BUSINESS AND FINANCIAL CONDITIONS

IN THE

THIRD FEDERAL RESERVE DISTRICT
PHILADELPHIA JULY 1, 1921

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GENERAL SUMMARY

NORMALLY active trading did not develop during the past month, and few signs of improvement are apparent in the business world at this time. Buyers in all lines are cautious, confining purchases for the most part to goods needed for immediate consumption, and placing future orders of only limited size.

Not all industries, indeed, are favored with even restricted future buying, iron and steel being a notable example. The last four weeks have been one of the worst periods ever experienced in that business. The demand suffered a further relapse, prices declined in spite of the attempted stabilization, and production schedules were reduced to a point less than 25 per cent of the industry's capacity. Shipbuilding plants are in the throes of still greater depression; no new orders are being received, operations are confined to the completion of ships already under construction, and many old orders are being cancelled.

The demand for petroleum, both crude and refined, is poor, and that for bituminous and anthracite coal but little better. Building operations are still hampered by the strike in the allied trades and, as a result, sales of building materials are small. Textiles are in a much better position, but their condition has not improved since last month. Silk goods are moving in good volume at firm quotations, and the raw silk market has recovered from its recent decline. The call for cotton and woolen goods is fair, but yarns and the raw stocks are moving slowly. Knit goods, as a group, are in good spot demand, but there is still much to be desired in the way of orders for future delivery. Full-fashioned hosiery is in urgent request, owing to the scarcity created by the strike in the

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Philadelphia mills. At the present time, there are no signs of a break in this deadlock, though it has existed since the attempt was made at the first of the year to reduce wages 15 per cent.

The shoe situation is encouraging. Orders for fall delivery are being received daily, and the industry is assuming a more normal aspect. The leather market for the first time in almost a year showed definite signs of improvement. The demand broadened and much activity was displayed in lines which hitherto had been almost totally neglected. A most favorable development was the increased export call. Prices of the more desirable leathers advanced sharply late in May; but this in a measure served to check buying, and as a result quotations have reacted slightly. The hide and skin markets, too, improved during the month.

Business in the printing and publishing industry is small, and for this reason the strike of compositors, pressmen and press feeders has not created so serious a situation as might otherwise have been the case. Retail trade fell off during May, the business done being 7.8 per cent less than that of May, 1920. The larger portion of this decline is attributable to the difference in the price levels of the two months, and to the fact that sales during May, 1920 were greatly stimulated by the 20 per cent discount campaign.

Commodity index numbers for June 1 were below those of May 1, but the rate of decline during May was decidedly less than in the preceding months of the year, and this gave rise to the opinion that a period of stabilization may be approaching. The downward movement of prices, which continued during June, is reflected

	June 17	May 13
Cotton - middling uplands....lb.	.114	.129
Wheat - no. 2 red...........bu.	1.58	1.68
Corn - - no. 3 yellow........bu.	.82¾	.80½
Hides - - packer No. 1 native .lb.	.14	.12
Lumber - Tonawanda w. pine .per M ft.	90.00	90.00
Pig Iron -no. 2 X Phila........ton	25.50	25.84
Copper - electrolytic.........lb.	.13⅛	.12¾
Lead - - N. Y...............lb.	.04⅘	.05⅕
Petroleum, cr. at well.........bbl.	2.50	3.50
Hogs - - live................100 lbs.	7.95	8.65
Rubber - up river fine........lb.	.15½	.18
Sugar - - fine gran. in bbls.....100 lbs.	5.60	6.60

in the foregoing table, giving quotations for twelve basic commodities on May 13 and June 17, as reported by R. G. Dun & Company.

It will be seen that the only advances were in corn, hides, and copper.

In connection with commodity prices in this country, it is interesting to note the trend of quotations abroad. The index numbers of wholesale prices in Italy, compiled by Prof. Riccardo Bachi, declined 6 per cent during May, the textiles, minerals and metals, and chemicals falling most. The total decline since last November amounts to 18 per cent. In Germany, the general level of wholesale prices dropped 1.5 per cent during May, according to the price index of the *Frankfurter Zeitung;* "The All Commodities" Index, compiled by this paper, stands at 1407, as compared with 100 in the middle of the year 1914. The indexes published by the General Statistical Bureau of France recorded a decline of 5 per cent during the month of May, for wholesale prices, and 3 per cent for retail prices.

Commercial failures reported by R. G. Dun & Company do not yet show any diminution in comparison with previous years. The failures recorded in the Third Federal Reserve District were both heavier and more numerous during May, 1921, than they were during any May of the past five years.

	Number	Amount of liabilities
May, 1921......................	69	$1,516,894
April, 1921......................	65	1,575,775
May, 1920......................	37	1,085,182
May, 1919......................	30	1,096,945
May, 1918......................	45	1,121,474
May, 1917......................	59	578,653

A comparison of the number and amount of liabilities during the first five months of the years 1917 to 1921 is interesting:

	Number	Amount of liabilities
1917............................	302	$ 4,399,855
1918............................	289	6,422,693
1919............................	152	3,624,200
1920............................	156	3,197,932
1921............................	364	10,060,522

SYNOPSIS OF BUSINESS SITUATION

Compiled as of June 21, 1921 — Third Federal Reserve District

Business	Demand	Prices	Raw material or merchandise situation	Collections	Finished stocks
Brick	Improved	Lower	Abundant	Fair	Adequate
Coal, anthracite	Fair	Firm	Plentiful	Fair	Large
Coal, bituminous	Poor	Firm	Plentiful	Poor	Large
Confectionery	Poor	Lower	Plentiful	Fair	Large
Cotton goods	Fair	Firm	Abundant	Fair	Low
Cotton yarns	Poor	Slightly lower	Sufficient	Fair	Low
Cotton, raw	Poor	Slightly lower	Plentiful	Good	
Gas and electric fixtures	Poor	Lower	Sufficient	Fair	Sufficient
Glass	Slight improvement	No change	Plentiful	Fair	Sufficient
Groceries	Fair	Lower	Plentiful	Poor	Moderate
Hardware	Fair	Lower	Sufficient	Fair	Sufficient
Hosiery—Seamless {	Cotton,—Poor Silk—Good	Lower Firm to slightly adv.	Good Good	Fair to good Fair to good	Excessive Very low
Full fashioned	Excellent	Advanced	Good	Fair to good	Depleted
Iron and steel	Negligible	Lower	Ample	Fair	Sufficient
Leather	Good	Firm	Sufficient	Good	Large
Lumber	Improved	Slightly lower		Fair	Adequate
Paint	Good	Same	Sufficient	Good	Low
Paper	Poor	Lower	Plentiful	Poor to fair	Large
Petroleum, crude	Poor	Lower	Abundant	Fair	Large
Petroleum, refined	Poor	Lower	Abundant	Fair	Large
Printing, Publishing	Poor	Firm	Plentiful	Fair to good	
Refractories	Negligible	Lower	Plentiful	Fair	Low
Shoes	Good	Unchanged	Sufficient	Fair	Moderate
Silk	Good	Firm	Low	Fair	Adequate
Tobacco	Better	Firm	Sufficient	Fair to good	Adequate
Underwear— Heavy weight	Fair	Firm	Good	Fair to good	
Light weight	Good for spot	Firm	Good	Fair to good	Low
Wool, cloth	Fair	No change	Sufficient	Good	Low
Wool yarns	Fair	Slightly lower	Sufficient	Good	Adequate
Wool, raw	Poor	Slightly lower	Sufficient	Good	

FINANCIAL CONDITIONS

Federal Reserve Banks

ON June 15, as compared with May 18, there was a decline of 5.4 per cent in the holdings of discounted paper by the Federal Reserve Bank of Philadelphia and of 1.1 per cent in Federal Reserve note circulation. Deposits gained 1.7 per cent and total reserves, 0.2 per cent. The reserve ratio increased from 53.8 per cent to 54.1 per cent. A year ago the reserve was 41.6 per cent.

The reserve ratio of the Federal Reserve system on June 15 was 56.8 per cent, which was exactly the same as the ratio on May 18. This fact, however, does not fully tell the story, as there has been a decline in the meantime of $134,874,000 in discounted paper, and of $92,980,000 in Federal Reserve note circulation, and a gain of $66,490,000 in total reserves. The increase in reserves and decrease in note circulation was balanced by an increase of $212,585,000 in total deposits. This increase in deposits followed largely as the result of 300 millions in Treasury one-day certificates held on June 15, which was purely a temporary condition incident to payments on account of excess profits taxes and the refunding of maturing certificates of indebtedness.

Federal Reserve notes in actual circulation have dropped $730,496,000, or 21 per cent, from the peak, and the loans of the system are now down $1,119,146,000, or 39 per cent, from the high point of last November. Of this latter decline, $550,805,000, or 49 per cent was due to the paying off of paper secured by Government war obligations. The total amount of rediscounting between Federal Reserve banks on June 15 was $37,458,000, this accommodation being granted by the Boston and New York banks to the Richmond, Minneapolis and Dallas banks, which serve agricultural districts. The largest amount of borrowing outstanding between Federal Reserve banks was $247,078,000 on October 29, 1920, this aid being extended by the Boston, Philadelphia and Cleveland banks to eight of the other Reserve banks in order to maintain their Reserve positions.

Member Banks

Loans, discounts, and investments of reporting member banks throughout the country, including rediscounts with Federal Reserve banks, on June 8 were 2 billions of dollars below the high point of October 15, 1920. Most of this decline has occurred since the beginning of 1921, as the following table shows:

	January 7 1921	June 8 1921	Per cent of change
Loans and Discounts:*			
Secured by U. S. obligations......	$ 868,235,000	$ 665,729,000	—23%
Secured by other stocks and bonds	3,110,850,000	3,017,433,000	— 3%
All other loans and discounts...	9,316,544,000	8,194,531,000	—12%
U. S. securities owned.........	1,311,299,000	1,212,368,000	— 7%
Other stocks, bonds and securities...	1,963,314,000	2,088,765,000	+ 6%
Total loans, discounts and investments*.....	$16,570,242,000	$15,178,826,000	— 8%
Total deposits...	13,965,648,000	13,169,425,000	— 6%

*Including bills rediscounted with Federal Reserve bank.

In dollars the largest decline has occurred in the item "all other loans and discounts," which includes rediscounts of commercial paper. Deposits have decreased 6 per cent since the beginning of the year and total loans, discounts and investments, 8 per cent.

Money Rates

As the banking situation improved it became possible to lower rediscount rates at the Federal Reserve banks. Their rates on commercial paper rediscounts are now 6 per cent with the exception of Chicago, Minneapolis and Dallas, which maintain a 6½ per cent rate. These three banks, however, have all lowered their rates from 7 per cent within the past month and a half. In the open market commercial paper has sold at 6½ per cent in the case of issuing firms of the highest standing, and bankers' acceptances up to 90 days maturity now sell on a 5½ per cent basis. Call money in the New York market has dropped as low as 5 per cent at the time of writing.

Government Security Loans

A ready response to security offerings by the Treasury Department has followed every issue. The June 15 issues, consisting of one-year 5½ per cent certificates of indebtedness, and three-year 5¾ per cent Treasury notes were largely oversubscribed, subscriptions totaling $788,007,000 and allotments $625,375,000 for the country as a whole. The subscription of the Philadelphia Federal Reserve district was specially gratifying, the total being $105,714,600, or 13.4 per cent of the total. The final allotment given this district was $70,843,000, divided into $25,333,500 of certificates and $45,509,500 of three-year notes.

Savings Deposits

A decline for the third consecutive month is shown by the deposit of 24 savings institutions in the Philadelphia Federal Reserve district. The loss during May was $1,288,518, as compared with $1,182,818 in April, and 599,414 in March. Deposits on June 1 were $15,856,532, or 5.4 per cent in excess of June 1, 1920.

