Report on Business Conditions

Second Federal Reserve District

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

New York, January 20, 1920

Credit and Banking

In the thirty days ended January 20 the reserve percentages of the Federal Reserve Bank of New York and of the entire Federal Reserve System reached the lowest points thus far registered, indicating a continuance of the great demand for credit not only in New York but throughout the country. The ease and liquidation which usually follows January 1 has not occurred this year. The demand for bank credit is no less insistent than the demand for investment capital, which is still far greater than the market can possibly supply.

The following figures show the credit expansion of the Second Federal Reserve District and of the country as indicated both in the totals of loans, discounts and investments of reporting banks and in their deposit accounts. The figures shown include those for each week of the current period and for the final date in October, which was at the peak of the autumn loan expansion in this district:

LOANS, ETC., AND DEPOSITS

(In Millions)

Date	71 Reporting Banks New York City		802 Reporting Banks* All Districts	
	Loans, etc.	Deposits	Loans, etc.	Deposits
October 31	$5,789	$5,320	$15,598	$13,821
November 28	5,468	5,107	15,461	13,808
December 19	5,474	5,210	15,615	14,136
December 26	5,460	5,137	15,620	14,056
January 2, 1920	5,595	5,401	15,792	14,572
January 9, 1920	5,552	5,295	15,819	14,468
January 16, 1920	5,519	5,292	15,826	14,600

*On October 31 there were 783 reporting banks in all districts.

Thus while the reporting banks for the country as a whole were increasing their loans to the total of $15,819,000,000, the highest thus far reached, the loans of the New York City reporting banks were in fact considerably below the high point of October when Stock Exchange speculation was at its height. From October 31 to January 16 the loans of the 71 reporting banks in New York City declined $270,000,000. In that same period the reporting banks of all districts in the country other than New York increased their loans $498,000,000. Meanwhile, also, the gross deposits of New York City banks declined $28,000,000, while the gross deposits for reporting banks elsewhere in the country increased $807,000,000. In the first two weeks of January these New York banks lost $109,000,000 of deposits.

The loan figures of the banks leave out of account, however, the paper which they had rediscounted with the Federal Reserve Banks and which therefore does not appear in their statements. Inasmuch as the New York City banks increased their rediscounts with the Federal Reserve Bank between October 31 and January 16 by $220,000,000, their loan contraction amounted actually not to $270,000,000, but to $50,000,000. Elsewhere in the country, however, not only were the loan accounts of the banks increased by $498,000,000, but their rediscounts with the various Federal Reserve Banks were increased by $233,000,000. Thus the high total for January 16 indicates a loan expansion of the 690 reporting banks outside of this district of about $731,000,000, much of which has occurred in the last six weeks.

This increase outside the New York district points to a great local use for funds and accounts for the failure of money thus far in 1920 to flow toward New York, as is customary after the first of the year. Not only has money failed to turn back to New York but it has been continually drawn away, possibly in anticipation of the usual early spring demand. The aggregate of transactions through the gold settlement fund—the medium provided by the Federal Reserve System for settling balances between the several Federal Reserve districts—shows a net movement of funds away from New York between December 1 and January 1 of about $72,000,000, and from January 1 to January 20 a nominal flow toward New York of $15,000,000. But to this net adverse balance of $57,000,000 may properly be added about $63,000,000, representing bills rediscounted by the Federal Reserve Bank of New York with other Federal Reserve Banks which were still outstanding on January 20. The effect of this transaction was to bring money to this bank against the prevailing tide, and to reduce temporarily the adverse balances with other Federal Reserve districts by the amount of the rediscounts.

