

# Report on Business Conditions

Second Federal Reserve District

From the Federal Reserve Agent at New York  
to the Federal Reserve Board

*New York, December 20, 1919*

## Credit and Banking

The banking problems of the coming year will center largely around the greatly expanded volume of bank credit which the war required and with which the subsidence of war financing leaves us. To establish some control over it and to prevent in so far as practicable its diversion into undesirable uses instead of to reduction of bank debts, is a task requiring of the bankers of the country not only an understanding of the situation but action of a most disinterested sort. For the longer this volume of credit remains in use in excess of our requirements for producing and distributing goods and carrying on the usual business of the country, the longer will be delayed a return to more normal business and price conditions.

The additional credit created by the Federal Reserve Bank during the war was supplied at rates which of necessity conformed to the Treasury's policy of borrowing at low rates of interest. During the war when industrial expansion was closely controlled by Government regulation, the use of the credit resources of the Federal Reserve Bank was confined largely to purposes necessary to carry on the war and maintain the civilian population. But with the removal of such regulation and control and under the stimulus of cheap credit and an apparently limitless demand for goods, industrial expansion has progressed by leaps and bounds, accompanied by speculative activity in all kinds of property. This expansion keeps up a pressure for

credit at a time when the volume of credit should be subsiding.

There are two effective checks to such expansion; one, the higher cost of goods which, when supply and demand become more nearly balanced, will decrease consumption; and the other, the higher cost of credit which will make it less profitable for banks to borrow and thus reduce the supply of credit available to them for further expanding their loans. The rates of the Federal Reserve Bank should be an effective influence upon the cost of credit. They have been raised twice, on November 3 and December 11, but have nevertheless been closely related to the certificate rate policy of the Treasury. They have, however, given clear indication to the member banks of the desirability in their own interest, of extending credit with increasing restraint and circumspection and of addressing themselves to the gradual reduction of their debts to the Federal Reserve Bank.

During the month the loans of the New York banks have in aggregate declined. Since October 31, the loans, discounts and investments of the 112 reporting banks of this district have declined about \$322,000,000, of which almost the entire amount is accounted for by the decrease of the 71 reporting banks in New York City. The following table shows the course of the reduction, and indicates that at the very end of the period the loans of the banks again moved upward.

## LOANS, DISCOUNTS AND INVESTMENTS (In Millions)

Date	71 Reporting Banks New York City	112 Reporting Banks 2nd Fed. Res. District	794 Reporting Banks All Districts
October 31	\$5,789	\$6,397	\$15,598
November 7	5,744	6,353	15,627
November 14	5,570	6,181	15,422
November 21	5,487	6,097	15,471
November 28	5,468	6,078	15,461
December 5	5,374	5,987	15,452
December 12	5,394	5,994	15,459
December 19	5,474	6,075	15,615

While loans of banks in the New York district declined \$322,000,000, banks elsewhere increased their

loans by \$339,000,000, thereby slightly more than offsetting the reduction made in this district.

## REPORT ON BUSINESS CONDITIONS

There are other evidences of reaction from the progressive expansion of October. There has been a marked falling off in the amount of new securities offered for sale, and manufacturers and merchants are now unwilling to make contracts at present prices on the old basis; indeed it is reported to us that where such contracts formerly covered a period of six months they are now generally limited to half that time. Thus the tendency in a time of rapidly expanding credit for dealers and producers to contract ahead for constantly longer periods has been moderated.

The movement of the discounts at the Federal Reserve Bank of New York in the past thirty days has been complicated, particularly in the month of December, by the operations of Government finance. On nine days the total earning investments were more than \$1,000,000,000. Since the middle of November Government deposits have been withdrawn with fair regularity. These deposits, created chiefly by the sale on September 15 of certificates of indebtedness, resulted, when the Government called for the funds, not only in a momentary rise in rates on the Stock Exchange money market but in the loans and discounts of the Federal Reserve Bank. In other words, the deposits resulting from the sale of certificates are usually created by making entries on the books of the banks showing credits to the account of the United States and it is not until the Government demands the deposits so established that the bank has to find funds with which to pay. Usually recourse is to the Federal Reserve Bank, where the purchased certificates or other bonds are put up as security for loans, which are gradually reduced as the Government disburses the funds and some portion of them returns to the banks in the form of commercial deposits.

