

# MONTHLY REVIEW

## Of Credit and Business Conditions

In the Second Federal Reserve District

By the Federal Reserve Agent, Federal Reserve Bank, New York

New York, November 30th, 1920.

### Credit Conditions

THE world wide decline in commodity prices which set in last spring, has shown considerable acceleration during the past month, especially in Great Britain and the United States. From the peak, British prices are down from 10 to 14 per cent. and Canadian prices are down 11 per cent., while the various price indices in the United States show declines of from 13 to 33 per cent. A substantial portion of these declines has occurred in the last sixty days, and already there are signs that the lower prices for raw material and goods at wholesale are beginning in some cases to be reflected in retail prices and that thus consumers are beginning to receive the benefit of the enhanced buying power of the dollar.

#### Wholesale Price Indices

Country	Per cent. decline during latest month reported	Per cent. decline from highest
United States		
Bureau of Labor.....	7.0	17.3
This bank's index (12 basic commodities).....	5.2	33.5
Dun's.....	4.3	13.7
Bradstreet's.....	7.3	24.9
British		
Economist.....	6.2	14.1
Statist.....	3.4	9.9
French.....	4.4	13.9
Italian.....	8*	2.1
Japanese.....	2.1	28.3
Canadian.....	2.9	11.0
Swedish.....	4.4	6.2
Australian.....	2.5	2.5
Calcutta.....	1.0	5.5

\*Increase

Cancellation of orders by manufacturers and merchants, and postponement of purchasing by consumers have accompanied the fall in commodity prices abroad as well as at home. In the United States, where the price decline of the past six months is the most abrupt since that of the first six months of 1865 accompanying the close of the Civil War, these tendencies are necessarily causing substantial interruptions and readjustments in many industries. The orderly manner in which these readjustments have proceeded has been greatly facilitated by

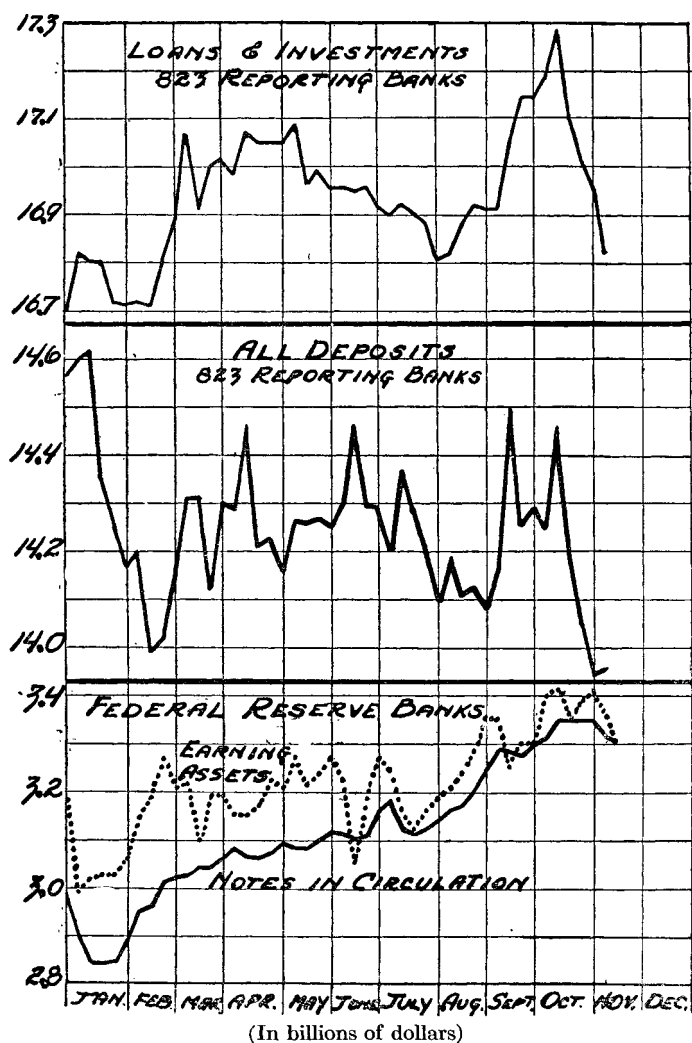
the existence of the present machinery for the maintenance of credit flexibility and elasticity. Throughout the year credit has been at all times available, as the Federal Reserve Board pointed out in its statement of October 16, for in spite of the rapid movements of funds from one part of the country to another, member banks have always felt ready to extend additional credit where such a course seemed necessary and sound, knowing that they could in turn fall back upon their Federal Reserve Bank.

It is probable that in no part of the country has the demand for credit been felt more acutely than in New York City. In the September number of the Review, the movements of funds in and out of New York for the preceding three months were set out in considerable detail. Further drafts in October and November upon the New York City banks have reduced their deposits \$250,000,000. Not only have they been called upon to make direct advances to industry, commerce and agriculture in all parts of the country, but they have been called upon for indirect advances as well, through loans to interior correspondent banks for the accommodation of their local customers. In many of the New York banks the demands of interior banks have been the heaviest on record, exceeding even the accommodation they required before the establishment of the Federal Reserve System. Among those asking for loans are many banks which have never borrowed before. On the other hand in this district the country banks are gradually getting out of debt. On June 1, 361 out of 771 member banks were borrowing from the Federal Reserve Bank. On November 20, the number of borrowers was reduced to 261.

Just as with increasing prices the volume of bank credit, that is, bank loans, deposits and circulating notes, increased, so with falling prices the volume of bank credit has lately shown a tendency to decrease. British currency notes have declined £16,000,000 from their maximum, reached August 11, and Bank of England notes have recently declined also. The notes of the Bank of France have declined 390,000,000 francs from their maximum reached early in November. Canadian notes always have a seasonal increase, but this year the increase is far less than usual. Current changes in bank loans and deposits for these countries are not now available.

In the United States the course of bank credit during 1920 is shown in the chart printed on the following

page. The fluctuations of bank loans and deposits are shown by the figures of the 823 banks which report



Course of Reporting Member Bank Loans and Deposits, and Federal Reserve Bank Earning Assets and Notes in Circulation, 1920.

weekly and which present accurately the banking movements of the entire country. The recent decline in the volume of bank credit which these figures indicate is in turn reflected in the decreased loans and note issues of the Federal Reserve System as well as in its reserve percentage which has risen from 42.5 on October 16 to 44.4 on November 26.

### The Bill Market

With firmer money conditions, there was a decrease in the demand for bankers acceptances during the past thirty days and the total turnover of the dealers fell below that of the preceding period. Not only did the market in New York City become relatively dull, but there was also a diminished demand from out-of-town banks. In spite of this falling off in the volume of business, dealers reported a considerable number of new customers. During the second week of November there was a brief period of increased activity, with good demand from both local and interior banks, but it was not sustained. Offerings of bills to the dealers were fairly heavy during the period, and dealers continued to be hampered by difficulty in obtaining money with which to carry their portfolios. Bills drawn against cotton, grain, food products, and to provide dollar exchange predominated, with leather, metals, sugar, and tobacco bills in smaller volume. Dealers slightly reduced their rates late in November and offered prime member bank bills at 6 to 6½ per cent., according to maturity. The minimum buying rates of the Federal Reserve Bank, remained unchanged, varying from 5¾ to 6 per cent. according to maturity for prime endorsed bills.