The small reduction in the volume of credit in this district contrasted with the very large expansion elsewhere in the country is attributable primarily to the curtailment of Stock Exchange speculation since early November. From October 31 Stock Exchange activity was at its height. Loans secured by stocks and bonds as reported by the 71 banks in New York City show a reduction to January 16 of $111,500,000. The corresponding figures for all Federal Reserve districts, including New York, is an increase of $110,700,000. The contraction in New York has been absorbed, however, by industrial and commercial demands, which current high price levels are ever increasing. A typical bank in New York City reports that its loans to strictly commercial customers increased 50 per cent. from a year ago. The following table showing the increase over last year in the wholesale prices of commodities indicates the much increased amount of money required to carry a given volume of commodities in the various stages of production and distribution:

COMMODITY PRICE INCREASES

Commodity	Jan. 1 1919	Jan. 1 1920	Per Cent Increase
Cotton (middling uplands), lb	.32	.39	21
Cotton sheetings	.19	.28	47
Wool (fine unwashed), lb	.76	.95	25
Silk (sinshiu), lb	6.70	14.05	109
Pig Iron (No. 1 foundry), ton	38.30	42.80	11.7
Steel Billets (Bessemer), ton	43.50	48.00	10.3
Hides (Packer), lb	.29	.40	38
Leather (calfskin), sq. ft	.75	1.25	66.6
Tobacco (med. leaf Burley), lb	.42	.50	19
Coal (bituminous, Pittsburg), ton	4.70	5.45	15.9
Pine (yellow), M	48.00	65.00	35.4
Copper (electrolytic), lb	.23	.19	*16

*Decrease.

In addition to increased commodity prices, the higher wage scales now general in this district have had a marked effect on the cost of production, and hence upon the demand for credit. According to the reports of the New York State Industrial Commission, the average wages paid to factory workers advanced in the year 1919 about 13 per cent.

The discount rates of the bank were further fractionally increased on December 30. On that day the total loans of the Federal Reserve Bank of New York were at their maximum for the year 1919 and the highest reached up to that time. This increase to $1,079,000,000 was due in part to the withdrawal from this market of money which had been deposited here by out of town banks and had been put out on call in the stock market. In the period between December 20 and January 16, when the loans of the Federal Reserve Bank did not once go below $1,000,000,000, the reserve percentages held lower than at any other time thus far. The withdrawals of Government deposits during this same interval, amounting to $310,000,000, were a contributing cause of the increased loans of the Federal Reserve Bank. On January 13 the ratio of total reserves to combined net deposit and note liability was 34.7, a condition which was corrected on the next day by rediscounting with other Federal Reserve Banks.

In New York City bank clearings for December were slightly above the previous high level for October and were, therefore, the highest yet reached. For the year they aggregated $235,800,000,000, a gain of 32 per cent. over 1918 and an increase double that shown by the combined clearings of the rest of the country. The totals for each week of the current period were as follows:

Week Ended	New York City	Other Six Cities Second Federal Reserve District
December 24	$5,590,623,000	$149,866,000
December 31	5,388,508,000	141,681,000
January 7	5,545,691,000	168,280,000
January 14	5,347,254,000	151,567,000
January 21	5,412,377,000	151,143,000

Money Rates

The money market of the past thirty days closely reflects the conditions described above, the withdrawal of money, lent here by interior banks, and the reluctance of the New York banks to supply funds in lieu of those withdrawn. It has been in a state of decided tension. Rates for call money on the New York Stock Exchange covered the wide range of 6 to 25 per cent., which was the highest since the 30 per cent. rate of November 12. The high figures were reached at the end of the year when funds were withdrawn from New York by out-of-town banks for use at home. Early in January rates were easier, a reflection of the creation of credit which was incidental to the redemption of certificates of indebtedness. Throughout the period renewals were made at unusually high figures. From December 23 to January 5 the renewal rate ranged from 10 to 15 per cent.; on January 6 the rate was 8 per cent.; since then it has ranged between 6 and 8 per cent. Time money has been scarce and rates have been high. Transactions have been few, even for the shortest maturities. Rates are nominally 7½ per cent. for loans on mixed collateral and 8 to 8½ on all industrial.