The maximum for the earning investments of this bank, \$1,072,000,000, was reached on December 15, and was attributable to another cause. On that day about \$250,000,000 was paid out for certificates of indebtedness which then matured. Against that sum were receipts of about \$128,000,000 of income and excess profits taxes, which only partially offset the disbursements. The result was a sharp rise in the earning investments of this bank and a corresponding increase in the credit momentarily available in the banks. Subsequent income tax receipts, transfers by the Treasury from other districts and payments of loans by the banks out of the proceeds of certificates of indebtedness redeemed, reduced rapidly the earning investments of this bank, until on December 19 they reached \$936,000,000,

the lowest point since October 23. This decline, however, proved to be transitory.

Call money was easier in the last thirty days than for some time past, though the renewal rate has not gone below 6 per cent. From a rate of 10 per cent. on November 20 the decline was rapid to 7 per cent. and then to 6 per cent., rising again on December 9 to 7 per cent. and on December 15, when income tax payments were due, to 15 per cent. Subsequently, for the reasons mentioned above, the rate declined to 6 per cent. Time money has been scarce and transactions were few and for limited periods. Rates are nominally 6 per cent. to 7 per cent. on mixed collateral and 7 per cent. to  $7\frac{1}{2}$  per cent. on all industrial.

The market for commercial paper has continued dull with very little demand from banks in this district. It is reported by the banks that the major part of the paper purchased for accounts outside of New York has been for Southern banks where funds have moved from New York in great volume in payment for cotton and tobacco. The rate is now on a 6 per cent. basis, as compared with  $5\frac{1}{2}$  per cent. to  $5\frac{3}{4}$  per cent. in mid-November. The rates at which the Federal Reserve Bank purchases bankers acceptances were increased  $\frac{1}{4}$  of 1 per cent. on November 28. The new rates range up from the following minimums for best known names:  $4\frac{3}{4}$  per cent. for endorsed 90-day bills;  $4\frac{5}{8}$  per cent. for 60-day bills and  $4\frac{1}{2}$  per cent. for 30-day bills. This action was taken to place this bank's purchase rates more in accord with the higher rates now prevailing in the open market, where rates for unendorsed bills are  $\frac{1}{8}$  to  $\frac{1}{4}$  of 1 per cent. higher.

While bank clearings show a decline from the high levels of October and early November, they are nevertheless far ahead of corresponding periods of last year. This decline is the reflection of decreased activity on the stock exchange. The following gives the totals of each week of the period:

Week Ended	New York City	Other (6 Cities)
November 26	\$5,364,902,000	\$131,678,000
December 3	5,046,831,000	141,499,000
December 10	5,068,752,000	134,614,000
December 17	5,784,012,000	160,970,000

### Stock Market

The liquidation of stocks which followed the extraordinary money conditions of early November has been continued, with a fair degree of consistency throughout the past thirty days. This liquidation proceeded without sharp breaks in the market and with lessened public participation, as is customary in a declining market. The former extravagant demands upon credit appear to have subsided considerably.

Daily sales fell off materially. In the third week of November the average was 1,145,000 shares a day; in the fourth week 980,000; in the first week of December 936,000; in the second week 938,800 and in the third week fell to 867,200 shares a day. A partial recovery of prices which took place early in December was most pronounced in the highly speculative issues, while shares which are commonly regarded as investment stocks remained comparatively dull.

The market has been fairly responsive to news developments. For instance, the termination of the bituminous miners' strike and the announcement of the Attorney General that he would not appeal the Southern Pacific oil land case caused a rise in particular stocks and lent a momentary strength to the rest of the list. The announcement of the fractional increase in rates by this bank on December 11 was followed by a day of high call money rates and active liquidation.