The total volume of bills now outstanding in the country is estimated at \$1,000,000,000, approximately the same as on January 1, 1920. At that time the Federal Reserve System, which is commonly called upon to purchase bills not absorbed by the market, held \$574,000,000. At present the System holds only \$275,000,000.

### Bank Deposits and Loans

(In Millions)

Date 1920	Reporting Banks in New York City			Reporting Banks in all Districts		
	Total Deposits	U. S. Securities and Loans Thereon (excluding U. S. Bonds to secure Circulation)	Total Loans and Investments (including Rediscounts)	Total Deposits	U. S. Securities and Loans Thereon (excluding U. S. Bonds to secure Circulation)	Total Loans and Investments (including Rediscounts)
Nov. 19	\$4,778	\$721	\$5,542	\$13,952	\$1,799	\$16,794
Nov. 12	4,750	693	5,575	13,961	1,735	16,838
Nov. 5	4,770	695	5,611	13,956	1,743	16,952
Oct. 29	4,853	698	5,681	14,058	1,751	17,017
Oct. 22	4,920	719	5,738	14,207	1,776	17,103
Oct. 15	5,070	738	5,830	14,470	1,825	17,284
1919						
Oct. 10	5,397	1,512	6,010 (High)	13,699	3,231	15,944
Nov. 14	5,207	1,256	5,788	13,865	2,803	16,090

Between November 14, 1919 and November 19, 1920 New York City Banks increased from 71 to 72 and banks throughout the country from 782 to 824.

As evidence of the wider market in this district for bills during 1920, it appears from the most recent calls of the New York State Superintendent of Banks and the Comptroller of the Currency, that 174 banks in the Second Federal Reserve District were holders of bills, as compared with 58 a year ago. During 1920 this bank has purchased bills for 210 country member banks, amounting to about \$36,000,000, whereas in 1919 it bought \$8,200,000 for 38 member banks. Purchases by savings banks have also been an important factor in broadening the market. At present savings banks in this district are reported to be holding about \$70,000,000 of bills, more than twice the amount held by them last June.

### Commercial Paper

Country banks have been active buyers of commercial paper during the period and a number of dealers with wide facilities for selling to country banks report that their total sales for October compared favorably with those of a year ago. The total volume of paper outstanding, however, has been considerably reduced from the peak level of last January. The period of this reduction coincides with the period of high Federal Reserve Bank rediscount rates on commercial paper, when many borrowers turned to their regular lines of credit at the banks in preference to selling paper to the dealers. Moreover, the larger city banks have been continuously out of the market for commercial paper, thus curtailing the demand, and latterly, especially since November, there has been a noticeable decline in the supply of paper. The smaller supply reflects the greater quietness now prevailing in many lines of trade, and marks a decided change from the situation through the spring and summer. Seasonal offerings now due from such industries as flour and tex-

tile mills are very low. Distribution is fairly widespread in most sections excepting the South where demand is light, but in general the most favorable market continues in the States east of the Mississippi. In consequence of the sustained demand for paper, and the falling off in supply, the easier trend of rates was more marked. Eight per cent. continued the prevailing rate, but towards the close of the period a considerable volume of choice paper was being sold at  $7\frac{3}{4}$  per cent., and occasional sales were reported at  $7\frac{1}{2}$  per cent.

The attached chart shows the total amount of paper outstanding for certain large distributors of commercial paper who report month by month to this bank, and continues the chart printed a month ago, with, however, the figures of an additional firm for the entire period covered by the chart. The October figures now shown are subject to slight amendment when final figures are received. Other large distributors, representing practically the entire body of commercial paper dealers of the country, have been invited to report their outstandings in confidence to this bank, and when a sufficient time has elapsed to permit of comparisons, the figures will be published in total.

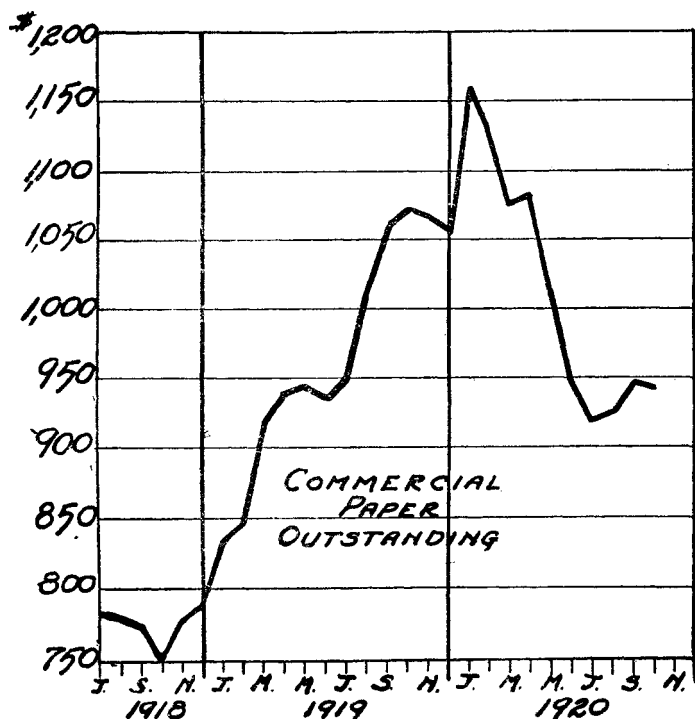
### Stock Market Money Rates

Following three weeks of unusual firmness, the stock exchange money market showed a marked relaxation in tension in recent days. Call money renewed at 7 and 6 per cent., and new time money was available in moderate amounts at  $7\frac{3}{4}$  to  $8\frac{1}{4}$  per cent. This comparative ease in the market occurred following the usual corporate payments on November 15, a moderate excess of Government disbursements over receipts in this district, sharp liquidation in the stock market, and heavy payments here of November 1 ten-day commercial datings.

In late October and the first half of November call loan renewals held at 9 per cent. for sixteen successive days, a longer period of high rates than at any time since last March. The closing rate was often 10 per cent., and only once declined below the renewal rate. Business in time money was confined almost entirely to renewals, with rates slightly firmer. This stringency was largely a reflection of the seasonal demands upon this center by the interior, resulting in a heavy loss of bank deposits.

### United States Securities

Liberty Bond prices have followed much the same course as the general bond market. In both their rapid advance and later fall, however, these issues moved more abruptly and over a considerably wider range than other investment securities of nearest comparable grade. Most of the issues reached the peak of their recent rise about the middle of October, fluctuated irregularly about those



Volume of Commercial Paper Outstanding from July, 1918

## MONTHLY REVIEW

levels for a time, and then turned sharply downward in November. At lowest points in the closing week of the period, the 4 and 4½ per cent. issues showed declines of 2¾ to over 4 points from the October peak, which brought most of the issues back practically to the levels of mid-September. The tax-exempt 3½s, which previously had been slower to rise than other issues, moved sharply contrary to the market for a time and rose to slightly above 95. Victory Notes declined somewhat less than a point below the October highest level. Liberty issues shared to a limited extent in the general increase in the volume of bond sales.