	In Philadelphia	Outside of Philadelphia	Totals
1921—June 1	$254,169,801	$52,761,237	$306,931,038
May 1	255,317,181	52,902,375	308,219,556
April 1	256,335,641	53,066,733	309,402,374
March 1	256,901,359	53,100,429	310,001,788
1920—June 1	242,015,060	49,059,446	291,074,506

Debits to Individual Accounts

Charges to depositors' accounts by banks at the principal clearing house centers of the country totalled $7,944,921,000 on June 15, a decrease of 18 per cent from the corresponding week of 1920. Debits during this week include payments on account of excess profits taxes, making it valueless to compare them with other periods during the year. Decreases in each of the Federal Reserve districts were as follows: Boston 27 per cent; New York, 10 per cent; Philadelphia, 21 per cent; Cleveland, 30 per cent; Richmond, 13 per cent; Atlanta, 33 per cent; Chicago, 28 per cent; St. Louis, 25 per cent; Minneapolis, 17 per cent; Kansas City, 27 per cent; Dallas, 13 per cent; San Francisco, 24 per cent.

Commercial Paper

Offerings of commercial paper continue small. Paper of firms which are infrequent borrowers is disposed of to the best advantage and some has sold as low as 6½ per cent, though the average is 7 per cent.

The payment of the June installment of the income tax has caused some banks to curtail their buying of commercial paper. The total business, however, has varied little from last month.

Bankers' Acceptances

Reports received from five dealers in bankers' acceptances show that sales in this district during May increased more than 11 per cent, as compared with sales in April. Not all of these dealers were handling acceptances in May, 1920, but comparing the figures of those who were, the increase is in excess of 800 per cent.

The great majority of acceptances sold during May arose from transactions involving the importation and exportation of merchandise, the principal articles covered being sugar, silk, cotton and grain. Transactions involving warehousing of staple commodities account for most of the others. In nearly all instances, the commercial banks are the buyers.

Reports of twelve Philadelphia district member banks that execute acceptances may be summarized as follows:

1921	Executed during preceding month	Outstanding on given date
March 10	$5,325,000	$14,127,000
April 10	4,558,000	13,234,000
May 10	5,611,000	12,892,000
June 10	2,795,000	10,798,000

The purposes of these acceptances are the same as of those reported by dealers, but the total represents a reduction of 50 per cent, as compared with the previous month, whereas the sales by dealers, as stated above, show an increase.

The banks in this district apparently have felt the falling off in our foreign trade more acutely than those in other districts. But the insufficiency in the supply of acceptances seems to be general.

Purchases by the Federal Reserve Bank of Philadelphia for the first five months of the last three years are:

	1919	1920	1921
January	$ 883,390	$3,723,290	$6,671,629
February	1,541,652	2,250,264	11,001,774
March	1,828,063	1,387,821	9,022,991
April	1,918,792	992,076	9,859,528
May	534,512	503,727	11,037,622
Totals	$6,706,409	$8,857,178	$47,593,544

After an advance in late May, selling rates have declined, and are at the present writing as follows:

	30 Days	60 Days	90 Days	6 Months
Eligible members bills	5½–5⅝%	5½–5⅝%	5½–5⅝%	5¾– 6%
Eligible non-members bills	5⅝–5⅞%	5⅝–5⅞%	5¾–6 %	5⅞–6¼%

RETAIL TRADE

MEASURED in dollars, retail sales as compared with those of 1920 declined more rapidly during May than in April, the figures for the latter month being only .4 per cent below those for the corresponding period of last year, whereas sales for May were 7.8 per cent less than they were in May, 1920. This wide discrepancy may be accounted for, in part, by the fact that retail sales during May, 1920, were far in excess of those in any similar period in the history of business, owing to the "Twenty per cent off" sales which were very generally introduced in this district during that month. The fact that May of last year contained five Saturdays, which are the largest sales days in retail trade, and May, 1921, only four, is also responsible in part for the decrease this year.

Although in terms of dollars sales have been declining, they compare favorably with last year's when measured in units, and though no figures are available, reports received indicate that the number of units sold during May, 1921, was but slightly smaller than in May last year. During June, retail sales were satisfactory in the larger cities of this district, but in the rural sections business was particularly dull, for farmers are purchasing only sparingly.

Conservatism still marks the buying policy of retailers. Although all merchants have placed some orders for fall goods, these have not been extended to all lines; and the orders placed have been limited in size, in many cases being sufficient only for the opening of the season. There is no confidence in the stability of prices in the wholesale markets, and likewise no assurance that the public will buy goods based upon

RETAIL TRADE

Exhibit I

Net Sales	May, 1921 compared to May, 1920	January 1 to May 31, 1921 compared to January 1 to May 31, 1920
Firms in Philadelphia (15)	— 8.8%	— 1.9%
Firms outside Philadelphia (32)	— 4.8%	+ .7%
All reporting firms (47)	— 7.8%	— 1.2%

Stocks of Goods	May 31, 1921 compared to May 31, 1920	May 31, 1921 compared to April 30, 1921
Firms in Philadelphia	—17.0%	— .5%
Firms outside Philadelphia	— 8.2%	+ 2.7%
All reporting firms	—14.9%	+ .2%

Stocks Compared to Sales	Average stocks Jan. 1 to May 31, 1921, compared to average sales Jan. 1 to May 31, 1921
Firms in Philadelphia	314.2%
Firms outside Philadelphia	447.7%
All reporting firms	346.1%

Orders Compared to Purchases	Orders outstanding May 31, 1921 compared to total purchases in 1920
Firms in Philadelphia	7.5%
Firms outside Philadelphia	5.0%
All reporting firms	7.0%

present quotations. For this reason, retailers are unwilling to stock goods until the public attitude can be gauged by actual sales. A repetition of this spring's orders for immediate shipment is, therefore, the prospect for the autumn.

AGRICULTURE

UNFAVORABLE weather since May 1 is responsible for material reductions in crop estimates since last month. Six weeks ago, all farming was fully ten days ahead of the normal schedule, but spring work has been so delayed since that time as to cause a loss of this advantage in most cases. Late frosts in March and April killed the fruit crops. Too much rain early in May delayed planting and cultivation. Cold weather throughout the month of May and lack of rain since the middle of the month retarded the growth and development of all products.

The accompanying tables show the condition of the main crops in this district on June 1, as compiled by the Bureau of Crop Estimates. Where comparative data are given, the condition of the crops is seen to have been poorer on June 1 than on May 1, but better than on June 1, 1920. An increase in the acreage of oats and barley sown this spring in Pennsylvania over last year's acreage is noted. Reports from all over the district indicate that a large part of last year's wheat and hay was held by the growers for higher prices. Some of this has been disposed of at low prices in order to make room for the new crop, but a considerable supply is still in the farmers' hands.

The extent of the damage to fruit by the late frosts can now be reliably determined. The government report given herewith shows that early estimates were not over-pessimistic. Apples were affected to a smaller extent than peaches and pears. Cherries and plums are reported to have been almost entirely destroyed, the damage in this district being greater than in the country as a whole. The estimated apple production in the district is only 21 per cent of last year's yield, and the corresponding ratio for peaches is 19.5 per cent, and for pears 16.1 per cent.

The progress of truck crops has been slow, as these require warm weather with occasional showers. Because of a favorable start, the strawberry crop was earlier this year than last. During May, 596 carloads were shipped from Delaware, and 294 from New Jersey, as compared with a total of 68 carloads from the two states during the same month last year. By June 1 more strawberries had been sent from Delaware than during the whole of last season, and good prices were received for the entire crop. The condition of blackberries and raspberries is about 90 per cent of normal. All summer vegetables were planted early, but their growth has been retarded by recent unfavorable weather. A large part of last year's white potatoes were carried over and are still in the hands of farmers. This has helped to keep the price down to the abnormally low level of about 30 cents a bushel, as has also the placing of new potatoes on the market. It is reported from one county that farmers will give potatoes to any one who will haul them away, and it is clear that this year the acreage planted with white potatoes will prove to be considerably smaller.

Fertilizer dealers in this district report that tonnage delivered during the six months ending May 31 was as large as for the same period in 1919-1920. Sales of raw materials direct to consumers are great, and to fertilizer manufacturers less. This is in agreement with the reports of the county agents that many farmers have found that they can buy the ingredients and mix their own fertilizers cheaper than they can buy commercial grades. Consequently, the latter has come down in price, being 20 to 40 per cent less than they were a year ago. A large number of the farmers still use the ready mixed fertilizers, especially the 16 per cent acid phosphate.

The prices of farm products continue to decline at a faster rate than the general price level. Growers had been holding some crops for higher prices—particularly wheat, hay and potatoes—only to be forced to sell them for far less than they could have received in the fall. Conse-

CROP CONDITION REPORT

June 1, 1921

CROP AND STATE	CONDITION—PER CENT OF NORMAL				ACREAGE		ESTIMATED YIELD* Bushels	
	June 1 1921	May 1 1921	June 1 1920	June 1 10-yr. avg.	1921*	Per cent of 1920	June 1921	Dec. 1920
WINTER WHEAT								
Pennsylvania	93	95	83	87	....	....	27,318	28,665
New Jersey	92	96	74	86	....	....	1,958	1,962
Delaware	86	92	88	87	....	....	1,796	1,560
United States	77.9	88.8	78.2	81.8	....	....	578,342	729,503
SPRING WHEAT								
Pennsylvania	92	....	86	91	23	95	402	384
United States	93.4	....	89.1	93	18,023	92.8	251,289	209,365
OATS								
Pennsylvania	94	....	88	89	1,198	102	42,230	45,825
New Jersey	94	....	89	90	85	100	2,796	2,720
Delaware	92	....	90	89	6	100	193	198
United States	85.7	....	87.8	89.5	44,829	103.5	1,404,922	1,526,055
BARLEY								
Pennsylvania	94	....	85	90	21	103	583	480
United States	87.1	....	87.6	90.4	7,713	95.4	190,661	202,024
RYE								
Pennsylvania	95	97	89	91	....	....	2,726	2,656
New Jersey	96	97	88	92	....	....	1,236	1,155
Delaware	91	94	90	91	....	....	60	60
United States	90.3	92.5	84.4	88.6	....	....	71,011	69,318
HAY (All)**								
Pennsylvania	80	92	85	87	....	....	3,618	3,970
New Jersey	83	93	87	84	....	....	521	598
Delaware	76	87	86	81	....	....	104	128
United States	85	91.5	88.9	88.3	....	....	100,977	108,233

*000's omitted.
**Yield in tons.

FRUITS

	CONDITION—PER CENT OF NORMAL			ESTIMATED YIELD* Bushels	
	June 1 1921	June 1 1920	June 1 10 yr. avg.	June 1 1921	December 1920
APPLES					
Pennsylvania	24	86	75	4,778	23,937
New Jersey	35	90	79	1,162	4,134
Delaware	16	70	68	181	1,017
United States	41.8	79.3	71.8	107,607	240,442
PEACHES					
Pennsylvania	15	75	60	308	1,744
New Jersey	15	80	71	279	1,056
Delaware	2	66	66	8	248
United States	45.6	64.9	61.5	30,982	43,697
PEARS					
Pennsylvania	17	86	69	122	701
New Jersey	18	80	70	170	843
Delaware	1	63	54	4	287
United States	43.8	73.4	67.9	8,880	17,279

*000's omitted.

quently, money is scarce throughout the country districts, and the financial status of the farmers is low. Fruit growers particularly have been unfortunate. Many borrowed heavily for the purpose of cultivating and spraying their orchards, only to see the crops killed by frost when the prospects for an unusually successful season were brightest. But the majority of farmers in this section are not dependent upon any one crop, and many of them are optimistic as to the future. One fact is quite evident—a strong feeling exists that purchases by farmers will be as few as possible until there is a readjustment of prices. This is particularly true in regard to agricultural machinery. It is estimated that sales this spring of machinery and implements have been less than 50 per cent of normal. Manufacturers are hoping that buying may come later in the year, stimulated by reductions made possible through lower steel prices, and perhaps by better prices for some of the farmers' products.

IRON AND STEEL

JUNE has been the dullest month ever experienced in the history of the iron and steel industry. Operations are at present averaging less than one-fourth of capacity, and neither current deliveries nor new orders are at a rate in excess of 20 per cent of normal.

Price shading has become universal, and the present quotations are as low as the prices listed in April immediately prior to the attempted stabilization of prices by the larger producers. The only favorable aspect of the situation is the fact that stocks are not accumulating, and that neither producers' nor consumers' reserves are sufficiently large to permit of much increase of consumption without being replenished. Manufacturers and dealers apparently appreciate the causes of the present lull and are resigned to a period of "watchful waiting," until increased business activity necessitates a renewal of purchasing by railroads and manufacturers.

