted. Sales of jewelry to the wage-earning class have declined somewhat but not so much as sales to wealthier customers. Downtown sales are better maintained than are those in the Fifth Avenue district. The demand for pianos, other musical instruments and specialties is still active.

The demand for passenger automobiles is reported as far less than it was several months ago. This is ordinarily a dull season, but the quietness is abnormal. What purchases are made are frequently on a time-payment basis and buyers look more carefully to the utility and cost of upkeep of the car they buy.

Conservatism in all kinds of purchases is the rule and this attitude of the public is welcomed by the better class of stores as offering them an opportunity to do business on a more stable basis.

The following schedule compiled from figures furnished us by department stores shows that sales in this district in July increased 24.4 per cent. as compared with the corresponding month a year ago.

Business of Department Stores

	New York City and Brooklyn	Outside New York	Second District
Percentage of increase in net sales from July 1 to July 31 over net sales during same period last year	22.5	26.9	24.4
Percentage of increase of stocks at close of July, 1920 over stocks at close of same month last year	46.1	30.9	39.5
Percentage of increase of stocks at close of July, 1920 over stocks at close of June, 1920	*4.3	4.6	*.5
Percentage of average stocks at close of each month from July 1 to average monthly net sales during same period	390.	485.3	440.1
Percentage of outstanding orders at close of July to total purchase during calendar year, 1919.	15.7	18.9	17.4

*Decrease

Failures

During July the number of commercial failures in this district increased, as the following figures, taken from the Dun reports for the Second Federal Reserve District, indicate:

	Number of Failures 1920	Number of Failures 1919	Liabilities 1920	Liabilities 1919
January	103	134	$ 1,212,644	$ 3,258,200
February	75	102	1,062,322	2,686,546
March	139	102	6,213,228	4,033,008
April	117	107	2,865,153	4,365,253
May	133	93	2,413,591	3,194,187
June	164	104	16,218,230	4,040,301
July	172	79	11,438,511	1,836,523
	903	721	$41,423,679	$23,414,018

Collections

Collections in the textile trades, particularly, continue very slow, and an investigation by one of the New York credit agencies indicates that about 20 per cent. of the accounts of the smaller concerns are overdue. While the accounts of the larger textile houses are in somewhat better condition, it was estimated that 12 to 15 per cent. of these payments were also delayed. While this is a very high percentage of slow accounts, the general opinion of the trade looks for some gradual improvement in payments as prices steady. Delayed collections are also reported generally throughout the millinery, fur manufacturing, clothing, men's furnishings and leather trades. Prompt collections are reported in the drug jobbing, crockery, glassware, hardware, and cutlery trades, while the piano trade reports continued good payments.

Building

The most encouraging feature of the building situation is the awakening of the public to the seriousness of the housing shortage, which is intensified by the difficulties of obtaining mortgage money and building materials. In an effort to cope with the matter, the Governor of New York has called a special session of the state legislature to meet in September to consider ways and means of supplying the state with more adequate housing facilities.

It is estimated that New York City is short over 100,000 apartments, to house about 400,000. One computation places the shortage for the whole country at 5,000,000 houses; but other estimates vary widely. Yet only one plan for an apartment house was filed in Manhattan in July, and figures compiled by the Dodge Company show that contracts awarded for residential buildings in this district and in the territory east of the Missouri and north of the Ohio Rivers declined even from the June low level.

In New York City a number of residences and apartments have been broken up into smaller units and in the suburban districts houses which have formerly been occupied only during the summer are being prepared for winter occupancy. These measures will afford some relief when the return to the city occurs in October.

Although more cars have been directed by the Interstate Commerce Commission to the carrying of building materials, transportation facilities for those materials are very inadequate. Producers have curtailed production despite the demand, prices hold high and those contemplating building projects hesitate to cope with the present difficulties. The Dodge figures show that contracts awarded in July in the most heavily populated part of the United States totaled $204,000,000, against $261,000,000 in June, a decline of about 22 per cent. In the Second Federal Reserve District contracts awarded declined from 974 to 885 and their value from $69,000,000 to $36,000,000, more than 45 per cent.

Crop Conditions

Prospects for excellent harvests in the Second Federal Reserve District were improved during July by frequent and evenly distributed rains with moderate temperatures over the entire area. With the single exception of corn the yields per acre are expected to exceed the average in practically the entire district.