The new issue of Treasury certificates of indebtedness, dated November 15, and running six months at 5¾ per cent. interest, was largely over-subscribed. Allotments totaled \$232,124,000; of this amount, \$83,515,500, or 36 per cent., was allotted in this district, where there was an excellent public distribution. This and former issues are being traded in generally in the New York market. Six per cent. issues are quoted at a slight premium and the 5¾ per cent. issues are commonly quoted at par.

The extent to which the increasing demand for certificates of indebtedness has taken them out of the banks, thereby relieving the burden of Government finance upon bank credit, appears from the decline in the amount of certificates held by the Federal Reserve Banks as collateral for loans. On November 19 the amount of certificates so pledged amounted to \$241,000,000, a decrease of 30 per cent. in the past four months. As borrowing banks having certificates of indebtedness are apt to use them in preference to other collateral, it is probable that this figure which is only about 10 per cent. of the total certificates outstanding, represents practically the entire amount of certificates held by borrowing banks. Non-borrowing banks purchase these certificates with their own funds just as they would purchase any other investments or commercial paper.

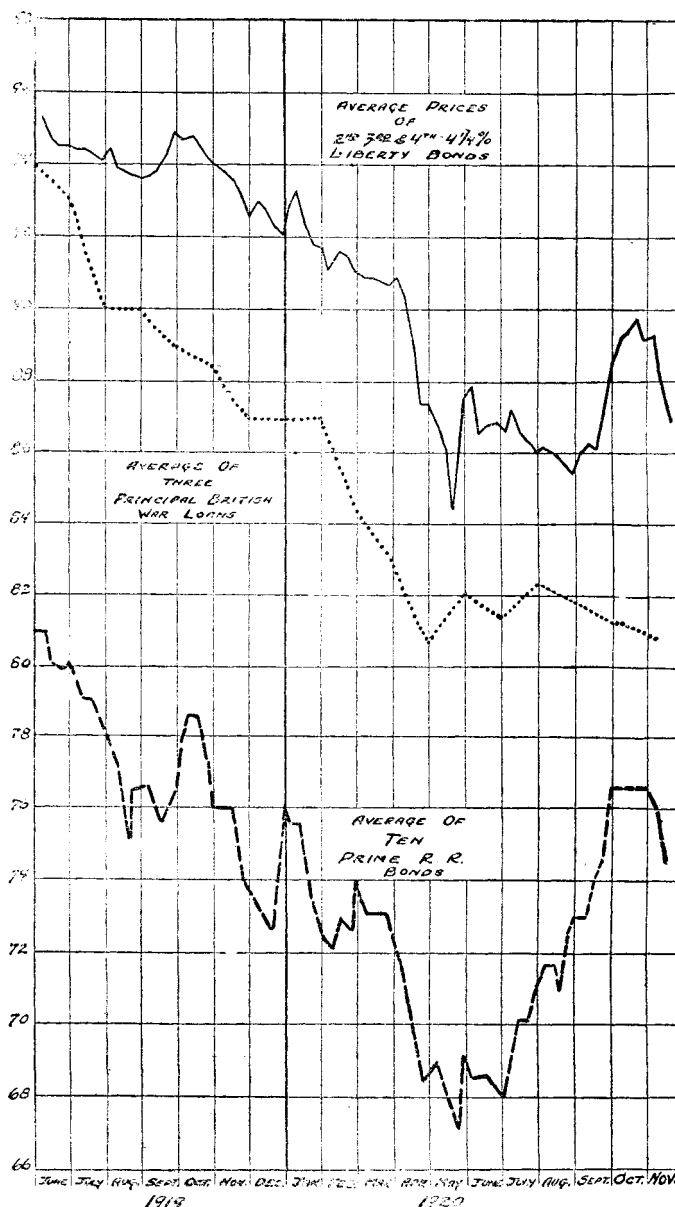
### Bond Market

Bond prices reached the peak of their recent rise about the third week in October. Thereafter there was a decided reaction in some groups in November, coinciding with the heavy decline in the stock market. In the main losses were confined to the issues which had previously had a sharp advance. The standard railway mortgages were only moderately affected. New high interest bearing notes and equipments held close to the recent high levels, but some new industrial issues moved lower. Municipal bonds continued firm at levels considerably above the September low prices though still much below prices at the first of the year.

Indicating the tendency of prices in the various groups, ten representative high grade railroad bonds averaged a decline of nearly 2 points from October high levels, ten second grade railroad bonds declined 3 points, ten public utility bonds lost 3½ points, and ten industrial issues lost 1½ points.

Foreign bonds, in most cases, were lower. French, Norwegian, and Danish 8s declined to or slightly below the original offering prices, as did the new municipals, and Swiss 8s and Belgian 7½s were also easier. British bonds were steady, apparently unaffected by movements of sterling exchange. Japanese issues moved only slightly. Heaviness in Cuban 4½s and 5s and Italian 6½s resulted in new low prices for the year. Mexican issues were active at the year's highest prices.

Sales on the exchange of corporate, state, foreign and miscellaneous bonds during October totaled \$128,700,000, the largest for one month since December and an increase of 83 per cent. compared with the total for October of last year.



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

## New Financing

New financing during October, mainly by industrial and public utility corporations, totaled \$346,000,000, and was more than double the amount issued in September, and only moderately less than the large total for October a year ago. In addition, the market absorbed \$60,000,000 of domestic municipal and \$36,000,000 of foreign dollar issues. Demand for prime high yield issues was unusually active, save in the case of a few large industrial offerings. Dealers regarded this marked revival of activity as largely due to heavy October maturities which included the Anglo-French loan. Since January 1, the output of new securities has totaled \$2,693,000,000, an increase of \$150,000,000 over the same period last year.

Notes and bonds continued to preponderate over stocks, and aggregated 92 per cent. of the October total, compared with 26 per cent. in October a year ago. Railroad securities comprised only 6 per cent. of all issues. The majority of offerings were of ten to twenty-five years maturity, and carried provisions for sinking fund purchases and the payment of premiums if redeemed in advance of maturity. The base yields of offerings remained firm for industrial securities, but were lower for railroad and municipal issues.

Foreign offerings since October 20 include \$25,000,000 twenty-five year 8 per cent. bonds of the Kingdom of Denmark, issued at par, and three small issues of Swiss and Norwegian cities offered to yield slightly over 8 per cent. There were also several additional foreign currency bond offerings, sold on a basis of possible profits through exchange. A small Philippine Government issue was placed here in October.

## Stock Market

Heavy and continuous liquidation since the first of November depressed averages of industrial stocks 10 to 13 points below the previous low level of the year reached in August. The number of stocks of all classes traded in was the broadest of any previous time this year, and 185 issues, mainly industrials, touched lowest prices for 1920. Selling appeared to reflect principally the fall in commodity prices, with evidence of accompanying readjustment in industry. Further selling of foreign held American securities was also reported. On November 20 industrial stocks averaged within only a few points of the lowest levels following the Armistice, a decline from the last November peak of about 55 points, or close to 40 per cent. But soon thereafter prices again turned upward.