Production totals for May declined further from the low figures of April. Although the production of pig iron for the month of May (1,221,221 tons) was slightly greater than April's total of 1,193,041 tons, the daily average production was 39,394, as compared with 39,768 tons, or a decrease of 374 tons per day. This figure, which compares with a daily average output in October, 1920, of 106,212 tons, marks the seventh consecutive monthly decline and is the lowest output recorded since July, 1908, when daily production was 100 tons less than the rate for May. A net loss of six furnaces in blast brings the country's total of active blast furnaces to 90, on June 1, as compared with a total of 318 in blast in October, 1920.

The estimate of steel ingot production for May, based on reports to the American Iron and Steel Institute, was 1,265,850 gross tons, as compared with 1,213,958 tons in April, and 3,015,982 tons in October, 1920. This is an increase of 2,372 tons, or about four per cent over the previous month.

The report of the United States Steel Corporation of unfilled orders on the books, as of May 31, is a further indication of the present inactivity of the industry. The reported unfilled tonnage of 5,482,487 is a decrease of 362,737 tons, the tenth consecutive monthly decrease, and represents a total of but slightly more than half the unfilled tonnage of 10,940,465, reported on the same date of 1920.

This slackening in the rate of decrease of production has led to the belief, in some quarters, that the industry is "dragging bottom" and the weather is clearing. But that this view is not necessarily sound is seen in the reports of operations and production during June, which indicate a lower rate than for May. The May production was stimulated somewhat by the fact that the larger independents, before raising their prices to the level announced in April, allowed purchasers to place any orders desired at the lower rate. The resulting volume of orders was augmented by an improvement in the Steel Corporation's business immediately following the announcement of the new price scale. Although increased purchasing did not continue for more than a short time after the new scale was established, it raised the rate of production in May to a point that it would not otherwise have reached.

Letters from firms in this district indicate that though operations during May averaged only about 30 per cent of normal, they declined still more, and during June were probably not greater than the average for the entire industry. Further reductions of wages and working hours have been made. The elimination of overtime pay by the independents has further increased the disparity between the wages of the independents and of the United States Steel Corporation. The latter corporation is paying common labor 37 cents an hour, with overtime for all work beyond eight hours; whereas many independents have reduced the hourly rate to 35 cents or less, with no pay for overtime. Unemployment, nevertheless, is still increasing slowly, and plenty of workers are available even at this reduced rate.

The widespread belief among buyers that the recent shading of prices will be followed by even greater cuts, resulting from a possible reduction in freight rates, lower production costs, and strenuous competition for the small volume of business available, has led to a policy of buying only in small lots and for immediate consumption. Price concessions, which were commenced by the smaller companies, are now being made by the larger independents; and in one instance, —namely, wire products—the Steel Corporation followed the declining market with a cut of $5 per ton. Basic valley pig iron has been sold at as low as $20 per ton, and Birmingham at a figure still smaller. Bessemer is offered at as little as $23. Transactions in steel tonnage have taken place at as low as 2.75 cents for blue annealed, 3.85 cents for black, and 4.85 cents for galvanized, as compared with nominal quotations of 3.00 cents, 4.00 cents, and 5.00 cents respectively. The plate market is especially dull, sales averaging less than 15 per cent of normal, and offerings as low as 2.00 cents, compared with a nominal price of 2.20 cents, have been made frequently.

Demand from railroads, which usually consume 30 per cent of the entire output, has not improved and is still practically negligible. Automobile demand has fallen off with declining operations in this industry. Inquiries for pipe from oil interests and for fabricated structural steel have increased slightly since last month, but are far from normal. Exports have not improved, the present totals being less than 40 per cent of the average for 1920. European steel continues to appear in small quantities, in eastern markets, at prices far below domestic quotations, and competition from this source, in the foreign market, is becoming even more severe.

Raw materials, especially coke and Lake ore, are abundant and are lower in price. Beehive coke is offered at as low as $2.75 for furnace and $3.50 for foundry, and recent reductions in freight rates on Lake shipments of ore have allowed a lower price on that product.

The spot market has prevented cancellations, and collections are still slow and unsatisfactory, especially with the railroads.

Allied industries utilizing iron and steel products reflect in general the conditions affecting the basic industry. Steel construction work is far from normal, although some improvement over last month is to be observed. Machine tool manufacturers have reported no material betterment, and present production is not more than 10 or 12 per cent of capacity. Automobile plants are slowing down with the approach of summer, and makers of machinery report conditions unchanged. Locomotive and steel car manufacturers, however, are fairly active, working upon recent orders from Mexico and the Orient.

SHIPBUILDING

THE sensational decline in shipping and shipbuilding, which has occurred since the armistice was signed, has reduced the industry to a condition of far less activity than existed for years previous to the war.

Ocean freight rates and ship prices, which soared so rapidly during the war, have dropped with even greater rapidity to a fraction of their former values; and the shipbuilding industry, especially in the United States, is simply marking time. The depression has been almost world-wide in extent, but the reaction has been more severe in this country than elsewhere. A striking illustration of present inactivity is seen in the report of the Bureau of Navigation, of the Department of Commerce, to the effect that during April no new contracts for ocean going vessels were received by American yards. The following table, from the bulletin of the Atlantic Coast Shipbuilders' Association, shows the gross tonnage of ships under construction in the leading shipbuilding countries of the world, on March 31 of each of the specified years:

	1914	1919	1920	1921
United States......	149,796	4,185,523	2,573,298	1,102,672
United Kingdom..	1,890,856	2,254,845	3,394,425	3,798,593
British Dominions.	56,806	303,088	231,259	180,402
Denmark..........	19,641	50,929	114,851	123,272
France............	225,996	109,795	240,225	427,186
Holland...........	121,152	182,308	366,581	417,693
Italy..............	59,285	135,034	355,241	351,639
Japan.............	79,260	254,835	285,676	204,346
Other Countries....	740,362	319,909	380,394	390,963
Total..........	3,343,154	7,796,266	7,941,950	7,086,766

It will be seen from this that war demands forced the United States from a position of comparative obscurity as a shipbuilding country in 1914 to the position of the leading shipbuilding nation of the world in 1919, with a tonnage under construction equal to nearly twice that of her nearest rival, the United Kingdom, and more than 50 per cent of the world tonnage for that year. Since 1919, however, the tonnage under construction in the United States has declined to a figure little more than 25 per cent of the total for that year; whereas Great Britain has regained her former position as the leading maritime nation of the world. The total tonnage under construction in the United Kingdom, on March 31, 1921, was over three times the total in the United States and over 50 per cent of the world total. It is significant that the world construction during each of the years 1919, 1920 and 1921 is over twice that of the year 1914, especially in view of the fact that present demand for shipping space is considerably less than the existing supply.

The major portion of the domestic tonnage now under construction consists of steam and motor vessels for the carrying of oil in bulk. Eighty-two oil tankers, of a tonnage of 632,016, are now being built in the United States, and they constitute more than 57 per cent of the nation's total construction.

Resale ship prices have dropped heavily and reached levels, in many cases, far below prewar values. Numerous sales of ships constructed during the war are reported at figures from 15 to 30 per cent of the cost of construction. This decline in values has been especially marked in Europe, where the sale of German ships, delivered under the reparations agreement, has flooded a market almost void of demand. German yards, in contrast with those of other countries, are increasing activity, in order to replace the tonnage delivered to the Allies; and this new tonnage is of the most modern type and is being equipped mostly with Diesel engines.

Freight rates have been greatly reduced during the past year, but the reduction has failed to stimulate shipping. Imports and exports between the United States, Europe and South America are few, as compared with those of previous months, but some stimulation will result, it is believed, from the fall shipments of cotton and grain to Europe.

Delaware River shipyards, with the exception of one company which has recently received a fairly large order from abroad, are experiencing the same conditions as the industry in general, and are restricting operations to repair work and to the completion of ships already on the ways. In spite of lower production costs, made possible by wage reductions and much cheaper raw materials, the present demand for new tonnage is practically nil.

BUILDING MATERIALS

THE building situation in Philadelphia and many other large cities continues to be dominated by the strike of building workers. Although employees in highly unionized cities have thus far successfully resisted the 20 per cent reduction made by contractors, they have done so largely by accepting work in non-unionized districts, notably in the suburbs of these cities, at a scale considerably below the rate offered by contractors. As a result, suburban residential building is proceeding at a fairly good rate, but construction of larger city buildings is far below normal and cannot be expected to increase materially during the present year, as the usual period for commencement of operations has passed.

The volume of new construction, in general, although not equal to the expectations of contractors, has shown a fairly steady improvement in the past few months. Building permits issued by 201 cities during April aggregated $152,000,000 in value, as compared with $124,000,000 in 184 cities during March. The figure for April was about 24 per cent lower than that for the same month of 1920, but the number of permits issued is nearly 14 per cent greater. The report of the Bridge Builders' and Structural Society shows that members had on their books at the end of May orders equal to 37½ per cent of capacity, as compared with 31 per cent of capacity in April. The figure for May, 1921, however, is only a little more than half that for May, 1920, when a tonnage equal to 61 per cent of capacity was reported. Thus, although the tonnage placed is greater than it has been for several months, it is rather disappointing when compared with figures for the same month of 1917, 1918 and 1920, and is not much better than the report for 1919, which was a year of greatly diminished construction.

That the major portion of this spring's construction program consists of houses rather than of factories and office buildings, is indicated by the apparently anomalous increase in the number and decrease in the value of building operations since last year. Lower construction costs are hardly sufficient to account for this disparity, and the negligible demand for structural steel affords additional evidence that construction of large buildings has fallen off.

Building Brick

Firms in this district report a materially strengthened demand for building brick since last month, but in spite of this improvement, current sales are far less than they were in the same period last year, and the volume of deliveries is probably not more than 50 or 60 per cent of that of June, 1920.

Part of the present recovery is due to the usual seasonal demand for the completion of houses, but a recent price reduction for Philadelphia brick, from $20 per thousand to $18 per thousand, has also contributed to the increased volume of orders. This last cut has lowered the price of common brick about 33 per cent from the peak price of 1920.

The improved demand for building brick, however, has not materially increased production, as the accumulated stocks held by manufacturers are more than sufficient to supply current requirements, at the present rate of consumption, until well into August. Although many plants are entirely closed down, operations in general are between 60 and 70 per cent of capacity. Wage reductions, averaging between 20 and 25 per cent, have been made since the first of the year.

Raw materials are plentiful, but, as no freight cuts have been made, are not lower in price.

Credit conditions have not changed since last month. No cancellations are reported, but collections are only fair.

Refractories

The market for refractories, in contrast to that for building brick, is still exceedingly dull, and demand is even less than it was last month. The situation of course is largely dependent upon conditions in iron and steel, and no material improvement may be expected before a revival occurs in that industry. Prices are merely nominal, and although they have not been reduced, it is doubtful whether price-cutting alone would stimulate business to any considerable degree.

Operations are at an extremely low ebb, many of the plants being closed and the remainder running at less than 20 per cent of capacity. Although manufacturers' stocks are not large at the present time, there is no incentive to replenish them; and since steel plants in general, with the exception of the Steel Corporation units, have very small reserves, any large increase in the activity of steel mills would result in the immediate exhaustion of both consumers' and producers' stocks. Such an occurrence would of course bring a prompt renewal of business.

Unemployment and wage reductions have naturally been quite general in the industry. Credit conditions are unchanged and collections are reported as being fair.

Glass

Little change has occurred during the past month in the status of the glass industry, to judge by reports from firms in this district. The market for plate and window glass is still lagging, although a recent quickening has been noted in the demand for window glass. Owing to the peculiarities of the tank method of manufacture, it is impossible for a glass plant to operate at a rate much less than capacity; hence the practice has been to operate for a few weeks and then to close down while awaiting depletion of stocks and accumulation of orders. The present demand probably does not average more than 30 per cent of normal, and practically no plants in this district are running continuously. Moreover, recent slight improvements in demand, welcome as they are, have not been sufficient to induce manufacturers generally to recommence operations.