**Bond Market and New Financing** The liquidation which developed in stocks was far more pronounced in the bond market. It manifested itself tentatively in the third week of November and became heavy during the next two weeks; although three-quarters of the transactions were in United States bonds, the prices of which fell, the declines in the prices of corporation bonds were heavier. From the middle of November to the middle of December, United States bonds fell off about three-quarters of a point; industrial bonds one and one-half points; public utilities two and one-quarter points and railroad bonds about three points. Bonds other than Government issues which were most heavily sold were those of railroad and street railway companies whose records of earnings are poor, and of other corporations whose bonds are regarded as high grade but because of their prices have the smallest yields. In spite of some exceptions the bond market as a whole fell to the lowest price level reached since 1896. The effect of the decline on Liberty bonds was to place the Third  $4\frac{1}{4}$  per cent. and the Victory  $4\frac{3}{4}$  per cent. issues on a better than 5 per cent. basis.

The high price of money in November caused a marked reduction in the aggregate of new issues by domestic corporations. The total for that month was \$253,000,000, as compared with \$390,000,000 in October and \$90,000,000 in November a year ago. This falling off seems to register the passing for the time being at least of the high tide of offerings to bond houses by corporations which are anxious to

enlarge their capital. Nevertheless, it is reported to us that the applications are still so numerous that the best bond houses are able to consider only a small proportion of them and in the aggregate they are much beyond the power of the market to absorb.

**Dubious Issues** The creation of a great body of new capitalists through the sale of Liberty loans and because of the generally higher level of wages has encouraged the sinister activity of promoters and salesmen who are trying to float stocks of the most dubious character. Based upon the answers to inquiries made from fifty banks outside of New York City, and upon other evidence within the Metropolitan district, it appears that this movement is general in the larger cities of the district, particularly New York, Buffalo, Rochester, Syracuse, Utica and Binghamton, but with varying intensity. It appears that some of the promoters are men whose business records do not stand scrutiny, either from the standpoint of success or personal integrity, and some of them have in times past been found guilty of crime.

A possible indication of the extent to which new capital is sought appears in the total of new incorporations. Doubtless only a fraction of the total is intended for immediate issue, depending primarily upon the capacity of the public to buy; and many of them are, of course, of the highest character. Nevertheless, the total is noteworthy. In November new incorporations in the Eastern States amounted to \$1,341,000,000 and in October \$2,363,000,000, as compared with \$131,000,000 in November a year ago. The monthly average for 1919 up to this time is \$1,054,000,000, which is nearly seven times the monthly average shown by the five years prior to the war. Most of the new incorporations are of oil, shipping and chemical companies and concerns engaged in the manufacture of articles, the current prices of which are high and the margins of profit on the present basis exceptionally good. In many cases the chances of return for the investor are limited to the maintenance of the present price level. The most recent precedents for this vast growth of new enterprises are to be found in the United States in 1900 and just prior to the liquidation of 1873, and in Great Britain prior to the liquidation of 1866. At no other times in modern industry has the formation of new companies taken place on so large a scale.

The operations of dealers in poor or worthless stocks are particularly serious at a time of great expansion such as the present, not only because of the waste of capital involved, but because fraudulent

## REPORT ON BUSINESS CONDITIONS

issues are lost sight of in the general outpouring. Reports from the banks in certain parts of the district indicate that a large amount of Liberty bonds have been secured in exchange by promoters, who promise quick and rich returns in place of the interest carried by the bonds. Many sales for cash are reported also, particularly to wage earners. An estimate of the amount of dubious issues on sale, secured from a source specializing in such matters, puts the total at "hundreds of millions."

As usual, the victims of such transactions are those who are in the worst position from knowledge or experience to measure the worth of securities. Methods of sale include not only newspaper advertisements and offers through the mails, but solicitation by a highly organized corps of canvassers. In a number of cases the name of the Federal Reserve Bank is reported to have been used for the purpose of convincing prospective purchasers of the value of the stock offered. Usually the argument has been that the bank whose stock the canvasser is selling will become a member of the Federal Reserve system, or that the paper to be handled by the newly organized "finance corporation" will be discounted by the Federal Reserve Bank. Such statements should be sifted with the greatest care, but usually the man approached by the canvasser is in no position to know the limitations set by law, both on Federal Reserve membership and discounts.