The market for commercial paper has continued dull as far as the banks in the city of New York are concerned. Few of them report any purchases at all. It has been observed, however, that there has been an increased demand for commercial paper from institutions within a comparatively short distance of New York, and dealers report their outside business to be good in practically all sections of the country. Very recently a heavy supply has manifested itself, which appears to be considerably in excess of the power of the market to absorb. Certain commercial paper houses report that they are discouraging their clients from borrowing extensively. The rate remains on a 6 per cent. basis, with few sales of exceptionally desirable names at 5¾ per cent. In the last thirty days the Federal Reserve Bank twice raised its purchase rates on acceptances. Present purchase rates are 5 per cent. for endorsed ninety-day bills; and 4¾ per cent. for sixty-day and thirty-day bills. Stringency in money rates has kept the discount market limited, but latterly dealers in acceptances have been taking steps to widen the market for this kind of paper.

Stock Market On the whole the stock market in the last thirty days has been particularly sensitive to the stringency of money. For a short time around the first of the year prices rose and the volume of sales increased accordingly, but for the most part the movement of prices has been downward, on a market which has been in the hands of professional traders, with public speculative activity much diminished. No considerable reinvestment demand has been reported.

Liquidation, which had its beginning more than two months ago, has continued with few interruptions in an orderly way. Railroad shares reached the lowest point of December on the 12th, and industrials on the 22nd; but the rallies were slight and generally lacking in vigor. By the middle of January railroad stocks were again down to a price level only about 1½ points above the lowest of December, while industrials were down 1½ points below the lowest of the previous month.

Average daily stock sales for the week just before Christmas were 817,400 shares; and this compares with 1,197,700 a day for the week ended January 2, and 826,700 for the week ended January 9. Around the first of the month an active day was a day of rising prices, but more recently activity has been accompanied by weakness.

Bond Market and New Financing Heavy liquidation in bonds, both corporation and Government, continued somewhat past the middle of December, attributable in part at least to a desire on the part of holders to record losses for the purposes of the income tax. The general level of prices touched its lowest on December 18, but in the succeeding three weeks there was a substantial movement upward.

Railroad bonds, in response to favorable reports from Washington as to the time when the roads will be returned to their owners, and the conditions under which the return may be accomplished, showed more strength than any of the other major groups of bonds. They rose about 2 5-8 points from the middle of December to the middle of January. Public utility issues recovered about 5-8, industrials 1 1-5 points, and foreign government bonds as a group about 1½. Liberty bonds rose from ¼ to 1 2-5 points up to January 4, and as usual made up the larger part of the aggregate of sales. Transactions in corporation bonds remained heavy, averaging about $5,500,000 per day over the turn of the year, and then sharply diminished to $2,800,000 daily.

During the second week in January renewed liquidation of moderate proportions made its appearance. Liberty bonds lost somewhat more than their previous gains, and railroad bonds also declined.

The curtailment of new issues of securities observed in November continued, the result of general financial conditions reflected in a lessened public demand. The total in December was $223,000,000 as compared with $253,000,000 in November, and $390,000,000 in October. For the entire years 1919 and 1918, the monthly averages were $252,000,000 and $112,000,000 respectively. The new issues in December included a number of high grade municipal and Government bonds; preferred stocks of industrial corporations of proved standing, as well as of corporations which are still to demonstrate their capacity to earn on augmented capital; and corporation bonds and notes of varying degrees of quality.

New incorporations in December amounted in nominal capital to $1,077,500,000. This compares with the monthly averages of $1,056,000,000 for 1919 and $216,000,000 for 1918.

Liberty Bonds

Sales of Liberty Bonds on the New York Stock Exchange amounted for the year to nearly $3,000,000,000, and were more than three-quarters of the total sales of bonds on this market. In spite of these large transactions and in the face of a considerable decline in other classes of bonds, Government bonds were conspicuous for their relative strength. Where corporation bonds had shown a general decline through the year, averaging about 6¾ points, United States war bonds declined only about 1½ points. There was an enormous unloading on the part of many holders attracted by the large business and speculative possibilities which the year seemed to offer, but this was fairly balanced by institutional and other buying which might be said to represent a far more permanent demand. In general, there was a transfer of holdings from weaker to stronger hands, which seems to justify the view that Government issues are now on a far more solid investment basis than a year ago. Some of the issues now show a yield above 5 per cent. and although these are nothing like the returns that prevailed during and following the Civil War, there is an almost immeasurable difference between the financial strength of the country and of the Government then and now; and at these levels they have appealed strongly to conservative investors.