Similar conditions are reported in the markets for plate glass, wire glass and table glassware, and it is doubtful if manufacturers of these goods are operating at more than 30 or 40 per cent of capacity. The general situation is a reflection of building conditions, and as buildings now under construction reach completion later in the season, it is expected there will be an increased call for window glass, plate glass and wire glass.

Production costs have declined somewhat during the present year, but no change in the price of finished products has been made in the past month. Employment is intermittent and the average unemployment is rather high. Wages have been reduced about 25 per cent, in general, since last year. Credit conditions are fairly satisfactory, no material change being recorded.

Lumber

The lumber trade is still largely dominated by the freight rate situation. Rates are so high at present as to prevent profitable shipment of any but the most expensive kinds of lumber. In many of the lower grades, the rate is equal to, or greater than the mill price, and producers are forced to sell these at a sacrifice. This condition has had the effect of closing over half the hardwood mills, and of seriously curtailing operations in the Southern pine district and the Pacific northwest. Most mill owners who have continued production, claim that at present prices they are doing business at a loss, and that their only object in operating is to keep their organizations intact for more prosperous times in the future.

On account of high freight charges, southern pine is encountering severe competition, in eastern markets, from Douglas fir. This has been shipped by water from Pacific ports, through the Panama Canal, more cheaply than it could be shipped by rail from the South.

Lumber dealers in this district report a great improvement in demand during June. A few firms received a volume of orders during the first week that surpassed the total for the entire preceding month. Practically all of this additional business, it seems, is in structural lumber, as hardwood dealers who supply furniture manufacturers make no mention of increased activity. Notwithstanding this recent betterment, however, sales are not more than 40 per cent of normal in Philadelphia, and are less than 70 per cent of normal throughout the district. Philadelphia yards are in general well stocked, but dealers outside of the city have been compelled to replenish their reserves.

The cancellations from which the trade suffered last winter are no longer a source of difficulty, but collections are slow.

Paints

The paint market is approaching its usual seasonal period of inactivity, which covers the months of July and August. Demand and sales have slackened somewhat since May, but not more so than had been expected by the trade.

As not more than 35 per cent of the total output of paint is used in new construction, this industry has been less affected by the slump in building than were manufacturers of other building materials. In fact, some aspects of the business readjustment have actually been favorable to paint dealers, as house painting was stimulated in many cases by unemployment and by the fact that many people have been compelled to purchase houses which they formerly rented, and were therefore interested in having them put in good condition.

Wholesale and retail prices have been practically stationary during the past month, although the market for linseed oil, the principal raw material, has stiffened slightly. Manufacturers' stocks are somewhat depleted, as is usual at this season of the year. The slack months of July and August, December and January are devoted largely to the accumulation of reserves, which are sold and delivered during the intervening periods. Operations and employment are at a rate very close to capacity and they will probably increase somewhat during the next two months, in preparation for fall deliveries.

Credit conditions are quite satisfactory, collections usually being reported as very good.

Gas and Electric Fixtures

Little change has occurred in the gas and electric fixture business during the past month, but dealers expect an augmented demand as houses now under construction approach completion.

Although raw materials are quite plentiful and are obtainable at slightly lower prices than prevailed last month, the charges for finished products are practically stationary at a level of about 20 per cent lower than the peak prices of last year. Certain dealers, however, are offering discounts from regular quotations when large quantities are ordered.

Wage reductions have been fairly general, and employment and operations are curtailed to about 75 per cent of normal, in some cases to much less than this.

As customers are purchasing from hand to mouth, there are few cancellations. Collections, however, are still moving slowly.

Wholesale Hardware

The present industrial situation is having its effect on the wholesale hardware trade. Sales in May showed a decrease for the first time in many months. Firms dealing in agricultural implements report a further decline in June, but demand as a whole continues to be fair. Inquiries from the larger buyers are increasing, but purchases are still being made in small quantities and for immediate requirements only. Compared with last year, the decrease in sales is quite marked, but this is partly attributable to the sharp decline in prices and to the abnormally large volume of business done a year ago.

Prices are still tending downward, and further reductions on certain articles are not improbable if iron and steel prices continue to fall. Supply is ample and immediate delivery is possible in nearly all lines.

Collections are only fair, and although the total of accounts outstanding at the end of May was slightly less than that at the end of April, the ratio of this figure to net sales for May shows a material increase.

The following table is an indication of the present sales and credit conditions as reported by hardware dealers in this district:

WHOLESALE HARDWARE TRADE

	May 1921 compared to Apr. 1921	May 1921 compared to May 1920
Net sales during month	-14.7%	-33.0%
Accounts outstanding at end of month	- 7.1%	-24.5%

Ratio of accounts outstanding to sales:

May 1921	169.4%
Apr. 1921	155.2%
Mar. 1921	172.2%
Feb. 1921	213.3%
Jan. 1921	193.2%
Dec. 1920	188.6%

COAL AND COKE

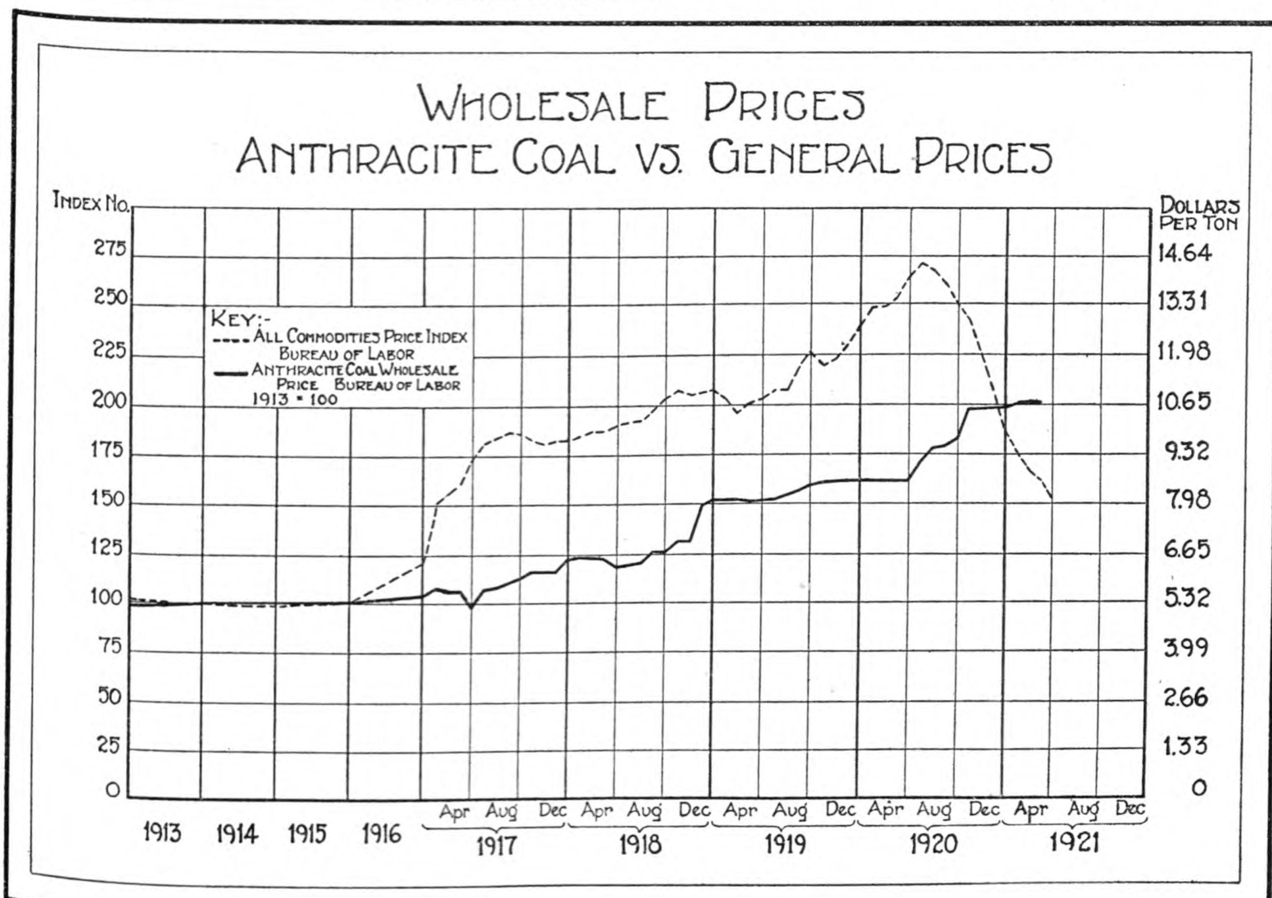
Bituminous

DAILY production of bituminous coal for the four weeks ending June 4, remained practically stationary, averaging slightly less than 1,340,000 tons, according to estimates of the U.S. Geological Survey. The uninterrupted decline in output from a daily production of nearly 1,900,000 tons for the week ending January 1, to approximately 1,000,000 tons for the week ending April 9, was followed by an equally rapid increase during the five weeks following, which brought production to the present level. But this output is still considerably below the average for the same period during each of the past four years. The following table shows the total production, in net tons, during the first 131 working days of the last five years:

1917	231,221,000
1918	237,459,000
1919	180,812,000
1920	216,890,000
1921	167,454,000

The seriousness of the present situation is apparent from the fact that 1921 production, to date, is not only very considerably lower than that for the same period of 1917, 1918 and 1920, but is 7 per cent lower than that of 1919, when a mild winter, industrial curtailment and heavy stocks in the hands of consumers all combined to restrict mine operations. The present restricted production points to a much more drastic industrial readjustment than was experienced in 1919, but consumers' reserves, with the exception of those of public utilities, are materially lower than were stocks held during that year.

Export demand, which increased as a result of the British coal miners' strike and was partly responsible for the greater output of the past month, has dropped considerably although the strike continues, for business depression in Europe is so general that coal consumption there is only a fraction of normal. The heavy shipments of coal



to the Great Lakes, consequent upon the opening of navigation, are also declining materially, owing to the fact that the requirements of the northwest are slight and that stocks are accumulating rapidly at the Head-of-the-Lake docks.

Public utilities have taken advantage of the present low prices to increase their supplies considerably, but industrial consumers and railroads are buying for immediate requirements only. The expectation of an early lowering of freight rates and of a possible reduction in miners' wages is, it seems, the chief reason for this hesitation to buy in quantity and for future needs.

Prices have weakened materially during the past month, and virtually all business is spot. The *Coal Age* index of spot prices for soft coal declined during the week of June 4 from 100 to 96, which is the lowest average recorded during the past two months. Consumers expect lower prices, and producers and dealers are apparently satisfied to deal in spot coal only, as they are confident of a higher market in the fall and winter.

Anthracite Coal

Dealers in this district report a reduced demand for all prepared domestic sizes of hard coal. A midsummer reaction was to be expected, but the trade believed that the modest buying of the early spring presaged for this year a longer buying season than usual. Steam sizes, of course, still remain a drug on the market and are showing, if anything, less activity than they displayed last month.

Retail prices of all sizes and company mine prices have remained stationary, most dealers having refrained from announcing the usual monthly increase. Newspaper agitation and the congressional investigation of the industry have tended to strengthen the widespread public belief that present prices are inordinately high and will be materially reduced by fall, and the expectation that a freight rate reduction will follow the recent railroad wage reduction is a further important deterrent to purchasing. But though present prices of hard coal are nearly double the prewar quotations, it is apparent that they are largely, if not entirely, due to greatly increased production costs.

The chart on page 15 shows monthly company mine quotations of anthracite coal compared with the monthly index number of the Bureau of Labor, which represents the composite price of 327 commodities. It will be seen that, although anthracite prices rose much more slowly than the general price level during the years of the war, the present price is relatively higher than the price of other commodities. The production costs of hard coal, however, have not been noticeably reduced during the past year, since the principal item—wages—is determined by a contract that does not expire until April, 1922.

The rate of production for the present year, in general, has been much higher than that of 1920; the entire production to June 4 being 39,146,000 net tons, or approximately 2,000,000 tons higher than last year's total of 37,147,000 tons for the same period.