Certain cases of apparently fraudulent intent have already been brought to the attention of the Federal or local prosecutors, but in the past most prosecutions have succeeded only when the fraud has been completed and the investor has lost his money. It is, therefore, essential that individuals buy only after seeking advice from trusted bankers or others who are equipped with sound information and good sense on financial matters. In a number of progressive communities the newspapers not only refuse to take dubious financial advertising, but have undertaken to warn their readers against unscrupulous vendors of stocks. Officers of banks can carry

this public service farther by giving advice to all inquirers, whether they are customers or not. Many bankers are already doing work of that sort.

### Foreign Exchange and Foreign Trade

The remarkable decline of the chief European exchanges in the two weeks between November 29 and December 13 is, of course fundamentally attributable to the excess of our exports to the countries whose exchanges were most affected over our imports from them. The decline does not indicate solely that the month of November was radically different from the preceding months when the declines were less pronounced; it reflects rather the cumulative effect of trade balances which have been running in our favor for many months, and the results of speculation in the foreign exchange market.

In considering foreign exchanges at this time one should realize the wholly abnormal conditions now prevailing, not only in the trade balances which have been piled up in favor of the United States—a condition aggravated by the inability of most European countries to settle adverse balances in gold—but the largely speculative character of the foreign exchange market itself. Exporters are selling exchange as far ahead as December of 1920, and importers are buying exchange through as extended a period. The settlement of current items is not continuous as it was before the war and the entrance of this highly speculative buying and selling has the effect of producing violent movements of quotations. There appears to have been general faith on the part of those who had exchange to sell that sterling would not fall below \$4.00, a belief which was shared by purchasers of exchange. Consequently sterling exchange was bought at or above that rate for months in advance and selling was withheld, with the result that when the rate did go below that point an accumulation of bills and checks was thrown upon the market and accordingly a precipitate decline occurred. Other European exchanges acted similarly, as appears in the following table:

### FOREIGN EXCHANGE RATES

Week Ended	NOVEMBER 29		DECEMBER 6		DECEMBER 13		DECEMBER 20	
	High	Low	High	Low	High	Low	High	Low
England.....	4.06½	3.99¾	3.99¾	3.84½	3.85¼	3.65¼	3.90¼	3.71¼
France.....	9.54	9.84	9.86	10.75	10.92	11.87	10.03	11.35
Italy.....	11.82	12.28	12.34	12.77	12.94	13.60	12.52	13.22
Spain.....	19.95	19.60	19.80	19.65	19.90	19.50	19.55	18.70
Argentina.....	43.15	43.125	43.25	43.25	43.15	43.15	43.15	43.125
Hong Kong.....	106.00	100.00	103.00	101.75	101.00	100.50	101.00	99.00
China (Shanghai).....	160.00	150.00	150.00	150.00	165.00	159.00	165.00	164.00
Japan.....	50.50	50.31¼	50.50	50.50	50.50	50.50	51.50	50.50

# FEDERAL RESERVE AGENT AT NEW YORK

The break in sterling had its counterpart though in less degree, in exchange on Canada, which on December 11 was quoted at a discount of 11 per cent. Since that time it has made a partial recovery, the result no doubt of a substantial shipment of gold to this country.

The effect of this long continued upheaval in the exchange market is more apparent in our imports than in the movement of goods away from this country. Europe still appears to be dependent upon us, not only for a great part of the raw materials required for her rehabilitation and for the purpose of keeping her people from starving, but for finished manufactures. In fact, the reports of the Department of Commerce indicate that the volume of finished products compared to the total of exports is far greater this year than in the year before the war. Thus in 1913 crude materials for use in manufacturing were 31½ per cent. of the total. In October of this year the corresponding percentage was 19 and in September 15. Manufactures ready for consumption on the other hand were 32 per cent. of the total in 1913, and in October of this year were 38 per cent. and in September about 35 per cent. In 1913 food-stuffs partly or wholly manufactured were 13 per cent. of the total, whereas in September and October of this year they were 22 per cent. and in July 28 per cent. Thus it appears that our exports up at least to the late fall were still intended very largely for immediate use, and while exportation of fully manufactured articles to South America and the Orient may have accounted in some degree for this shift from before-the-war experience, nevertheless it is safe to deduce that our exports were required for the satisfaction of Europe's immediate needs