Railroad stocks were held up temporarily by unusual strength of three or four individual issues, but as liquidation in the industrial list increased in volume, prices of railroad shares at length also broke precipitately. Declines averaged 8 points, or a loss of approximately half the previous rise from the lowest levels of the year. These

losses were partially overcome when the market began to move upward on November 22.

The volume of sales in November averaged the heaviest of any period since the break in prices in April. This followed unusual dullness in October when sales totalled only 13,700,000, a decrease compared with September and a reduction of 64 per cent. compared with the heavy trading of last October.

## Gold Movement

Although gold imports during October and the first ten days of November amounted to \$135,000,000, less than \$31,000,000 of this represents an increase in the country's gold reserves. Approximately \$104,000,000 of it came from the store of gold, now completely transferred to the United States, which the Bank of England has been holding under earmark for the Federal Reserve Banks, and which the latter have been including in their gold reserves. Including this gold, 90 per cent. of the imports came from England, and excluding it, \$17,000,000, or 55 per cent. Gold exports from October 1 to November 10 amounted to \$38,000,000, of which \$32,500,000, or nearly 86 per cent. went to Japan. Aside from the transfer of earmarked gold from the Bank of England, imports since the first of the year have been \$68,000,000 less than the exports.

## Foreign Bank Rates

There have been a number of increases in the official discount rates of foreign banks. Early in November the Bank of Spain raised its discount rate from 5 to 6 per cent., which had been in effect since November, 1919. On November 6 both the Bank of Bombay and the Bank of Bengal raised their discount rates from 5 to 6 per cent. and a few days later to 7 per cent. These rates had been reduced last May from 8 per cent. No other changes in official bank rates had been reported.

The private bank rate in London has again hardened and is now quoted at  $6\frac{3}{4}$  @ 6 13-16 for sixty and ninety day bills. Call money in London, which is quite different from call money in New York in that it finances the carrying of commercial bills rather than stocks and bonds, has advanced to  $5\frac{1}{4}$  per cent. after falling as low as 4 per cent. a month ago. Present rates are as follows:

	Rate	Change
Bank of England	7	April 15, 1920
Bank of France.....	6	April 8, 1920
Bank of Italy.....	6	May 13, 1920
Bank of Japan.....	8	November 18, 1919
Netherlands Bank.....	$4\frac{1}{2}$	July 1, 1915
National Bank of Belgium.....	$5\frac{1}{2}$	April 29, 1920
Bank of Spain.....	6	November 1920
Bank of Sweden.....	$7\frac{1}{2}$	September 17, 1920
Bank of Norway.....	7	June 25, 1920
Swiss National Bank.....	5	August 22, 1919
German Reichsbank.....	5	December 23, 1914
Austro-Hungarian Bank.....	5	April 12, 1915

## Foreign Exchanges

The European exchanges have been characterized by erratic fluctuations during the past thirty days with rates generally moving lower, but with a partial recovery at the close of the period. Trading was comparatively quiet until the second week in November when heavy offerings were followed by a decline. It is reported that considerable quantities of bills were withheld from the market until after the election here and the final settlement of the British coal strike. Moreover shipments in fulfillment of contracts made some time ago for fall delivery helped to swell the volume of offerings. Little substantial support was given to the market and buyers were scarce even at the low rates. The sharp decline in commodity prices in this country was an additional factor in depressing exchange since it brought about a greater variation between the gold prices of this country and paper prices of European countries.

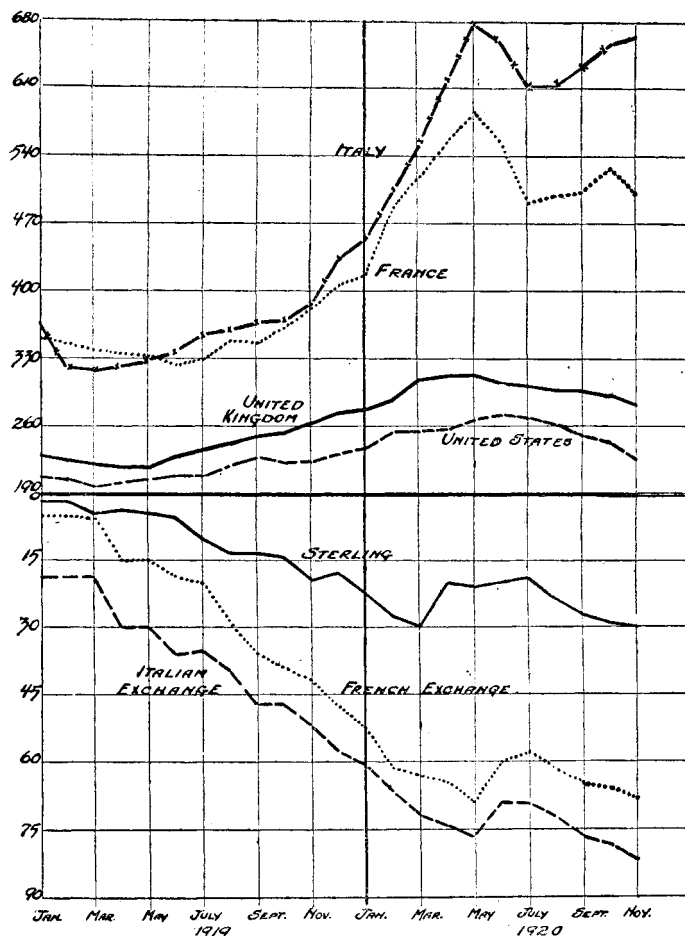
Sterling dropped to \$3.32 $\frac{7}{8}$  on November 8, which was the lowest level reached on the current movement and 15 points above the minimum of last February. Heavy declines occurred in both francs and lire, which reached their lowest levels for any time thus far during the second week of November. At these low points lire were worth in dollars slightly less than one-fifth of their gold parity, and francs about three-tenths. The recent declines in francs and lire have come in spite of the fact that the balances of trade in both Italy and France have been gradually improving and that much progress has been made in reconstruction in France. On the 16th and 17th sterling made a sharp recovery—amounting to 10 cents in the pound—followed by similar recoveries in francs and lire.

Rates from October 25 to November 20 were as follows:

	High	Low	Last	Percentage of Depre- ciation from Par
England.....	3.4925	3.3287	3.4650	28.8
France.....	.0646	.0570	.0609	68.4
Italy.....	.0381	.0337	.0380	80.3
Spain.....	.1408	.1184	.1315	31.9
Argentina.....	.3512	.3287	.3287	22.6
China (Hong Kong).....	.7075	.6600	.6575	...+
China (Shanghai).....	.9500	.8600	.8800	...+
Japan (Yokohama).....	.5100	.5025	.5137	3.0 *
Germany.....	.0154	.0110	.0145	93.9
Switzerland.....	.1580	.1505	.1562	19.1
Sweden (Stockholm).....	.1960	.1855	.1908	28.8
Holland.....	.3065	.2925	.3037	24.4
Belgium.....	.0684	.0606	.0648	66.4
Canada.....	.909	.885	.887	11.3
Silver in N. Y.....	.8263	.7613	.7613	

+ Silver exchange basis.

\* Premium.