While the yield of corn will be less than last year it is expected to be well up to the ten year average, a crop of 34.2 million bushels in this Federal Reserve District being forecast for the 1920 harvest as compared with 41 millions in 1919. Winter wheat has averaged 22.3 bushels per acre, or more than the ten year average, and a total wheat harvest of 11.8 million bushels is forecast. Oats have improved very materially and an increase of 10 bushels per acre is expected over the 1919 yield or a harvest of 44.6 millions of bushels. Other field crops will show an average yield or better.

A yield of 34 million bushels of potatoes is expected in New York for 1920 as compared with 39.5 millions last year, or a reduction of 14 per cent., partly the result of an 8 per cent. reduction in acreage.

Fruit prospects continue to improve, and apples in particular will show a heavy yield.

Employment

The closing of a number of knitting and textile mills and the curtailment at some other factories have thrown considerable numbers out of employment, but apparently they have found work elsewhere. At least, the report of the New York State Industrial Commission shows that there was a decrease of only one-half of one per cent. between June and July in the number of factory workers employed in this state.

The lines of business showing the most marked reductions in number of operatives are the manufacture of stone, clay and glass products, fur and leather apparel, textile products and clothing; with smaller reductions in agricultural implements and cutlery. There were gains in metals, chemicals, wood products and food.

The shortage of farm labor which seemed ominous a few months ago has been largely overcome by the industry of those who were available and by the redoubled efforts of the farm owners in their own fields.

There appears to be little labor unrest in this district. A number of small strikes have been settled during the past month and there is still employment enough to prevent any substantial increase in idleness. Reports of the greater efficiency of labor are frequent, but the lessening of the pressure for greater production in some instances has tended to make the employers less exacting.

The report of the New York State Industrial Commission shows that the average weekly earnings of factory workers in the state were $28.49 in July, a decrease of 28 cents from the June average, but an increase of $5.39 over the average for July, 1919.

Immigration

Immigrants have been coming to the United States in constantly increasing numbers and taxing ship capacity. Large numbers have booked passage for America and doubtless many more would come from Germany and Austria if restrictions were removed. But some observers in close touch with conditions abroad find the present influx due chiefly to abnormal conditions in Poland, to political unrest in Spain, Portugal and Ireland, and to the return to this country of Italian reservists accompanied in some cases by their friends and relatives.

Approximate figures of arrivals and departures at this port from January 1 to July 31, 1920, are as follows:

	Arrivals	Departures
January	25,051	24,529
February	22,086	24,379
March	29,098	18,714
April	36,958	26,169
May	40,048	21,162
June	49,715	37,584
July	56,102	32,935
Total	259,058	185,472

Railroads and Transportation

The railroads continue to report a steady improvement in transportation conditions as shown in the increased volume of freight handled, as well as in the reduction of congestion, and the coincident decrease in car shortage figures.

Traffic on most roads entering New York appears to be holding steady at recent high figures and is even increasing slightly, while there is now very little congestion. Some export freight has accumulated in one or two of the yards, but for the most part the handling of this type of freight is being done without delay. The movement of much of the freight consigned to New England points has been facilitated by diverting it around the New York gateway, thus aiding also the free movement of cars consigned to New York. A vigorous campaign for prompt loading and unloading of cars in the railroad terminals has met with good results and delays for these purposes are being shortened.

The movement of coal continues to show rather sharp increases over the corresponding periods of last year. The New York Central, for instance, reports an increase of 20 per cent. in the July movement of loaded coal cars as compared with the same period of last year. Another road, an important carrier of anthracite, reports an increase of 16 per cent. over last year in the amount of coal carried in the last two weeks of July, and of 26 per cent. in the first two weeks of August over the coal traffic in the same period of 1919.

While the month to month increases in the volume of freight handled by most roads are now rather small and are accomplished for the most part rather by more efficient handling of the cars available than by the use of additional labor or equipment, the increases over last year are being well maintained. Individual roads have reported to us increases of 10 to 15 per cent. each month over the same periods of last year. For the entire country it is reported that 4,351,363 cars of commercial freight were loaded in the five weeks ended July 31 as compared with 4,273,343 cars in the same period of last year, or an increase of about 2 per cent.

In addition to the improved railroad traffic the final satisfactory settlement of the local dockworkers' strike has done much recently towards helping the return to normal in transportation conditions. This strike, which had been in existence since March, had held up the handling of both foreign and coastwise freight shipments at many of the large piers. With the return to work of these striking longshoremen in the first part of August a heavy accumulation of freight delayed at the terminals, was released. Work at the docks is now going forward at practically normal speed.

(The figures contained in this report have been compiled as of August 20, 1920)