Coke

The beehive coke industry has reached a state of almost complete paralysis. The total estimated production for the week ending June 4 was only 62,000 tons, or 7,000 tons less than the average daily output for the corresponding week of 1920. The total production for the four weeks ending June 4 was 269,000 net tons, as compared with 1,610,000 net tons for the same period of 1920, and the entire production to date is only one-third of what it was up to this time last year. The output of by-product coke is at a much higher rate than that of beehive, because the demand for gas and other by-products makes operation of by-product ovens profitable in spite of the fact that the differential in freight rates favors beehive coke. Conditions in the Connellsville district are the worst in its history, and the ovens of the largest producer, a Steel Corporation subsidiary, have been entirely shut down. Unemployment, naturally, is very great in the industry, and those few firms that are still operating are paying much lower wages.

Prices have reflected the almost total absence of demand, and concessions have been made on almost all orders of considerable size. There is no contract business, and spot furnace coke is generally listed at $3, though prices as low as $2.75 have been quoted on some orders. Foundry coke is still offered at from $3.75 to $4, which indicates that the demand for this is greater than for the blast furnace fuel.

Credit conditions are unchanged. No cancellations are reported, but collections are poor.

PETROLEUM

Crude Oil

EVIDENCE is plentiful that the petroleum industry is passing through the same period of awkward readjustment as has embarrassed other industries during the past year. The rate of consumption of crude petroleum has lessened considerably in the last six months, and this in the face of increased domestic production and greatly increased importation from Mexico. The total domestic output for the first three months of 1921 was 114,003,000 barrels, as compared with 102,328,000 barrels for the same period of 1920, and the imports from Mexico are estimated at nearly 6,000,000,000 gallons, or about twice the total of a year ago. Such a condition of affairs has naturally brought about a rapid accumulation of stocks by producers and pipe lines, and has given rise to a widespread price-cutting campaign to induce purchasing.

Pennsylvania crude oil, for example, declined during the first four months of 1921 from the high point of $6.10 per barrel on January 1 to $3 per barrel on April 1. Following a slight reaction during April, the price has again dropped and on June 14 was quoted at $2.75 per barrel at the well. The present quotations of Eastern crudes, as shown in the following table, though they are less than half the highest prices of 1920, are still considerably above the pre-war level:

	May 19, 1921	June 1, 1921	June 16, 1921
Pennsylvania	$3.25	$3.00	$2.50
Corning	2.15	1.90	1.40
Cabell	2.06	1.81	1.31
Somerset	1.85	1.60	1.10
Somerset light	2.05	1.80	1.30

The same tendency toward lower levels is observed in the other producing fields of the United States and in foreign fields, as well.

The rapid accumulation of stocks by dealers has become a serious factor in the situation. Certain pipe line companies have been forced to curtail their purchases because of insufficient storage capacity, and some producers in the southern fields are demanding governmental restriction of output. Should the present rate of production and consumption continue for the remainder of 1921, a contingency that is hardly probable, it is estimated that there will be a surplus of over 50,000,000 barrels of crude oil, at the end of the year.

Refined Products

Much the same demoralization as exists in the crude petroleum market is observed in the markets for refined oil products, with the exception of gasoline. The demand for gasoline continues to be fairly satisfactory, especially in the middle west, where the seasonal effects of automobile and farm tractor consumption are more marked. In eastern markets dealers report a tendency toward sluggishness, the demand being somewhat less than it was in the same period last year. This, together with the fact that production in the first three months of this year was over 20 per cent greater than in the corresponding period of 1920, has brought about rather heavy accumulation of stocks, especially in the east.

The price of gasoline, though it has followed the downward trend of crude oil prices, has not declined to so great an extent as these. It is still quoted in steel barrels, at least nominally, at 26 cents, as against 31 cents in January. This price has been frequently shaded, however, on orders of considerable size.

In the case of the other principal refined products, fuel oil, kerosene and lubricating oils, the tendency toward dullness has been much more pronounced. Kerosene stocks are accumulating rapidly, and price concessions have failed to produce any stimulation of consumption. Refiners are offering kerosene at 14 cents in carload lots, but practically no business is being done at that figure. Exports have declined to about 90 per cent of the volume for the same period last year, and domestic consumption continues to fall off as new methods of lighting are introduced in agricultural regions and as kerosene is more and more displaced by gasoline for fuel purposes.

The lethargy in fuel oil and lubricating oils is more directly a reflection of the general business and shipping situation. Fuel oil comprises nearly 50 per cent in volume of the yield of domestic refineries, averaging 16,000,000 to 18,000,000 barrels per month. In addition to this, the United States imports about 80 per cent of Mexico's monthly production of approximately 15,000,000 barrels, with the result that this country controls a very large proportion of the world's output. Practically 90 per cent of this amount is consumed by oil-burning ships and by industrial firms in the United States, and the present stagnation in shipping and in many manufacturing industries has greatly restricted the market for this product. Dealers' reserves are accumulating rapidly in spite of attempts to stimulate buying by the cutting of prices. The general tendency, however, —manifested by ship owners, railroads, and industrial plants—is to use fuel oil more extensively, and it is believed therefore that the present situation is merely temporary.

Lubricating oils, of course, are likewise affected by industrial curtailment, as the greatest demand for these is from textile manufacturers, metal working plants, and the like. Exports of lubricating oils have also slackened considerably, averaging only about 70 per cent in volume, as compared with last year.

Most firms in this district report declining sales, accumulating stocks, and, recently, a considerable curtailment of operations. This has been accompanied, in many instances, by large reductions of working forces and by wage cuts of from 20 to 30 per cent during the present year. Few cancellations are being made, but collections in general are reported as only fair.

COTTON

Cotton Goods

A CONSERVATIVE tone prevails throughout the cotton goods market. Certain specialty styles, such as ginghams, are active; several buyers being unable to secure the quantities they desire. This dearth of material is due to increased popularity of ginghams and to difficulties incident to their manufacture. The steady position of print cloth goods, in contrast with other gray goods, is accounted for by the increase in favor of percales and draperies.

The quietness of the mid-season period is further accentuated by the uncertainty of labor conditions in southern mills. But the stopping of 500,000 spindles by the strike in South Carolina will reduce production and permit the distribution of stocks that had been rapidly accumulating.

Contrary to the expectations of jobbers, the light trading in June did not result in lower prices generally. Colored cottons, however, which occupied a strong position in southern markets, have recently receded, and in many cases price concessions averaging 10 per cent in value have been made to expedite the movement of these stocks. This unusual situation is due to the curtailment of production, and to the fact that mills that are operating have sufficient orders to carry them well into the fall.

The market in sheets and pillow cases is sold up, and manufacturers are refusing to promise deliveries before August. In strong contrast with the sharp demand for sheetings and ginghams is the lack of interest in ducks and drills. Buyers refuse to pay the prices asked by producers, even though the quotations are very close to the cost of manufacture.

Cotton Yarns

Unchanged prices and a slightly diminished volume of sales are reported by the spinners of cotton yarn. The uncertainty of the future market trend is exemplified by the refusal of both buyers and spinners to enter upon contracts for more than two months in advance.

Carded yarns have been receiving little attention, and the supply is more than adequate for present requirements. Combed yarns are slightly stronger than carded, although the demand for certain numbers is decreasing. Several of the combing yarn mills have recently closed down, awaiting the accumulation of a satisfactory volume of orders, and this has made the supply and demand more nearly coordinate. It has also resulted in some slight competition for special combed yarns.

Spinners are determined not to accept further reductions in price, as they claim that production costs are higher than present quotations.

Should further reductions in values occur, spinners in the south fear they will be forced to close temporarily.

The expected revival of business in tire yarns has failed to develop. The large users of these are decreasing production, and it is not expected that their influence as buyers of yarn will be noticed for some time. Credit conditions force the smaller manufacturers to buy for immediate use only, although their yarn stocks are depleted.

Raw Cotton

Continuation of British labor troubles, favorable weather in the South, and the higher crop estimates have tended to restrain increases in raw cotton values.

Recent reports indicate that there is a possibility of adjusting the wage difficulties between textile workers and mill owners in England. However, any buoyant effect that this might have upon the market is counterbalanced by the miners' strike, as some English mills are closed or are running on part time because of lack of fuel.

The government estimate of crop conditions on May 25 is that the present crop is 66 per cent of normal. This figure is 10.7 per cent below the ten year average for this period, but it is also 3.6 per cent above the estimate of last year on the corresponding date. Moreover, probabilities have been enhanced by the favorable weather prevailing through the cotton belt since May 25.

The Bureau of Census reports a consumption of 439,884 bales of lint cotton in May as compared with 408,882 bales in April, and 541,377 a year ago. This is an increase over April of 31,002 bales and over March of 1,951 bales.

Stocks of cotton, exclusive of linters, and active spindles were as follows:

	May 31, 1921	Apr. 30, 1921	May 31, 1920
In manufacturing establishments (bales)	1,279,314	1,316,015	1,698,833
In warehouses (bales)	4,739,851	5,028,631	2,586,868
Active spindles (no.)	32,631,051	32,535,725	34,069,744

WOOL

Wool Cloth

CONDITIONS in the woolen cloth market have undergone little change since last month. When the fall lines were opened early in May, the larger mills adopted the conservative policy of selling for only three months in advance. As a result of this, few cancellations have occurred and buyers are finding that the weavers, in most cases, are unable to accept duplicate orders. Mills that are in a position to accept such orders are making slight advances in price on material to be delivered in August and September.

Staples have been gaining in importance since the opening of the spring season. Serges, especially for men's wear, are being produced by certain manufacturers, who, because of difficulties of production, have discontinued the weaving of fancy back overcoatings. The manufacture of herringbones and pencil stripes has reached such proportions that dealers anticipate that the demand for these fabrics will decrease as soon as distribution becomes more thorough. Requests for tweeds are increasing for use in specialty goods and sport suits.

In general, the public is interested in staple goods of the better quality, at a medium price. Inferior goods have received little attention from the buyers, even when representing good values, and manufacturers feel that to increase prices on quality goods would restrict future purchases.

Wool and Worsted Yarns

Inquiries for yarns have been numerous, but actual orders placed show very little increase over the business done in May. Weavers are working upon orders received in the spring and to complete these contracts are occasionally finding it necessary to purchase yarns in small lots. The speculative element is entirely absent in the yarn market, as purchases are being made only when the amount of the order has already been covered by the sale of a corresponding amount of finished cloth. This practice is favored by most operators as a safer and more satisfactory method of conducting business during the present period of readjustment.

Knitting yarns are recovering somewhat from the marked inactivity of the early spring months. The retail season in lightweight knit goods, which is just opening, is expected to be a good one; and if the anticipated volume of business is realized, the knit-goods yarn market will be materially strengthened.

Specialty yarns, notably those used in hosiery and light knit underwear, have been the subject of numerous inquiries, which have not, however, resulted in the placing of extensive orders.

Prices remain unchanged, except in knitting yarns, which have been reduced from 10 to 15 per cent since contracts were placed early in the year. As a result of these reductions, knitters have shown no hesitation in cancelling orders—at least, in cases where spinners have refused to adjust contract prices accordingly.

Raw Wool

The first three weeks in June have been marked by a continuation of the slow but steady gain in the demand for raw wool, which has been a feature of the market since the first of the year. The sales made, though not large in number, were of sufficient size to prevent any noticeable decrease in values. Importation of fine wools has been virtually stopped by the passage of the Emergency Tariff. However, the effect of this had already been discounted by the trade, and its results in strengthening the market were negligible. Mills are actively engaged in producing cloth, but wool dealers do not anticipate extensive purchases until the next lightweight season opens in August.

The latest report of the Bureau of Markets records a total wool consumption of 144,830,000 pounds for the first four months of 1921, as compared with 234,537,000 pounds for the same period of 1920, or a falling off of 38 per cent. An encouraging feature is noticed, however, in the decreasing disparity between recent months and the same months a year ago. The loss in consumption, on a percentage basis, during each of the first four months of 1921, compared with the same months of 1920, was as follows: January, 58 per cent; February, 43 per cent; March, 30 per cent; April, 20 per cent.

The subjoined table shows the wool consumption for the first four months of the years 1918 to 1921, inclusive, in thousands of pounds:

	1921	1920	1919	1918
January	26,300	63,059	32,573	53,827
February	31,449	55,247	23,186	52,890
March	40,828	58,344	29,320	58,878
April	46,253	57,887	39,159	57,651
Totals	144,830	234,537	124,238	223,246

The new clip is coming into the eastern market slowly and, for the most part, on consignment. At a recent sale in Texas, transactions are reported at about 24 cents for the best wool.