The necessities of Europe thus far have complicated the working of the economic law that adverse exchanges encourage exports and limit imports on the part of the countries against which the adverse rates run. Our imports from the United Kingdom have increased from \$12,800,000 in February to \$41,700,000 in October; from France \$5,000,000 in February to \$14,000,000 in October; from Italy \$1,800,000 to \$7,200,000; from Canada \$37,000,000 to \$54,800,000. No doubt a large part of the increase in imports from European countries as between those two months is attributable to the greater amount of available shipping; nevertheless the advance has been continuous through the summer up to October, when a decline is observed in the previous month for imports from France and Italy. Exports, on the other hand, show a decline; those to France from \$93,000,000 to \$67,005,000; to Italy from \$38,000,000 to \$31,009,000; while to Great Britain they are nearly identical at \$165,000,000 with, however, a sharp increase in July and August.

The movement of the exchanges primarily follows, of course, the trade balances unless corrected by the shipment of gold or securities, or by the establishment of credits. The table given below shows on the whole that favorable trade balances with Europe have decreased, but for the ten months are tremendously in excess of the corresponding period of 1913. It appears also that our adverse balance with China is more than three times what it was in 1913; with Japan is somewhat less; with Brazil about double; while with Argentina it is almost equivalent to what our favorable balance was in the earlier year.

## TRADE BALANCES

(000 Omitted)

	February	July	August	September	October	10 Months 1919	10 Months 1913
United Kingdom.....	\$153,046	\$181,874	\$180,010	\$118,960	\$123,247	\$1,648,390	\$238,123
France.....	87,970	42,744	44,370	35,732	53,451	670,099	7,123
Italy.....	36,382	22,278	21,834	21,416	24,647	325,279	17,480
Germany.....	.....	2,136	11,438	7,250	18,506	47,505	118,975
China.....	*1,296	*11,704	*4,995	*3,224	*12,103	*34,479	*10,842
Japan.....	10,411	*28,565	*9,966	*27,100	*23,598	*26,387	*30,299
Canada.....	3,028	17,440	23,117	35,337	13,099	194,217	339,075
Argentina.....	4,969	*2,364	*5,578	*24,764	*9,899	*24,330	28,374
Brazil.....	6,380	*16,271	*13,195	*25,944	*11,893	*83,376	41,342

\*Excess of imports over exports.

The summary reports for foreign trade in November, secured on December 20 from the Department of Commerce, show that both imports and exports rose materially in that month. Total exports stood

at \$740,000,000, the highest since last June, when the maximum of \$920,000,000 was attained. Imports, valued at \$429,000,000 were only \$6,000,000 less than the total for September, the highest ever

## REPORT ON BUSINESS CONDITIONS

reached. The balance of trade in our favor, nearly \$312,000,000, was larger than in the two previous months. Shipments of cotton, reported to be the largest on record, amounted to 924,000 bales, valued at \$181,300,000, and accounted for nearly one-quarter of the total exports.

**Wholesale Prices** The month of November was one of very general advances in commodity prices. Bradstreet's index number on December 1 was 20.1756 as compared with 19.9026 a month previous, and with 20.0017 on August 1, when the previous high record of 1919 was established. On December 1, 1918 the number was 19.0151.

Textiles provisions and iron and steel accounted for the larger part of the rise during November; but ten out of thirteen groups of commodities showed advances, and among the individual commodities 46 out of 106 rose. Bradstreet's average of food prices did not, however, make a new high record. On December 1 it was 5.18 against 4.97 early in November and 5.04 the first of December, 1918. The high record of the present year was 5.30 at the end of July. In considering the current high prices at wholesale for commodities it should be noted that in the average or typical year prior to the war wholesale prices in this country reached their highest level around the end of November and then declined.