Movement of Foreign Exchanges on New York (expressed in terms of depreciation from parity) and of Commodity Prices in four Principal Countries. (Note: Prices above heavy line. Exchanges below heavy line).

## Foreign Trade

Difficulties besetting export trade, which have been developing rapidly during the past few months, have lately reached a more acute stage. Just as a falling market for silk sharply curtailed Japanese buying here, in the same manner the purchasing power of other countries of the Far East, including India and Australasia, and Cuba and South America, has been reduced by the lessened marketability of many of their products accompanied by exchange rates rapidly growing more unfavorable to them. Furthermore, the price decline in this country has made foreign buyers reluctant to accept goods contracted for at higher prices, and uncertainty as to prices in the future has been an additional influence against new orders. Trade unsettlement is made severe by the fact that high rates for money, which are world wide, have tended to restrict the extension of credits and to increase the burden upon the exchange market.

Exporters are having to deal with many requests for cancellations of orders or extensions on drafts. Only in Cuba and Paraguay have moratoriums been officially declared, but individual delinquencies are widespread elsewhere, due largely to the inability or reluctance of importers to absorb the financial loss involved in con-

verting their currencies into dollars. Many of these merchants, it is reported, offer to deposit native currency in the banks to the collection accounts of American exporters and pay interest on these deposits if remittance in dollars be deferred for a possible recovery in exchange. In some countries, including Australasia, there is reported to be a lack of commercial exchange even for those who are willing and would be able to remit funds, and the export of gold is limited.

In consequence of these conditions, banks here have restricted their purchases of fresh drafts on these countries, and renewal drafts are not being purchased except in urgent cases. On some countries where exchange is particularly disrupted banks are undertaking collections only at the customer's risk. On certain other countries, banks are still buying drafts but are advancing only part of the value of the instrument. The foregoing restrictions apply particularly to dollar drafts, which devolve upon the banks responsibility for collection. Drafts in foreign currencies on the more stable European countries are being purchased more freely.

Present orders now being received from abroad reflect these disturbed conditions, and are confined to necessities. Exporters are not seeking additional business, but on the contrary are advising their clients to place as few orders as possible.

Wheat and flour shipments from the United States and Canada, according to Bradstreet's have fallen off somewhat during the past thirty days, but are still running above this time last year. New foreign buying of wheat in this country is reported less active and a considerable portion of such purchases are of Canadian wheat. Export demand for flour is still dull, notwithstanding the lowering in the differential of ocean rates for flour compared with wheat. Easier conditions in the coal market are reflected in lower ship chartering rates, and coal carriers are reported offering at lowest hire in more than five years. Inquiry for oil and oil products, though still quite active, is apparently not so insistent as in the past.

Cotton exports expanded sharply during October, but in late weeks have fallen much behind the movement at this time last year. Deliveries now going forward are

said to be largely on purchases over six to twelve months ago. Demand for most classes of manufactured products is quiet, though exporters of electrical machinery and equipment report a fairly sustained buying of the heavier articles. Lower prices for copper stimulated larger buying for only a brief period.

Heavy expansion in the reported total of export shipments during October, but a much more moderate increase in their relative volume, is indicated by the foreign trade statistics of the Department of Commerce for October. Exports, expressed in dollars, rose \$145,000,000 to \$752,000,000, or the highest on record in dollar amount with the exception of June last year. But if allowance is made for the normal seasonal increase in the physical volume of exports in October, and also for price variation, the relative increase is slight. Imports, expressed in dollars, declined \$1,000,000 to \$362,000,000, but if corrections for price and seasonal variations are made, there appears to be, relatively, a slight increase.

### World Commodity Prices

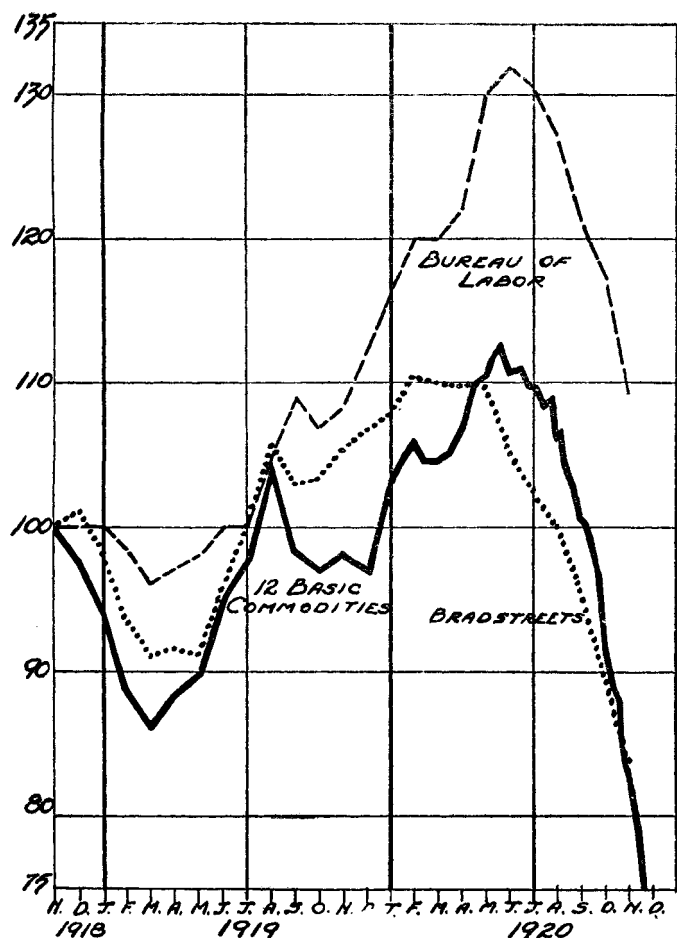
Price declines have been general except in Italy, according to the latest indices, and in that country the level is still below the high point of last April. The United States Bureau of Labor index is 17 per cent. below the maximum reached in May. The Japanese index shows a decline relatively much greater, and in Australia, where prices were still rising according to the index (June) available a month ago, prices also have turned downward.

British commodity prices, as given in both the Statist and the Economist indices, show the sharpest decline of the current movement. The Statist index on November 1 registered a total decline of about 10 per cent. from the peak and the Economist 14 per cent. Canadian prices declined 3 per cent. during October, as compared with 7 per cent. for the United States Bureau of Labor index, and are now 11 per cent. below the peak of last May.

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

### Wholesale Price Indices

Country	Latest Available	Preceding	Per Cent. Change	Highest	Per Cent. Decline from Highest
United States					
Bureau of Labor.....	225 (October)	242 (September)	-7.0	272 (May Av.)	17.3
This Bank's Index (12 basic Commodities).....	75.1 (November 22)	79.2 (November 15)	-5.2	112.9 (May 17)	33.5
Dun's.....	187.9 (November 1)	196.3 (October 1)	-4.3	217.8 (May 1)	13.7
Bradstreet's.....	170.2 (November 1)	183.6 (October 1)	-7.3	226.6 (February 1)	24.9
British					
Economist.....	266.4 (November 1)	283.9 (October 1)	-6.2	310.1 (March 31)	14.1
Statist.....	282 (October)	292 (September)	-3.4	313 (April)	9.9
French.....	503 (October)	526 (September)	-4.4	584 (April)	13.9
Italian.....	665 (October)	660 (September)	+ .76	679 (April)	2.1
Japanese.....	230 (September)	235 (August)	-2.1	321 (March)	28.3
Canadian.....	234 (October)	241 (September)	-2.9	263 (May)	11.0
Swedish.....	346 (October)	362 (September)	-4.4	369 (January 1919)	6.2
Australian.....	230 (September)	236 (August)	-2.5	236 (August)	2.5
Calcutta.....	206 (October)	208 (September)	-.96	218 (January)	5.5



Movement of three Indices of Wholesale Commodity Prices from the Armistice (November, 1918=100).