SILK

A GENERAL improvement in the primary raw silk markets has been followed by increased activity among manufacturers. Hosiery mills are heavy purchasers, and it is becoming difficult for them to obtain present, or even short-time deliveries on silk suitable to their needs. Broad silk manufacturers are still operating conservatively, but they report a steady gain in business.

The thrown silk market has strengthened since the first of June. Throwsters report that organine double extra has recently been quoted at $8.15, and note advances in other grades. It is felt that this situation will prevail for some time, as silk weavers are sold ahead on production and have but small supplies of raw material on hand.

Though actual fall buying has just begun, the business of silk goods manufacturers thus far has been satisfactory. Crepes and satins are the prominent fall fabrics, but the retailer is distributing fall orders over a wider range of styles than he has been in the past.

Manufacturers, in general, feel that the present price of raw silk is unjustifiably high, and especially in comparison with the price of raw materials for other textiles. It is true that a scarcity of silk for immediate delivery exists in this country, but there are adequate supplies in the primary markets. Syndicate holdings in Japan are over 40,000 bales, and 35,000 bales are held by interests not connected with the Imperial Raw Silk Company. Hence, manufacturers are convinced that quotations will be reduced by fall, and it is this attitude that is largely responsible for the conservative purchasing of the present time.

The following figures, compiled by the Silk Association of America, denote imports and consumption for the first five months of the current year:

1921	Storage first of month	Imports	Total	Storage end of month	Consumption
	bales	bales	bales	bales	bales
January	44,536	9,499	54,035	31,859	22,176
February	31,859	12,794	44,653	27,928	16,525
March	27,928	14,043	41,971	16,386	25,585
April	16,386	32,552	48,938	20,038	28,900
May	20,038	27,712	47,750	20,541	27,209

It is seen from this that as between April and May there was a decrease in imports of approximately 5,000 bales, and a loss in consumption of over 1,000 bales. The amount of silk in warehouses is practically unchanged.

HOSIERY

INCREASED demand for some lines, at advancing prices; fewer inquiries for others, with quotations at new low levels; and the reappearance of distress stocks, were the outstanding developments in the hosiery market during the first three weeks of June. Practically no business was transacted in low-end cotton hosiery, and to dispose of the large accumulations of these goods, manufacturers offered them at prices below any recorded since the inception of the readjustment movement.

A decided contrast with this condition of affairs is afforded by the situation in the full-fashioned silk hosiery market. There have been insistent requests for these goods, but with the prolongation of the strike in Philadelphia, and the fact that many mills were sold up months in advance, these could not be satisfied. Jobbers whose stocks had been totally depleted offered premiums in order to obtain immediate deliveries, and manufacturers, though they have not taken advantage of the shortage to exact premiums, have, as is natural under the circumstances, increased regular quotations. Unable to secure supplies, and unwilling to encounter a like experience during the fall season, buyers have ordered well in advance, and many mills are booked to capacity until the first of the year.

In seamless silk lines, there is likewise exceptionally active trading, but it is confined to immediate delivery, and in large measure is the result of the shortage in full-fashioned hosiery. Orders for future delivery have been placed in limited quantities only, for it is realized that if a settlement of the strike in the full-fashioned mills is effected, manufacturers will soon be able to supply these goods in abundance. Since the demand for seamless silk lines is confined almost entirely to immediate shipment, and since the supply is insufficient to meet it, prices are considerably higher, especially in novelty lines.

Although staple cotton hosiery has been particularly inactive, considerable business has been done in distinctive specialty numbers. Manufacturers who have introduced new goods have found a ready market for them, and are operating at full capacity.

OPERATIONS IN THE HOSIERY INDUSTRY

	May, 1921 compared to April, 1921	May, 1921 compared to May, 1920
FIRMS SELLING TO THE WHOLESALE TRADE:		
Product manufactured during May	+ 8.8%	— 57.1%
Finished product on hand May 31	— 10.9%	— 53.6%
Raw materials on hand May 31	+ 6.6%	— 51.4%
Orders booked during May	+103.3%	+450.9%
Unfilled orders on hand May 31	+ 39.8%	— 27.6%
FIRMS SELLING TO THE RETAIL TRADE:		
Product manufactured during May	+ 19.5%	— 77.0%
Finished product on hand May 31	— 9.3%	— 64.4%
Raw materials on hand May 31	+ .6%	— 42.8%
Orders booked during May	— 28.1%	+341.9%
Unfilled orders on hand May 31	+ 16.1%	— 35.3%

UNDERWEAR

A SEEMINGLY anomalous situation existed in the lightweight underwear market during June. There was a shortage of goods for spot delivery, and the demand was particularly active, but at the same time numerous cancellations were received. These were practically all due to the failure of manufacturers to meet shipping date stipulations. There is a shortage, it is true, but the season is rapidly drawing to a close and the goods are needed for immediate use. The receipt of underwear some weeks hence would avail jobbers but little in meeting the demand for the present season, and as they believe that next season's prices will be lower, they are unwilling to carry over stocks.

This attitude, however, is by no means universal, for a number of buyers have already placed orders for the spring of 1922. Under normal conditions this is a not uncommon practice at this time of the year, but in view of the extreme cautiousness of recent months, these orders are significant and most encouraging.

As a class, however, jobbers are very conservative, especially as regards heavyweight underwear. Normally, orders for these goods should long since have been placed, and mills should be operating at total capacity. But reports received indicate that production, at an average, is only 40 or 50 per cent of capacity. Practically all jobbers have made some commitments, but these have been limited in size. With manufacturers refusing to produce for stock, and with buying restricted as it is, each succeeding week brings the situation closer to that of the season for light weights in the spring of 1921.

CONDITIONS IN THE UNDERWEAR INDUSTRY

	May 1921 compared to Apr. 1921	May 1921 compared to May 1920
Product manufactured during May	+ 1.7%	− 28.6%
Finished product on hand May 31	+ 3.3%	+ 36.0%
Raw materials on hand May 31	−39.9%	− 43.9%
Orders booked during May	−15.6%	+142.6%
Unfilled orders on hand May 31	−11.7%	− 49.4%

SHOES AND LEATHER

Shoes

SHOE manufacturers have been kept busy filling late spring orders, the volume of this business proving to be much larger than seemed probable in the earlier part of the year. As a rule, orders direct from retailers for the fall trade have been entirely satisfactory to manufacturers, although jobbers in this district have been holding back and have placed very few orders for fall goods. Both staples and novelties are selling well. An increasing demand for black shoes is noted, including a strong revival of interest in patent leather in various styles. The advance in leathers and the hardening of prices for cotton goods have convinced many buyers that shoes will be no cheaper in the near future, and have stimulated business for the fall.

Retail trade has been distinctly good. Even men's wear, which has lagged for some time, shares in the improvement. Wholesalers, too, have enjoyed a good business and have reduced their stocks of low shoes to small proportions. They have been forced to decline many orders for prompt shipment because their stocks of the goods ordered have been exhausted, and it has been impossible to secure additional supplies from the manufacturers in time for the spring trade. The above noted hesitation on the part of the jobber to buy for the fall trade is due to his having in stock a considerable quantity of staple lines from last year. He expects that the business in novelties will be much the same as it was last spring; that is to say, that it will begin late and continue through the season with orders for prompt shipment. After July 4, it is believed, jobbers will display a keener interest in fall business.

Rãw stock in the higher grades of calf and kid is decidedly scarce. The increase in demand for patent leather, coming after the long period of manufacturing inactivity in this line, has found very little on the tanners' or dealers' shelves.

In this district, no change has occurred in labor conditions. Some manufacturers complain of the increasing difficulty of competing with manufacturers in other districts, where reductions in wages have been effected.

An item of unusual interest in the statistics compiled by the Department of Commerce is to the effect that 806,827 pairs of men's shoes, valued at $2,341,399, were shipped to Russia in Europe, during April.

The only cancellations reported are on account of late delivery, and are few in number. Collections, except in some portions of the southern states, are generally good.

Leather

The demand for all leathers for shoe uppers has been good, although some slight falling off from the very large business of last month is noted. However, this may be accounted for by the fact that some shoe manufacturers covered their needs last month, and also that in nearly all instances the end of June is stock-taking period, and the desire is to keep down the inventory as low as possible. The export demand has not kept pace with the domestic, but foreign markets have taken some goods. In Europe competition is very keen with Germany. A few foreign sales of patent side leather and of glazed kid have been made, but in unimportant quantities. Indeed, some manufacturers who have good foreign connections and who usually share in the export business have had no inquiries.

Sole leather is in very much the same position as the upper leathers above noted. There have been large sales, especially in the higher grades, and the demand has now slackened off somewhat, although sales are continuing in considerable volume. Belting and harness leathers have not shared in the revival of trade. Stocks are large and demand is small.

Trunk and bag manufacturers report a steady improvement in volume of business. Prices this year, especially in leather goods, are materially lower than a year ago, and business generally is in a healthy seasonal condition.

In fancy leather goods, there is the usual between-season dullness. Factories are busy producing stock for the fall trade, for which advance indications are satisfactory.

Collections in all the leather trades are good in most localities.

Raw Skins and Hides

The available supply of goat skins of desired quality, both on the spot and in nearby positions, has been bought by tanners, and fair quantities have been procured from markets of origin. These purchases have resulted in rather sharp advances, and some tanners have withdrawn from the market, hoping that the price of raw skins will ease off. Calf skins, after an almost vertical rise from 13 cents to 23 cents, have dropped to 18 cents. Hides, after a similar advance, have also declined. The tanners of calf skins have temporarily ceased purchasing, and tanners in all lines are fearful that the continued advance in raw stocks will force such an increase in the price of leather as will retard trade considerably.

The hide and leather figures for April, prepared by the Bureau of the Census, show a decrease in stocks of hides of 5 per cent; of horse hides, colt hides, etc., 4 per cent; of goat skins, 10½ per cent; and an increase of calf skins of 6 per cent.

PRINTING AND PUBLISHING

THE important factor in printing and publishing circles, since May 1, has been the strike of the compositors, pressmen and press feeders. The original causes of the strike date back two years to a conditional promise, made by the employing printers of Philadelphia to their workers, that a 44 hour week would be granted May 1, 1921. The employers claim that the conditions of the promise have not been fulfilled and that a reduction of hours at this time is uneconomic and contrary to the public interest. The compositors walked out on May 1. The Philadelphia pressmen did not obey the order of the national association to strike because of a long standing disagreement between the two organizations. About this time,however, a court decision restored harmony between them, and on May 6, the pressmen, together with their feeders, walked out of all plants except those of two large magazine publishers, and out of these on May 16. Whatever may have been the original cause of the strike, both sides now agree that the issue is whether there shall be open or closed shop in the printing plants of Philadelphia. At first, relations were comparatively friendly, but the fight is becoming more bitter, and recently some cases of violence have been reported.

The effect of the strike upon business has been comparatively slight, because of the extremely dull state of the industry. The general apathy in the business world to-day is naturally reflected in the printing and publishing trade. Advertising of all kinds has been materially cut down, and this affects both magazine publishers and commercial printers. Catalogues are reduced in size, are less elaborate, and few new editions are being issued. There seems to be no agreement among reporting firms as to whether the decrease in business has been greater in job printing or in the larger work.

A report from a reliable source places the demand for printing and publishing at approximately 60 per cent of capacity and considers that three-fourths of this work is being done. In other words, the shops are running at 45 per cent of capacity. Some open shop plants and others which have granted the 44 hour week have been able to continue normal operations. Many customers, in sympathy with the employing printers, are withholding orders or are not demanding immediate fulfillment, or perfect workmanship, while the trouble continues.

The employers claim that except during the first two or three weeks in May the shops have been able to fill satisfactorily most of the orders received. They say that labor is steadily being recruited; that some of the strikers are returning and workers have been brought in from all over the country; that operations are being increased every day, and that it is expected the plants will soon be able to handle all business offered. On the other hand, union officials contend that the plants are not operating at more than 25 per cent of capacity. They admit that workers are being recruited, but few of them, they hold, are from the union ranks and most of them are unskilled, so that the work being done is not of standard quality.