**Retail Trade** Inquiry from ten department stores in Greater New York shows that the sales up to the middle of December as compared with the corresponding period of 1918 increased on the average 40 per cent. in the total value of sales, and 19 per cent. in the number of units sold. Some of the merchants expressed disappointment in the size of Christmas buying, which may be attributed to expectations based on the immense sales, both relative and absolute, for the month of October. It appears also that the repressive measures called for by the shortage of coal affected sales in this period. Nevertheless the present holiday season is the heaviest in the experience of New York stores.

Certain of the stores report that the sales of utilities have fallen off more than the sales of luxuries. This is explained not only because of the nature of holiday purchasing, but because of the inclination referred to last month of buying expensive articles regardless of their inherent value. Demand for high priced goods is generally reported, but at the same time it appears that purchasers are inclined to watch

prices a little more closely than hitherto. In one instance it is reported that the demand for goods of the highest price has fallen off somewhat. Cash purchases are still large and an increase of buying by out-of-town purchasers is observed.

In Buffalo it is reported to us that the volume of sales has been much in excess of last year and that people whose incomes formerly were limited are now purchasing jewelry and other expensive articles of luxury to a much greater extent than heretofore.

**Mercantile Credits** The high prices now prevailing in almost all lines of merchandise have resulted in general shortening of credits. While it appears, for the present at least, that production is far short of the demand, cautious manufacturers are disinclined to commit themselves in their business dealings to a continuance of prices at the present level over a long period.

In almost all lines, what is known technically as a seller's market exists; that is, the seller is free to select those with whom he will deal. Allotment of goods is general and in the woolen trade the allotments have fallen in certain cases as low as 25 per cent. of last year's requirements. This power of the dealer to choose those to whom he will sell goods from a large number of applicants is regarded as of itself insurance against cancellation of orders should the demand suddenly subside and prices fall.

Most manufacturers and distributors of dry goods, textiles, hardware, boots and shoes and similar merchandise, are sold up as far ahead as they will take orders. Most contracts are placed at present price levels, though in a few cases the stipulation has been for the fixation of prices at the date of delivery, or the making of a price now, with delivery at the convenience of the seller. Some of the largest manufacturers and distributors report that their contracts, based upon present prices, run only about half as far into the future as in normal times; thus manufacturers and distributors who have been in the habit of contracting for six months ahead at fixed prices are now committing themselves through a period of only three months. In brief, both sellers and buyers aim toward a quick turnover.

**Collections and Failures** The Credit Clearing House reports, based on transactions between wholesalers and retailers involving about \$100,000,000, in the current period were slightly better than in the preceding four weeks, and considerably better than a year ago. On the

other hand, the volume of indebtedness increased and was about the same as for the corresponding season last year.

Failures in this district during November were 99 as against 101 last year. There was a slight reduction in the liabilities involved from \$1,674,791 in November, 1918, to \$1,548,918 this year. For the country as a whole there were fewer failures last month than in any November since Dun's records began in 1894, with the smallest liabilities for any November in fifteen years. Preliminary figures for the first three weeks of December indicate a material decrease in failures over the corresponding period in 1918.

**Clothing, Dry Goods and Textiles** There is no let up in the demand for high grade wearing apparel. On the contrary, the demand has broadened and garments are asked for in a wider variety of fabrics. No promise of relief in clothing prices is held out for the near future.

Both jobbers and manufacturers of hosiery and knit goods are extremely busy. Buying has increased during the last two weeks owing to the fear of still higher prices and because stocks are low at a time when production is still below normal.

Leading producers of woolens and worsteds are making plans to allot their products for the fall 1920 season as they did for the coming spring. Where autumn prices have been mentioned they are up 50 to 75 cents a yard over spring prices. Cotton goods have been active and have maintained or even exceeded the prevailing high price levels.