Foreign Exchange and Foreign Trade

Up to the very end of the period exchange rates on the principal European countries did not change materially from the late December figures. But gradual declines in the week ended January 17 preceded a precipitate drop in the following week. On January 20 the rate for sterling touched 3.65¼ which was equal to the low rate established in December. Lire and marks went below their previous low points and francs were weak. Subsequently there was a still further decline of all the principal exchanges.

The decline was attributed to market conditions together with a withdrawal of balances which have been built up abroad, rather than to any radical changes in the foreign trade of the country. The currency and credit inflation of foreign countries is exerting a profound influence on present exchange rates. This fact explains the anomaly that the former belligerents in Europe which have the smallest volume of trade with this country are the ones whose exchanges are weakest. Vice versa, Great Britain, which has by far the greatest adverse balance in our market of any country trading with us, is of all former belligerents the one which has experienced the least decline in her exchange rates with the United States and has the least inflation at home. In other words, the price of the American dollar in European countries has gone up as the purchasing power of their own currency has gone up. The following are the demand rates for the four weeks of the period:

FOREIGN EXCHANGE RATES

Week Ended	DECEMBER 27		JANUARY 3		JANUARY 10		JANUARY 17	
	High	Low	High	Low	High	Low	High	Low
England	3.83½	3.78¾	3.79½	3.75⅛	3.79½	3.73¾	3.74½	3.68½
France	10.36	10.64	10.68	10.93	10.78	11.22	11.15	11.63
Italy	12.98	13.08	13.16	13.28	13.24	13.43	13.43	13.70
Spain	19.40	19.35	19.30	19.25	19.05	18.95	19.10	19.00
Argentina	43.125	43.125	43.125	43.125	43.00	43.00	43.125	43.125
Hong Kong	99.00	96.00	95.00	94.50	97.00	94.50	100.00	96.00
China (Shanghai)	168.50	168.50	166.00	164.00	160.00	160.00	161.00	160.60
Japan	50.25	50.25	50.375	50.125	50.375	50.00	50.00	49.875

In considering sterling exchange special reference should be made to the progress which the United Kingdom is making in recovering her export trade. Her manufacturing plants are readapting themselves to peace production, and correspondingly her exports are gaining upon her imports. British exports in December, 1919, as compared with those of December, 1918, the first month after the armistice, increased 137.3 per cent., whereas the corresponding increase for American exports was 20.39 per cent.—not a surprising difference considering the vast volume of war and other material which the United States was called upon to export during the years of active fighting, but highly indicative of the recuperative power of British production.

For the first three months after the armistice the

British excess of imports over exports averaged £75,090,000; and for the three months ended with December, 1919, it averaged only £69,930,000 per month. The real improvement in the balance of trade is greater than it appears, because the last quarter of the year is the season when Great Britain normally imports vast amounts of agricultural and raw materials. In the last quarter of the year as compared with the first quarter British net merchandise imports ordinarily increase by about 19.3 per cent., whereas in 1919 they decreased by 6.9 per cent. In addition, various factors which count as offsets to importation are becoming effective, chief among which at this time is the revival of Britain's carrying trade.

Exports from the United States during December amounted to $681,500,000, a decrease of about $59,500,000 from November. Imports amounted to $381,000,000, a decrease of about $44,000,000 from the preceding month. Thus our balance of trade, which amounted to about $301,000,000, declined by about $15,000,000 from November. December shipments of cotton amounting to 877,000 bales valued at $180,650,000, were barely under the cotton exports in November which were the largest on record. They accounted for more than one-quarter of the total exports for the month. The largest shipments were for England, which took 442,000 bales valued at about $94,000,000.