In spite of recent inactivity, prices for printing and publishing work have not been decreased to any appreciable extent, except in certain competitive lines in which charges are determined by manufacturing costs. These costs are lower only in so far as they are affected by the raw material market, as labor, power and indirect expenses have shown no marked decline as yet.

Collections are reported as improving and may be described as being fair to good.

PAPER

THE continuation of the strike in the printing and allied trades is being felt in the fine and book paper market of Philadelphia through a paucity of orders. Operations in the printing shops were gradually increased during the month as non-union workers were employed, but the industry is not running at more than 45 per cent of normal. Purchases of paper by printers, although increasing weekly, have been curtailed to a greater extent because of uncertainty regarding the future. Orders are placed for only so much as is actually needed to meet present requirements. Printers will buy in small lots at long rate rather than purchase quantities larger than are needed to fill orders on hand.

It is difficult to determine to what extent dullness in the fine paper market is due to the printing strike, and how much to other factors. A similar inactivity exists in the demand for coarse papers. A strike in the large northern newsprint mills since early in May has resulted in a considerable curtailment of production. This served to steady the market to a certain extent, yet most of the large mills announced that the price of newsprint for the third quarter of the year would be $95 per ton, a reduction from $110 and $115, which were the prices during the second quarter. The reason for this decline is said by one dealer to be the large stocks of paper which manufacturers had on hand at the beginning of the strike. But this supply is being depleted, and mills are settling the differences with their employees and are resuming operations. None of the mills in the Philadelphia district were affected by the strike.

The demand for wrapping paper fell off somewhat in June, and this was attended by a downward revision in price. Tissues are reported to be one of the brightest spots in the New York market, but large stocks on hand in Philadelphia have caused weakness in the local market. The demand for board has been steadier in the past month, and prices have receded no further.

Prices in general, considering all grades of paper, continued to decline during the month, many reductions of 10 per cent being reported. The general level is estimated to be from 30 to 50 per cent below the peak prices obtained last year.

All firms have sufficient stocks on hand to supply present needs; in fact, many of them are oversupplied. Dealers are purchasing from manufacturers only such lots as are required to meet ordinary demands, which are very low. On the other hand, manufacturers are operating their plants only when necessary to fill orders received, or to maintain stocks at the required minimum, where it is customary to keep certain supplies on hand. It has been estimated that the fine paper mills are running at from 40 to 50 per cent of capacity. The coarse paper mills in this district are reported as doing a little better.

The situation in regard to raw materials is similar to that existing in the finished paper market. Inactivity continues, and prices are still falling. Pronounced reductions, amounting to about 20 per cent, were made in the contract price of both bleached sulphite and soda pulp, effective June 1. Foreign competition is partly responsible for these declines, as Scandinavian pulp of excellent quality is being offered on the American market at prices below those asked for the domestic product. Pulp wood has dropped considerably and is reported to be below the cost of production, but as the mills usually buy their wood supply eighteen months in advance, they are still making pulp from high-priced raw material.

WHOLESALE GROCERIES

THERE was no change of any importance in the wholesale grocery market during May. As shown by the accompanying table, net sales were practically the same as in April, and the accounts outstanding changed but slightly. The decline in prices continued, but to a less degree than during any month this year. Since May 31 the situation has been much the same, although improvement is reported in some cases. The summer season is ordinarily an inactive one.

Net sales during May were 43.4 per cent less than they were in the same month last year,—a decrease that has been attributed in large part to lower prices. The high prices received last year for such staples as sugar and potatoes would account partly for the large volume of sales at that time, as expressed in dollars. Three different firms have furnished data on this point. One found that there was an average decline in the prices of 25 staples, during the year, of 35 per cent; and that in the same period sales fell off 45 per cent. Another firm, experiencing the same decrease in sales, judged that 42 per cent of this could be accounted for by decline in prices. In the latter case, the relative volume of sales of each commodity was considered, and therefore this figure is a little more accurate than the first. The third furnished the following comparative quotations on certain staple articles that have a rapid turnover:

	May, 1920	May, 1921	Per cent of change
New cabbage.....per crate	$ 6.75	$ 3.25	—52%
Onions...........per crate	3.00	2.10	—30%
Potatoes (old)....per bushel	4.75	.65	—86%
Potatoes (new)...per basket	5.50	3.00	—45%
Potatoes (new)...per barrel	16.00	9.00	—43%
Sugar............per cwt.	19.00	7.00	—63%
Tub butter.......per lb.	.66-68	.32-34	—50%
Fresh eggs.......per dozen	.46-48	.28-30	—38%

In spite of an increased duty on Cuban sugar, the sugar market declined rapidly during the month. The large companies quoted fine granulated, on May 21, at 6.30 to 6.60 cents. Reductions made at frequent intervals since then have failed to stimulate buying. The price quoted by all companies, on June 17, was 5.60, and the market was still weak.

Butter, which in the middle of May fell to a new low level, became firmer and rose about 12 per cent. Cheese was also steadier. The prices of flour and lard fluctuated slightly. Dried fruits were weak. Canned goods were generally steady and increased slightly in price. Potatoes fell about 50 per cent.

Collections are poorer than they have been for some months. Although many firms consider them fair, it is quite generally agreed that they must be followed up more closely.

WHOLESALE GROCERY TRADE

	May 1921 compared to Apr. 1921	May 1921 compared to May 1920
Net sales during month	+1.7%	-43.4%
Accounts outstanding at end of month	+ .3%	-36.0%

Ratio of accounts outstanding to sales:

May 1921	103.7%
Apr. 1921	102.3%
Mar. 1921	90.8%
Feb. 1921	106.3%
Jan. 1921	106.7%
Dec. 1920	101.3%

CONFECTIONERY

THE situation in the confectionery business may be summarized in a few words. Manufacturers have stocks either of raw materials bought at peak prices or of finished goods made from these raw materials. The demand for candy has been very slight since the Easter flurry, and factories are operating on a reduced schedule. Lower prices, made possible by cheaper sugar, have failed to stimulate business.

The present season is always a time of little activity in the confectioner's business, and this year it is duller than usual. The demand is estimated to be only 50 per cent of what it was at this period last year, and it is still declining. Some high-grade standard candies are selling fairly well as compared with two or three years ago, although sales have dropped since last year. It has been estimated that 80 per cent of the output of candy is of grades which are sold by manufacturers at less than 25 cents a pound. These are handled by small retail confectioners and grocers and purchased by people of limited means; and it is the manufacturers of such candies who have suffered the greatest loss of business.

Factory operations to date have been reduced to a greater extent than sales—an indication that sales have largely been made from supplies of finished goods on hand. In some cases these surplus stocks have been fairly well disposed of; but the present character of the demand, requiring immediate delivery, makes it necessary to maintain at least some reserves. The reserves of makers of fine candies are always small, as these goods must be delivered as fresh as possible.

Prices for confectionery are from 20 to 35 per cent less than they were at this time last year, and they continue to decline. Penny candies are considerably cheaper; package goods have been increased in quantity and lowered in price; and the wholesale prices for fine confections have been reduced about 25 per cent. There is some complaint from manufacturers of the failure on the part of retailers to lower their selling prices proportionately. One manufacturer writes, "Candies which are selling at wholesale for 90 cents a pound, and retailing at $1.25, are today selling for 70 cents wholesale and $1 retail. But a great many retailers have not yet made the cut public."

The prices of raw materials are from one-third to one-half of last year's quotations. Sugar, which was bringing over 20 cents a year ago and was hard to get at that price, can now be secured in any quantity at less than six cents. Cocoa beans, boxes, and other materials have also been materially reduced. The fly in the ointment is that most manufacturers are even now heavily stocked with supplies bought at three or four times the present prices.

Reports regarding collections are conflicting. In a few cases they are described as poor, and in one particular instance as very good.

TOBACCO

CIGARS

PRACTICALLY all manufacturers report a slight improvement in sales of cigars during the past month. This does not mean, however, that the demand is normal; as a matter of fact, sales are still much smaller than they were at this period last year. It means, simply, that there is a somewhat more optimistic feeling in the industry and that buying is steadier than it has been at any time in the past six months.

The best sellers to-day are the cigars that retail for eight or ten cents. A few well-known and popular brands of higher-priced cigars are enjoying an almost abnormal demand. But peculiar conditions exist in each of these cases and they are exceptions to the general rule. At the other extreme, there is considerable request by smokers for a cheap cigar, and some manufacturers have sought to meet this demand by reducing prices or by making a less expensive product. A large Philadelphia producer recently announced that he would soon place on the market a new brand to sell at five cents.

The accompanying table gives data obtained from reports of sales of stamps on tobacco products, by the Commissioner of Internal Revenue:

INTERNAL REVENUE FIGURES ON TAX PAID TOBACCO PRODUCTS

(Number of cigars for which stamps were sold.) —(000's omitted)

Product	1920		1921			
	March	April	January	February	March	April
Cigars (large) Class—						
A (under 6c)	167,420	146,760	127,046	130,856	155,633	152,850
B (6-8c).....	240,534	215,438	147,317	162,517	168,066	159,156
C (9-15c)....	327,339	289,461	176,891	187,282	217,195	219,252
D (16-20c)...	12,067	7,946	9,718	13,097	17,527	14,403
E (over 20c).	5,880	3,972	1,826	2,972	2,922	2,442
Total.....	753,240	663,577	462,798	496,724	561,343	548,103

These data furnish a reliable index of cigar sales and point to certain interesting conclusions. It is seen that the volume of sales this year has been smaller than it was in the same months last year. The lowest point in cigar production was reached in January, an increase occurred during February and March, but fewer cigars were sold in April than in March. It is noteworthy that though more class D cigars were sold this year than in the like period of 1920, sales of such cigars fell off during April, while those of class C slightly increased. The figures thus confirm the statement made above, that the public is buying fewer expensive cigars and more medium-priced ones than it was two months ago.

Excess stocks of cigars left in the hands of manufacturers early in the year have been decreased in most cases by cutting down production. For a time, factories were closed all over the district, but they are now being reopened every day, as sales increase, and old stocks are disposed of. Manufacturers endeavor to regulate operations so that the number of cigars produced will equal the number sold as nearly as possible. Certain firms have been able to operate on a normal basis, but they are exceptions to the rule. Operations throughout the industry average only about 80 per cent of capacity.

Collections are improving and in most cases are said to be good. Because distributors are not ordering cigars until they are actually needed, there are no cancellations.

Leaf

Little change has taken place in the leaf tobacco situation during the month. The Sumatra inscriptions in Holland were the chief event of interest. American buyers at the sale met severe foreign competition, said to have been largely from Germany; and the bids were higher this year than last, in spite of the fact that the new crop is reported to be of inferior quality. Moreover, the government duty on Sumatra has been increased, and it is felt that the mounting cost of Sumatra, which is an important constituent in many American brands, is quite out of harmony with the general state of affairs in the cigar manufacturing industry and with the demand for cigars of lower price.

Practically all of the old tobacco is in the hands of manufacturers and the market is inactive. Packers have bought up most of the 1920 crop. A few remaining stocks were purchased from Lancaster County growers within the last few weeks and at prices higher than those prevailing last month. The fact that some very good crops brought as much as 25 cents encouraged other growers to ask higher prices, and sales consequently fell off.

Planting of the 1921 crop has begun in Lancaster County and is expected to continue for two or three weeks. The weather has been ideal and the soil is in good condition. Reports of wildfire in the tobacco beds have been investigated by government experts. They found a few isolated cases and issued instructions as to the best means of preventing the spread of the disease.