## Domestic Prices

Both Bradstreet's and the Bureau of Labor indices of wholesale prices showed greater declines in October than in any previous month taken account of in those indices. This drop following the continued recession since last May makes the present decline in prices the greatest in the history of the country in any single year. Bradstreet's index is now 25 per cent. below the peak and this bank's index of 12 basic commodities is 33 per cent. below the high point of May, petroleum being the only commodity of the twelve which has shown no decline. Of the 325 items making up the Bureau of Labor index only 37 showed an increase during October. Textiles, food and farm products continue to show the heaviest declines.

An outstanding feature in November was the heavy reductions made in prices of bituminous coal and coke and the lesser reductions in pig iron and steel. Bituminous coal and coke are both quoted at present approximately 60 per cent. below the peak prices; the total decline in coke has come within the last 30 days, and declines in lumber have also been extensive. Crude rubber has reached the lowest price ever known.

The readjustment in retail trade has been much slower and the reduced prices have only partially been passed

on to the consumer. But a noticeable decline is shown in the retail prices of such commodities as shoes, clothing, sugar, potatoes and flour.

The following table gives the percentage decline from peak wholesale prices for a number of important commodities:

Commodity	Per cent. Decline From Peak	Peak Month
<b>Foods</b>		
Sugar	54.5	June
Wheat	36.4	May
Corn	52.7	May
Oats	57.4	May
Potatoes	71.7	April
Flour	33.9	May
Hogs, live	24.5	September
<b>Textiles and Leather</b>		
Cotton, raw	55.6	July
Cotton goods	45.3	July
Wool, raw	46.0	January
Woolen goods	25.0	July
Silk	63.5	January
Hides	43.9	January
Leather	28.6	February
<b>Metals and Coal</b>		
Pig Iron	12.9	September
Copper	26.2	January
Lead	28.6	March
Tin	41.9	January
Steel	14.3	July
Coke	55.6	July
Bituminous coal	61.5	July
<b>Other</b>		
Rubber	53.5	January
Lumber	10.5	February

## Cotton and Cotton Goods

Cotton goods reached new low levels during November and are now about 50 per cent. below the peak of last spring. The new prices are based on the great decline in raw materials, a lower scale or elimination of profit and a reduction in wages. The new levels have not yet brought out a large volume of orders. Retailers maintain their policy of buying only for immediate needs and jobbers are delaying their purchases. Buyers ask for assurances that there will be no further decline, without which they hesitate to place large orders.

As a result of the limited demand, mills in both New England and the South are said to have accumulated large stocks of manufactured goods. Shortening of production followed as the stocks increased and demand decreased. Some of the mills are closed entirely, while others are running three or four days a week, many of them for the purpose of keeping their operating forces together. It is estimated that the mills of the country, as a whole, are running between 50 and 60 per cent. of maximum.

Workers in many instances have agreed to accept lower wages when confronted with the alternative of working for less or having the mills close entirely. In some mills operators are working longer hours for the same pay. The wage agreement in the Fall River district expires on December 6, but it has been announced that for the time being it will be continued without change.

Consumption of cotton declined again for the sixth



## FEDERAL RESERVE AGENT AT NEW YORK

successive month. This bank's index of cotton consumption, which allows for seasonal variation and is based on the average of 1917 taken as 100, follows:

June.....	97.8%
July.....	94.4%
August.....	87.7%
September.....	83.9%
October.....	69.7%

The decline of 14.2 points from September to October covers a drop of 58,000 bales in monthly consumption to less than 400,000 bales per month.

Raw cotton declined about 15.9 per cent. during the month, falling from 20.50 to 17.25. The price of cotton reached its peak on July 22, when it touched 43.75, and the decline since has been about 60 per cent. The decline during November was steady and rallies were not long sustained. Mills are not buying for the future but exports were larger in October and the first weeks of November than for several months previous.

### Wool and Woolen Goods

Woolen and worsted piece goods were offered by the mills at additional reductions of 15 to 20 per cent. during the month and are now from 35 to 40 per cent. below the prices last fall. These reductions have not greatly stimulated buying, and garment manufacturers, who consume 85 per cent. of the piece goods, are not in the market for large quantities of materials. Buying has been so far restricted that more mills have been forced to curtail production, either by closing entirely or by operating three or four days a week. It is estimated that production in the woolen industry is now not above half the high output of last spring and last fall.

The raw wool market is still in an unsettled state and prices are more or less nominal. Reports from the auction sales in London indicate further recessions and the demand has been so limited that many of the offerings, especially of the coarser grades, have been withdrawn. Manufacturers here have but small stocks of wool on hand and are not placing future orders. Practically none of this year's clip has yet gone into manufacture.

### Clothing

Manufacturers of men's clothing have announced reductions of 33 to 50 per cent. in the price of winter clothing. To retailers who bought early in the season were given assurances that if a decline occurred prior to November 15 they would receive the benefit of it, but after the expiration of this guarantee manufacturers reduced prices in efforts to liquidate stocks before taking inventories. Retailers whose stocks were small took advantage of the reductions, while those with stocks on hand did not buy. The price guarantee on overcoats expires on December 1.

Several Rochester manufacturers during the month showed their lines for the spring of 1921, at prices from 25 to 33 per cent. below those of the present fall and winter, based on the new price level of woollens. Few retailers have placed orders for spring merchandise.

Makers of women's suits and dresses have no surplus stocks, as they made up no garments during the season except on bona fide orders. As a result prices of women's clothing have not been reduced to a comparable extent.

### Silk

There was a further decline of 10 to 12 per cent. in the price of broad silks during November and quotations are now 50 to 55 per cent. below the peak prices of the year. Jobbers in New York and other cities are endeavoring to liquidate their stocks before the first of the year and have offered goods below manufacturers' prices. Demand for merchandise increased during the month and sales were larger during the week ended November 20 than for many months past, owing largely to renewed requirements from makers of women's wear and to the action of many retailers in reducing prices.

Reduction of manufacture, however, is still going on. In Paterson, New Jersey, alone there are 24,000 looms, capable, at a maximum of 44 hours a week, of running 1,056,000 loom hours. During the week ended November 8 these looms operated 90,920 loom hours or 8.6 per cent. of the maximum. According to Bradstreet's there have been 126 failures in Paterson, many of them of very small concerns. In addition 150 plants have closed temporarily for various reasons. In other silk manufacturing districts in northern New Jersey, New England and Pennsylvania, conditions are somewhat better and about 35 per cent. of the looms are running, but on part time.