Trade balances for the first eleven months of 1919—the latest for which an analysis is available—showed an aggregate excess of exports to the United Kingdom above our imports from her of $1,821,000,000. The November balance is the largest since that of August, and an important factor in it was the exports of cotton. The adverse balance of France is not far from what it was in October, but materially above the preceding months. There are slight increases for both Italy and Germany and a large increase for Canada. Our own adverse balances with China and Japan are considerably reduced, and with Argentine and Brazil are below the figures for September. A summary for the eleven months of the year is as follows:

TRADE BALANCES

(000 Omitted)

	February	July	August	September	October	November	11 months 1919	11 months 1913
United Kingdom	$153,046	$181,874	$180,010	$118,960	$123,247	$172,840	$1,821,030	$283,268
France	87,970	42,744	44,370	35,732	53,451	52,941	723,058	14,191
Italy	36,382	22,278	21,834	21,416	24,647	26,284	351,564	20,299
Germany	......	2,136	11,438	7,250	18,506	19,816	67,321	152,791
China	*1,296	*11,704	*4,995	*3,224	*12,103	*5,547	*40,026	*12,341
Japan	10,411	*28,565	*9,966	*27,100	*23,598	*17,169	*43,471	*32,082
Canada	3,028	17,440	23,117	35,337	13,099	22,236	215,735	251,863
Argentine	4,969	*2,364	*5,578	*24,764	*9,899	*12,907	*37,238	29,236
Brazil	6,380	*16,271	*13,195	*25,944	*11,893	*23,248	*106,623	*48,997

*Excess of imports over exports.

The Edge Bill and the Fall in Exchange

The remarkable fall in all foreign exchanges has given a new interest to the proposals for foreign financing, which resulted in the passage of the Edge Bill. With British exchange at nearly 30 per cent. discount, and French and Italian exchange at more than twice this, and German exchange much lower, there is an almost unprecedented opportunity for the purchase of foreign issues, especially of industrial and other corporations. In Germany the decline in exchange has resulted in such enormous purchases of stocks and securities by outside countries, particularly those near by, as to lead the German Government to apply some measures of restraint. In the German public press this heavy outside purchasing has been placarded as "The auction sale of Germany." The result has been months of the wildest speculation ever known in which shares have sometimes risen hundreds per cent. in a day. Similar opportunities in a less degree now exist in almost all of the countries of Europe.

The provisions of the Edge Bill may considerably facilitate this movement. Foreign securities outside of Government loans are almost unknown in this country, and the average investor is almost without means or facilities of making individual investments in these countries. The financial corporations authorized under the Edge Bill permit the banks to subscribe up to 10 per cent. of their capital and surplus to such companies, and the latter in turn may invest in almost any kind of foreign enterprise. The extent of this investment for any one corporation is limited to 10 per cent. of its capital and surplus, or 15 per cent. in the case of banking corporations; and such investments must be made with the consent of the Federal Reserve Board. In addition, the corporations organized under this act are subject to the same supervision by the Federal Reserve Board as that exercised over national banks by the Comptroller of the Currency. Furthermore, these corporations must have at least $2,000,000 capital, which is considered an effective bar to the financially irresponsible or inexperienced.

These provisions are intended to offer a considerable protection to the intending investor in the stocks or the debentures of these companies. It was likewise the expectation that these companies might prove a considerable aid to the export associations legalized under the Webb Act for the promotion of our foreign trade, and to an appreciable extent contribute a stabilizing influence on the financing of our exports.

Federal Reserve Notes in Circulation

The high point in the circulation of Federal Reserve notes for this bank was on December 24, when the total stood at $827,679,000. Immediately after Christmas began the first considerable decline since a year ago. In the three weeks ended January 16 there was a contraction in the circulation amounting to $67,000,000, which very closely approximates the experience of a year ago for the same post-holiday period. The rise in Federal Reserve note circulation through a term of years has coincided in a general way with the expansion of bank credit, but there have been numerous fluctuations which have been related only remotely to the general credit situation. Thus the decrease observed since the holidays occurred at a time when the loans of the Federal Reserve Bank of NewYork were rising to their maximum.