CHARGES TO DEPOSITORS' ACCOUNT

other than banks' or bankers', as reported by Clearing Houses

	June 15, 1921	May 18, 1921	June 18, 1920
Altoona	$3,190,000	$3,524,000	$3,556,000
Chester	4,459,000	4,792,000	6,371,000
Harrisburg	7,056,000	6,545,000	4,746,000
Johnstown	4,866,000	4,649,000	4,823,000
Lancaster	4,871,000	5,071,000	6,623,000
Philadelphia	307,859,000	320,858,000	399,673,000
Reading	7,267,000	8,089,000	6,286,000
Scranton	15,754,000	13,613,000	14,552,000
Trenton	11,100,000	11,500,000	13,000,000
Wilkes-Barre	8,546,000	9,352,000	9,434,000
Williamsport	3,644,000	4,148,000	4,662,000
Wilmington	7,621,000	8,378,000	7,340,000
York	3,923,000	4,601,000	4,601,000
Totals	$390,156,000	$405,120,000	$485,667,000

RESOURCE AND LIABILITY ITEMS
of Member Banks
in Philadelphia, Camden, Scranton and Wilmington
000's omitted

	At the close of business Date June 8, 1921	Month ago May 11, 1921	Year ago June 11, 1920
Loans and discounts:			
Secured by U. S. securities	$40,262	$38,487	$ 94,776
Secured by other stocks and bonds	190,586	194,817	194,723
All other	348,187	363,637	574,007
Investments:			
United States bonds	45,611	45,245	40,273
U. S. Victory notes	8,749	9,323	9,317
U. S. certificates of indebtedness	9,809	14,373	52,526
Other bonds, stocks and securities	159,863	155,691	*
Total loans, discounts and investments	$804,067	$821,573	$965,622
Demand deposits	621,181	640,016	674,876
Time deposits	41,065	41,450	32,769
Borrowings from Federal Reserve Bank	110,482	98,257	56,463

* Included in "all other loans and discounts" item.

STATEMENT
Federal Reserve Bank of Philadelphia
(000's omitted)

RESOURCES	June 15, 1921	Month ago	Year ago
Gold reserves	$176,235	$176,554	$139,427
Legal tender, etc.	5,019	4,310	255
Total reserves	$181,254	$180,864	$139,682
Discounts—secured by U. S. securities	104,111	109,324	170,471
Discounts—all other	34,969	37,641	29,673
Purchased bills	8,149	8,336	1,926
U. S. securities	48,489	36,063	33,293
Total earning assets	$195,718	$191,364	$235,363
Uncollected items	67,426	53,888	78,966
All other resources	2,059	2,489	2,492
Total Resources	$446,457	$428,605	$456,503
LIABILITIES	**June 15, 1921**	**Month ago**	**Year ago**
Capital paid in	$8,616	$8,615	$8,317
Surplus	17,010	17,010	8,805
Government deposits	1,303	1,063	694
Member banks — reserve account	105,406	104,342	101,236
Other deposits	1,954	1,444	5,682
Total deposits	$108,663	$106,849	$107,612
Federal reserve notes	226,633	229,259	247,287
Federal Reserve Bank notes	11,078	13,075	18,990
Deferred availability items	70,159	49,981	59,736
All other liabilities	4,298	3,816	5,756
Total Liabilities	$446,457	$428,605	$456,503

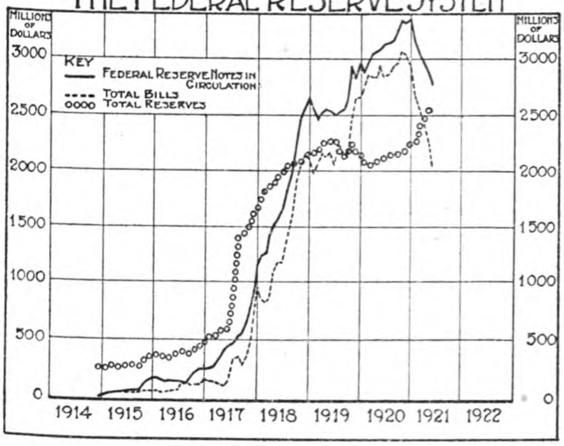
BUSINESS INDICATORS

	June 20, 1921	Percentage increase or decrease compared with Previous month	Year ago
Philadelphia banks:			
Loans	$695,463,000	— .3%	—9.4%
Deposits	601,277,000	—1.5%	—12.6%
Ratio loans to deposits	115.7%	113.6%	111.6%
Federal Reserve Bank:			
Discounts and collateral loans	$133,892,000	—5.8%	—32.0%
Reserve ratio	57.8%	55.3%	43.0%
90-day discount rate	6%	6%	6%
Commercial paper	6¾-7%	7¼%	8%

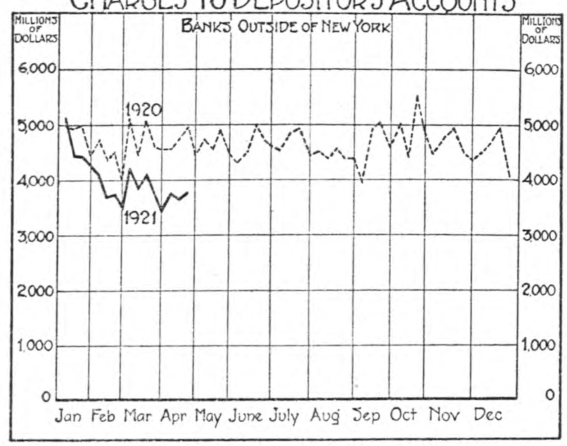
	May, 1921	Percentage increase or decrease compared with Previous month	Year ago
Bank clearings:			
In Philadelphia	$1,609,595,000	—5.3%	—22.9%
Elsewhere in district	150,779,000	—11.7%	—18.5%
Total	$1,760,374,000	—6.6%	—22.6%
Building permits, Philadelphia	3,569,890	+13.7%	—13.3%
Post office receipts, Philadelphia	1,155,200	—11.2%	—13.3%
Commercial failures in district (per Dun's)	69	65	37
Latest commodity index figures:			
Annalist (food prices only)	164,862	—4.0%	—48.2%
Dun's	165,995	— .4%	—36.7%
Bradstreet's	10,617	—1.9%	—46.6%

FINANCIAL AND BUSINESS INDICATORS

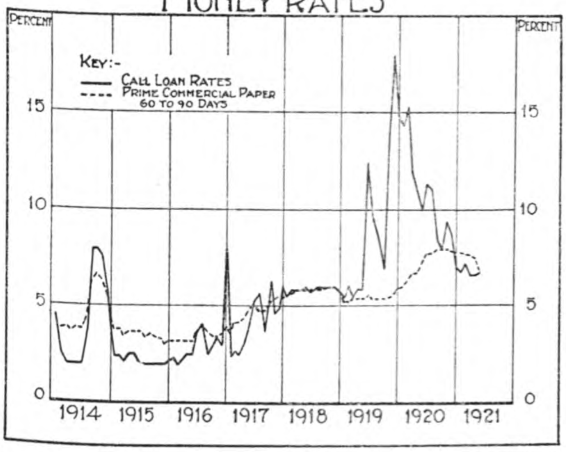
THE FEDERAL RESERVE SYSTEM



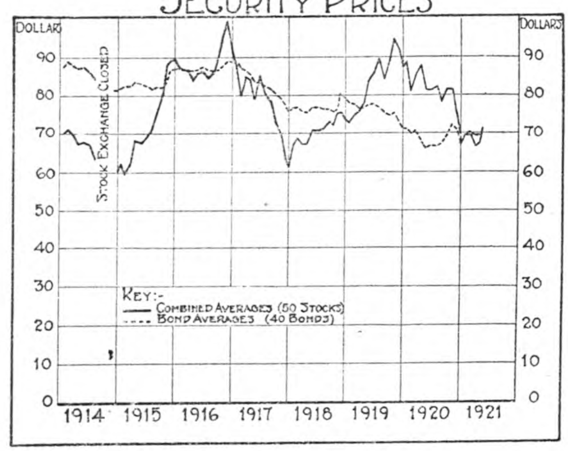
CHARGES TO DEPOSITORS ACCOUNTS



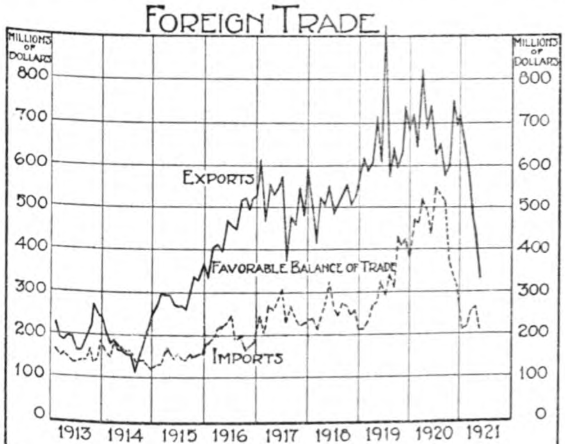
MONEY RATES



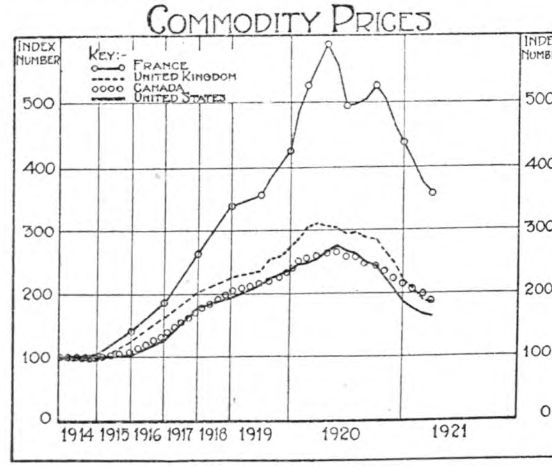
SECURITY PRICES



FOREIGN TRADE



COMMODITY PRICES

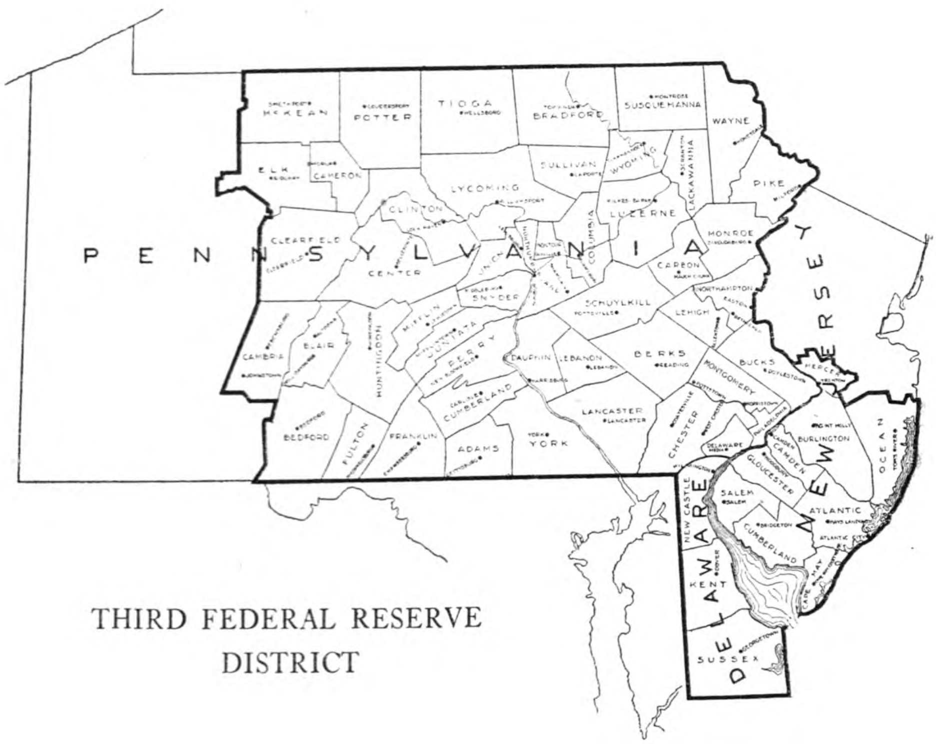


ADVANCES THROUGH WAR FINANCE CORPORATION

The War Finance Corporation has issued a booklet which outlines, in a general way, the requirements of the Corporation in connection with advances to American exporters and American banks, bankers and trust companies for the purpose of assisting in the exportation of domestic products. Information is given as to the filing of applications, limitations on advances, collateral security required, details as to interest payments, payment of advances of proceeds, etc., with samples of the forms to be used. Copies of this booklet (known as "Circular No. 1 of the War Finance Corporation") may be obtained upon request to the Federal Reserve Bank of Philadelphia.

COMPILED AS OF JUNE 23, 1921

This business report will be sent regularly without charge to any address upon request.



THIRD FEDERAL RESERVE
DISTRICT