Wages have been lowered, in some instances from 20 to 30 per cent. Wages in this industry increased more rapidly during the period of inflation and similarly were the first to decline. About 25,000 silk workers are reported to be idle in Paterson alone.

Suspension of production of raw silk in Japan for three months has been ordered by the Imperial Silk Corporation, which was organized under Government control. This step followed the establishment of a minimum price of yen 1,500 per picul, at which the corporation purchased all stocks offered. Eighty per cent. of the funds required were derived from the Government and 20 per cent. from the corporation. Offerings became so great and stocks on hand in Yokohama so large, amounting to 60,000 bales, that the plan to curtail production was effected. A decrease of about 20 per cent. in this year's crop is expected.

Prices of raw silk here are about the same as the minimum established in Japan which is equivalent to about \$6.25 per pound for Sinshui No. 1. Trading in raw silk here is quiet. Stocks in local warehouses amount to about 50,000 bales.

### Collections

In the textile industry some improvement is observed in collections over a month ago. Outside of delayed collections resulting from disputes over prices, collections in the textile and allied industries are reported not to show much variation from normal. It is estimated that collections in these industries, all things considered, are now only from 7 to 10 per cent. slow for the entire country as against perhaps 10 to 12 per cent. a month ago.

Taken as a whole, however, collections do not appear to have changed substantially from a month ago and are still reported to be fair to slow. Much business is being done on a cash basis, with a view to keeping assets liquid and also to eliminate the chances of cancellation.

There has been a slowing down of collections in the automobile, musical instrument, jewelry, drug and chemical, shipping and furniture trades.

## Failures

Failures throughout the country increased rather sharply in October. They totaled 923, with \$38,914,659 of liabilities, and according to the Dun reports, were the largest both in number and amount since last spring. There was an unusual number in excess of \$100,000, which made up nearly two-thirds of the total. Half of them were of manufacturing concerns, so that as a whole the number of reverses in manufacturing was about three times the number a year ago. Failures in the Second Federal Reserve District, in October, increased in number by 130 and ran nearly double those of September; but the liabilities involved increased only by about 6.3 per cent. The following figures are from Dun's reports for this Federal Reserve District:

Number of Failures		Liabilities	
	1920	1919	
January.....	103	134	\$ 1,212,644
February.....	75	102	1,062,322
March.....	139	102	6,213,228
1st quarter	317	338	\$ 8,488,194
April.....	117	107	2,865,153
May.....	133	93	2,413,591
June.....	164	104	16,218,230
2nd quarter	414	304	\$21,496,974
July.....	172	79	11,438,511
August.....	179	68	15,009,838
September...	145	92	14,551,283
3rd quarter	496	239	\$40,999,632
October.....	275	86	\$15,462,866
			\$ 1,650,441

## Retail Trade

There are numerous signs of a determination on the part of retailers to reduce their stocks. Many price reductions have been advertised, particularly in the last few weeks, covering a wide range of merchandise. At the same time retailers as a whole are not replenishing stocks, except to meet current demands.

Present efforts to stimulate trade contrast with the relative indifference to prices prevailing a year ago, when certain stores refrained from advertising prices altogether, and the consumers were buying without much concern as to what they paid. When wholesale prices declined and

much publicity was given to lower wholesale prices, consumers hesitated to buy, expecting price reductions to be passed on to them. Retailers have recently undertaken to overcome this attitude by advertising reduction sales, and there has been a fair volume of purchasing where the public had confidence in values.

Within the past month men's clothing has been reduced from 15 to 30 per cent. Reductions on men's wear, such as collars, shirts, ties and underwear, have been sharp and considerable merchandise has been sold. There have also been reductions on women's garments, but they were not so large as in some other lines, inasmuch as there has been a fairly good demand from consumers. There have been substantial reductions on piece goods, particularly on silks. Holiday buying is below normal. Sales of musical instruments, jewelry and passenger automobiles are lower than a month ago, considering the usual increase at this season. There has been a slight lowering of prices, apparently due largely to a need for liquidation.

Figures received from representative retail stores in New York City indicate that net sales in October were above those of last year and this increase has been even more marked in smaller cities in the district. These increases, however, are due mostly to large dollar receipts resulting from higher prices in October, 1920, than in October a year ago. Stocks at the end of October were practically unchanged from what they were at the end of September. This fact, coupled with the small number of outstanding orders, would indicate that stores have kept up their stocks for the holidays largely by replacement purchases for their immediate needs.

The schedule printed below, compiled from figures furnished us by department stores, is self explanatory.

## Iron and Steel

The decline in activity in the iron and steel industry has continued. The lack of demand has resulted in further curtailment of operations and in a weakening of prices. This slackening is not confined to the United States. British prices have weakened because of smaller demand and strong continental competition, and the industry has been handicapped by the strike of coal miners.

Some independent manufacturers in this country have shut down because of lack of orders, and the mills on the average are running only about 50 per cent. of capacity.

## Business of Department Stores

	New York City and Brooklyn	Outside New York City and Brooklyn	Second District
Percentage of increase in net sales during October, 1920, over net sales during the same month last year.....	1.71	15.35	6.23
Percentage of increase in net sales from July 1, 1920, to October 31, 1920, over net sales during same period last year.....	5.24	19.55	9.98
Percentage of increase of stocks at close of October, 1920, over stocks at close of the same month last year.....	17.18	15.59	16.65
Percentage of increase of stocks at close of October, 1920, over stocks at close of September, 1920.....	1.01	.42*	.54
Percentage of average stocks at close of each month from July 1, to average monthly net sales during same period.....	479.43	441.28	466.85
Percentage of outstanding orders at close of October, 1920, to total purchases during the calendar year, 1919.....	9.16	6.56	8.06

\*Decrease

The United States Steel Corporation, which still has large orders on its books, is operating on about an 80 per cent. basis. The corporation has made no revision of its price schedule, but the rates of the independents have been lowered until they are near the level of that schedule. Little new business is being booked and the resales of pig iron, which were in considerable volume a month ago, have fallen off. From October 19 to November 16 Bessemer billets, Pittsburgh, declined \$5 per gross ton and the various types of pig iron have fallen during the same period from \$3 to \$10 per gross ton. Connellsville coke has declined from \$4.00 to \$7.50 per net ton.

The production of pig iron and steel ingots increased in October, as compared with the previous month, but this is less than the usual seasonal increase. Index figures maintained by this bank show declines from 100.4 to 98.1 and from 98.7 to 92.7 respectively for this month, the monthly averages for 1917 being taken as 100.

Prices on all the non-ferrous metals have tended steadily downward and the markets are very quiet.

### Building

New construction going forward in this district, particularly in New York City, is considerably less than six weeks ago. Builders report that this reduced activity is owing in part to the general decline in industry and to an unsettlement resulting from a legislative inquiry into problems related to the housing situation. This inquiry has developed a close relation between contractors' associations and labor unions, the result of which is said to have increased the cost of construction. The cost of building materials has declined, but thus far does not appear to have stimulated building.

According to the figures compiled by the F. W. Dodge Co. for October, contracts for buildings of all classes awarded in New York State and northern New Jersey amounted to \$49,207,000, against \$59,818,100 in September.