In the following table the circulation is given as of the first Friday of each quarter in the last three years:

FEDERAL RESERVE NOTE CIRCULATION, NEW YORK BANK

(000 Omitted)

	1917	1918	1919	1920
January	$93,153	$402,900	$724,931	$811,119
April	166,596	485,222	736,433	......
July	213,801	591,791	762,915	......
October	265,677	719,317	761,705	......

In both 1918 and 1919 Federal Reserve note circulation was at its lowest point within a month after the Christmas holidays. It is at this time that the great volume of currency which has been required during the Christmas season returns to the banks and through them to the Federal Reserve Bank. From its low point early in the year the circulation in 1918 rose abruptly and with very few breaks in the upward movement to the time of signing the armistice, a rise of about $325,000,000. That the rise paused at that time suggests the instant reduction of payroll requirements at the moment when war production abated. In 1919 the lowest point for the year was reached on January 29, when the circulation stood at $646,062,000. There was a gradual rise from that time to the second week in April, and then a period of approximately stationary circulation to the last of June, when through a period of two weeks there was a sudden rise followed by a gradual fall. The end of the year showed the customary rapid rise and in the first three weeks of 1920 the circulation receded to a point near where it stood in July.

The action of the Federal Reserve note circulation in these two years has coincided with the great expansion of credit. But the precipitating causes have been of much more immediate sort. Higher wages and general employment; higher prices which followed the disruption of the former relations between supply and demand; periodic demands for currency, particularly at the holiday season when retail trade involving cash transactions is at its height—all these require more circulation with varying degrees of permanence and are direct causes of its expansion. A further cause for the growth in Federal Reserve note issues lies in the fact that especially in 1917, they replaced a large amount of gold certificates and gold coin which were mobilized in the Federal Reserve Banks as a part of the gold reserves of the country. The reduction in gold and gold certificate circulation for the whole country in the three years ended January 1, 1920, amounted to about $1,300,000,000.

It should be understood that the conversion of credit at the Federal Reserve Bank into Federal Reserve currency, or the contrary process of converting Federal Reserve currency back into a credit on the books of the Federal Reserve Bank—the free interchangeability of notes and deposits—is in practice entirely a matter for the owners of the credit to determine. In other words the banks, which are the owners of the credit, decide on the basis of their customers' needs, whether they shall withdraw currency or shall dispose of the credit in other ways—by drawing checks against it, by transferring it, or by letting funds remain on deposit. Thus it is that the growth or contraction of Federal Reserve note circulation within short periods depends almost entirely on seasonal or special demands for the circulating medium.

Failures and Liabilities Commercial defaults for the whole country for the month of December made a new low record for that month, though they were larger than in October or August or July of last year. The 683 insolvencies with $12,000,000 for December, 1918, declined to 581 business reverses with liabilities of $8,000,000. In the Second Federal Reserve District the number of failures for December decreased from 129 in 1918 to 119 last year, and the total of liabilities was cut in half, that is from $3,800,000 to $1,800,000.

Cotton Market In spite of falling exchanges and disquieting reports of business conditions in Europe, cotton has continued to sell at the extraordinarily high levels which have prevailed throughout the larger part of the year. There was a slight decline in December, but by the middle of January the averages were practically the same as in November and only about 1c a pound below the record maximum. These prices have been largely due to the short crop and the unprecedented demand alike at home and abroad; but very heavy speculative holdings are reported in many quarters. The agricultural department estimates last year's crop at a little over 11,000,000 bales as compared with about 12,000,000 bales for the year previous. Domestic consumption up to August had been lagging, but since that time it has shown a steady gain, and for the five months ended with December it was 2,551,476 bales as compared with 2,395,611 bales for the corresponding period of the previous year. Exports for December were again heavy, nearly equal to the record figure of November. For the five months ending with December they were 2,796,586 bales as against 1,976,310 for the same period of the previous year. This is largely due to the heavy stocking-up of the British cotton mills, which have shown very heavy gains in the last months.