**Iron and Steel** The coal strike has had a more disturbing effect upon the iron and steel trade than did the steel strike. For the two months just prior to the latter our average monthly production of pig iron was 2,586,000 tons, from which it fell to 1,863,558 in October and recovered to 2,392,350 tons in November. For the whole period of the steel strike the consequent loss of iron production was apparently about 1,200,000 tons; and the unfilled tonnage of the Steel Corporation together with the relative movements of iron and steel prices indicate that pig iron was affected more than steel. The embarrassment resulting from the coal strike and the restrictive orders of the Fuel Administration indicated in the operation of iron and steel plants was particularly noticeable early in December. The shortage of coke became acute by December 8, and curtailment of production

was reported in Youngstown and other centers. Prices of pig iron, steel billets and rails rose more rapidly than during the steel strike. Orders for steel are being accepted conditionally, or declined altogether; and it may be some weeks before the steel market recovers from the cumulative effect of the two strikes.

### **Cotton Market**

The decline of cotton prices incidental to the liquidation of mid-November was reversed late in the month, and on December 5 the price of forty cents a pound for spot delivery was reached. This price exceeded that reached in October and is the highest for a century, save the Civil War period, when prices were stated in depreciated currency. With the issuance of the Government crop report, which set an estimate of the crop at 11,030,000 bales, about 325,000 bales above the October 1 estimate, the price on the New York market declined to a point not far above what it was in mid-November.

Domestic cotton consumption in November was 490,698 bales against 555,344 the previous month, and 455,611 in November, 1918. It was low, however, as compared with some previous Novembers, and the comparisons with the 1918 figures are misleading because of the abnormal curtailment of consumption during the latter half of last year. Exports in both September and October were below those of the previous year. For the latter month they were 352,231 bales against 386,995 a year ago, and 530,565 two years ago. In November, however, the exports amounted to 924,000 bales, which is the maximum shipment for any single month. England, according to the Department of Commerce tabulation, took 521,000 bales and France 120,311 bales.

### **Building Operations**

Building contracts awarded in November in New York and Northern New Jersey, according to F. W. Dodge Company, amounted to \$50,636,000 or \$2,585,000 less than for October. The noteworthy point is not the decrease, but rather its smallness. At this season of the year, because of the coming of cold weather, contract awards normally show a much larger decline. In the typical year the decline from October to November is about 11½ per cent., whereas this time it was only 5.1 per cent.

The total volume of building in this district for the year thus far is very much above normal in cost, and somewhat above in floor space. The awards for eleven months to December 1 were \$503,729,000 against a previous high record of \$316,014,000; and

## REPORT ON BUSINESS CONDITIONS

the highest record before the war was \$235,694,500. Residential building continues on a large scale in this district; 34 per cent. of the awards for November came in that classification, which includes not only detached dwellings, but apartment houses, hotels, garages and stables. Thus the continued rise in prices of building materials has not yet reduced the extent of building operations below normal.

**Labor** An emphatic improvement in labor conditions has taken place in this district. The report of the New York State Industrial Commission for the month of November shows an increase of 3 per cent. in the total number of workers employed in 1,560 representative manufacturing establishments. A material part of this increase, which is reported in nearly every division of

industry, is attributed to the settlement of labor troubles. About half the steel workers out on strike in October had returned at the time of the November reports. The printers' strike, which was slowly dissolving a month ago, came to an end with an increase of \$6.00 a week. Among those who have generally returned to their factories or plants are shipyard iron workers, silk glove makers, operatives on men's furnishings and in laundries, and cigar makers. The cumulative effect of the steel and coal strikes was felt in the automobile group, where the shortage of material forced the laying off of a number of workers. A decrease is reported in the number of workers engaged in the cotton goods mills, the result of an extension to another locality of the labor troubles in that industry. Prohibition has resulted in a continuing decline in the employees of breweries.

---

This report is prepared monthly for the Federal Reserve Board. Copies are issued for the information of member banks and those who have contributed toward its preparation. Additional copies may be obtained by addressing

FEDERAL RESERVE AGENT,

Federal Reserve Bank of New York.

15 Nassau Street, New York.