Contracts awarded during October in the twenty-five States comprising the northeastern quarter of the country amounted to \$177,791,000, which was \$28,000,000 less than the September figure. The general decline in business, particularly in manufacturing, contributed to this reduction in activity.

### The Real Estate Market

An inquiry made by this bank among representative real estate brokers throughout the Second Federal Reserve District indicates a distinct change within the past two months in the supply of space and in rentals. While this increase in supply is reported particularly for certain business districts within New York City, it appears that there has been an increase in the available space in the industrial centers generally, reflecting a return of workers to the country districts.

Extensive office building construction in the uptown commercial district of New York City, together with the slowing down of business within the past two months,

has resulted in a temporary over supply of space in that part of Manhattan. A reliable estimate places the amount of office space now for rent in that district at approximately 4,000,000 square feet. This has not, apparently, resulted in any easing of rentals.

The dulness of the textile trades together with the completion of several buildings designed primarily for such concerns increased the amount of loft, factory, and office space available in the textile districts of New York City and has resulted in offerings at materially lower rates. Furthermore, many factory buildings, built during the war and now beyond the present business needs of the occupants, have recently been placed on the market for sale or rent.

In New York City rentals of housing accommodations reached their maximum about October 1 and have since tended downward, despite the fact that the recent legislation limiting rents, the high costs of construction, and the shortage of mortgage money have abnormally reduced new building of this character. There appear to be at present a sufficient supply of single family dwellings, and a moderate over supply of small apartments in remodeled private houses and of very large high-priced apartments.

There remains an unsatisfied demand for both cheap and medium-priced apartments of moderate size although this has been met to a very considerable extent through a movement of population to the suburbs. A fairly reliable estimate of the number of vacant apartments in Manhattan places that total at over 2,000, which one broker considers about twice the number of vacancies at this time last year. This surplus, however, consists of the types of quarters for which there is only a limited demand.

In other cities throughout the district the supply of office and store space is barely sufficient to meet present demands but rentals have steadied. Reduced demands for manufacturing and factory space have placed a proportionately greater amount of space on the market in several important industrial centers and leases have recently been renewed on a much lower basis.

The housing situation outside of New York City has not shown an improvement comparable to that within the metropolitan district. Practically every other city in New York State and northern New Jersey reports that construction has fallen far behind the demands, largely as a result of the rapid increase in population in recent years. Building has been greatly hampered by largely increased building costs within the past year.

Sale prices of dwellings have been so greatly in excess of pre-war prices that people have been willing to pay high rentals rather than be committed to purchases at recent values. In consequence, rentals have increased this year up to October 1, from 10 to 30 per cent. and in some cases as high as 40 to 50 per cent., according to estimates by brokers throughout the district. These increases apply generally to such cities as Albany, Buffalo, Binghamton, Syracuse, Watertown, N. Y., Newark, N. J., and the commuting towns around New York City. In several of the latter, however, rentals within the past three months have been at slightly lower rates.

## Railroads and Transportation

From mid-November reports it appears that for the first time since last April the railroads are handling a diminished volume of freight, most evident in the west-bound loaded car movement. The volume of general merchandise and manufactured goods which ordinarily form a large portion of the freight shipped out of New York City and nearby manufacturing towns is much reduced, as is also the volume of imports passing through this port to other parts of the country.

Freight coming to the Atlantic seaboard from the interior is also much below September and the first weeks of October. Export freight, though still in somewhat greater volume than at this time last year, is much below recent levels and even export grain shipments are somewhat under the average traffic for this season. The movement of bituminous coal to the seaboard has also been very irregular despite the high rate of production. Iron ore movements remain at a high level.

In the month of October the railroads carried a maximum volume of revenue freight and at the same time effected a further decrease in the car shortage, reaching a slightly higher standard of operating efficiency than at any time during the war. Even in October, however, offerings of freight had begun to show sharp reductions in some sections of the country.

From the car loading figures, it appears that the reduction in traffic within this district is hardly as great as in other parts of the country. But it has already been sufficient to permit of considerable reductions in maintenance and operating forces at near-by division points on roads radiating from New York. Such reductions have reached as high as 10 per cent. of the shop forces although the average is below that. This reduction, which has been selective rather than general, has extended in New York City to harbor crews and dock workers.

## Immigration

October arrivals at the port of New York were about 11,000 less than in September, but the number of aliens leaving the country decreased by nearly the same number. Thus the net movement was substantially the same as in September, when more immigrants arrived at this port than in any previous month this year. The countries from which the immigrants came were largely in northern and southern Europe, and the portions of the United States to which they went were much the same as in previous months. Again, the proportion of able-bodied men was limited.

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

	Arrivals	Departures
January.....	25,051	24,529
February.....	22,086	24,379
March.....	29,098	18,714
April.....	36,958	26,169
May.....	40,048	21,162
June.....	49,715	37,584
July.....	56,102	32,935
August.....	57,874	36,932
September.....	85,394	35,689
October.....	74,665	25,593
Total.....	476,991	283,686

## Employment

During November there has been a decline of about 5 per cent. in the number employed in this district. This estimate is arrived at through preliminary figures gathered by the New York State Industrial Commission, supplemented by data secured by this bank from employers and labor unions. There has been a total decline of 13 per cent. from the maximum, as follows:

April	May	June	July	Aug.	Sept.	Oct.	Nov.
1%	2%	0	½%	1½%	2%	2%	5%

In New York City employment agencies placing all classes of men and women office workers report that the number of applicants has much increased during the past month while requests for help have declined about 10 per cent.

Employment managers of large concerns are besieged with applicants for positions, but they say they still have difficulty in finding the standard of worker they are seeking. One large concern reports that for the week ended November 13 the total of its women applicants was 1,600, an increase of 500 as compared with the previous week. The increase in the number of accepted applicants was very slight.

In this district the most notable decline has occurred in the clothing trades, in which some estimates place the decrease at 80 per cent., due to the usual seasonal reduction, the inactivity in the industry and labor troubles. In normal years the new season starts in November but this year few factories have begun work on spring goods.

The textile trades show an average decrease in employment of around 50 per cent. from the maximum reached in the spring of 1920, and a decrease of 17 per cent. in November as compared with October. It is estimated that 25 per cent. of the textile workers are idle, 50 per cent. are working on half time and 25 per cent. are unaffected. In the boot and shoe trade estimates of the decline run as high as 75 per cent., due to curtailment on the part of the manufacturers.

Employment decreased in the building trades some 12 per cent. during November and is now 30 per cent. below the peak reached in the spring and early summer, due in part to the usual seasonal declines and in part to a lack of new construction. In automotive industries the decrease in some centers has been from 60 to 80 per cent.

In a special survey embracing only industries most affected by the decline the New York State Industrial Commission finds that of 358,806 persons employed in a selected list of factories and industries on August 1, 1920, the same firms on November 10 employed 212,616, a decrease of 146,190 or 40.7 per cent. The decrease in the number of males employed by these firms was 39.1 per cent. and in the number of females 45.9 per cent. These figures show a decline of 23.7 per cent. in the number of clerical workers, 19.5 per cent. in printing and publishing plants, 25.7 per cent. in hotels and restaurants and 8.3 per cent. of the male and 20 per cent. of the female employees in wholesale and retail stores.