Clothing Dry Goods and Textiles The extraordinary demand for almost every kind of dry goods and textiles has continued, and likewise the preference for the higher rather than cheaper grades of goods. Following the usual period of quiet after the holidays, activity was resumed upon a broad scale. It was generally reported that the throng of buyers in New York passed all precedents. This gave great firmness to the market and to rapid advances in some lines. Prices on textiles rose notably. Since January 1 bleached cottons, prints and ginghams advanced from 3c to 5c a yard, and brown sheetings were 30c a pound above the Government levels of 1918. Standard lines of worsted dress goods for the coming fall are quoted at from 7 per cent. to 10 per cent. above the previous high level. Raw silks continue to rise and where $10 was once counted an extremely-high price, quotations have been above $16. These prices, and the disposition of manufacturers and sellers to curtail credits, apparently resulted in a smaller volume of sales than might have been anticipated. Shoe prices remained steady at high levels. Heavy stocks of leather, silks and cotton goods, held for speculative purposes, are reported.

Wholesale Prices The upward march of general prices continued in December. Bradstreet's index number of wholesale prices rose to 20.363 and Dun's to 247.394, an advance of a little less than 10 per cent. over the averages of a year ago. and considerably above previous experiences. This continued lifting of the price level appears to be world wide and is even more acute in Europe and in Japan. The British price numbers likewise made new high records at the end of the year, showing an advance of something like 20 per cent. over one year ago. In Germany the increase has been even greater.

Iron and Steel There was a sharp rise in pig iron production in December, the output being 2,633,268 tons against, for example, 1,863,558 in October; but this figure is still considerably below that of wartime production and also below what may be called the present normal. Wartime production did not greatly exceed the normal rate of growth, contrary to general belief, and the output last year was the sharpest reduction from this normal line since 1908. There was a notable rise in the unfilled orders of the United States Steel Corporation, which showed for December an increase of 1,137,000 tons. Correspondingly iron prices advanced about $5 per ton in December and this rise has continued. Bessemer pig at Pittsburgh is now quoted at $40.40 per ton, compared with $29.35 before the strike, and other grades in proportion. Sales of steel are reported at some advances, but not to the same extent as in pig iron. British and continental steel prices have shown the same tendency to advance. Iron ore has not been in such sharp demand, and stocks at Lake Erie ports on January 4 were nearly 10 per cent. higher than a year ago. Total receipts at these ports during the past season were 36,874,316 gross tons, an advance of nearly 11,000,000 tons from the previous year. Automobile and truck manufacturers and shipbuilders were among the largest consumers of steel during the past year. Recently there has been an increased number of inquiries from the railroads and equipment builders.

Building Operations Building operations in this district continued during December to show less diminution because of cold weather than in other winter seasons. Contracts awarded amounted to $47,398,000 as compared with $50,636,000 in November, according to the reports of the F. W. Dodge Company. Residential construction is somewhat smaller in proportion to the total than in previous months, indicating a slight shift toward the demands of business.

The following figures for territory, which corresponds close to the Second Federal Reserve District, show the Dodge compilations of contracts awarded for the year 1919 and since the first year before the war. It is to be understood, however, that the figures represent dollar values only and that the cost of building has increased so largely that it is doubtful whether the aggregate amount of construction now under contract is much, if any, in excess of that in 1913. The awards in each of the years shown were as follows:

1919	$551,127,000
1918	256,979,000
1917	333,337,000
1916	283,659,500
1915	169,794,734
1914	129,204,500
1913	261,007,500

Labor The improvement in labor conditions in this district, first observed a month ago, has continued. The report of the New York State Industrial Commission for the month of December shows a further increase of 3 per cent. in the total number of workers employed in 1,473 representative manufacturing establishments. Through a period of six months a total gain of 11 per cent. is recorded.

The December increase is attributed to partial or complete recovery from labor difficulties in several industries and also to a continual increasing demand for workers. Steel plants in this district report a large increase in the number of men employed, but the total is not yet up to the level prior to the strike. In explaining the few individual instances of decrease, shortage of coal, steel and sugar are pointed to as the causes for temporary reduction to the working forces of establishments depending upon these products. The usual seasonal declines in certain industries such as canning, the production of leather goods and novelties, are observed, but are not sufficient to offset the material increase in other activities.

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