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, January 31st, 1921.

Credit Conditions

IN addressing the New York City bankers on January 17 Governor Harding of the Federal Reserve Board said: "Our banking position is sound, and stronger than it has been for many months, and the business community has recovered its normal state of mind. Public sentiment to-day undoubtedly approves of working back to normal. Whatever danger of crisis there may have been has been passed. The gloomy forebodings that many felt a year ago because of the knowledge that readjustments were impending have given way, in the assurance that the most trying and critical stage of the readjustment period is safely over, to a feeling of conservative optimism, renewed courage, and restored confidence."

The changed state of mind which the New Year has brought has coincided with an improvement in credit conditions. Loans of the 72 member banks in New York City which report weekly decreased between December 17 and January 14 by $174,000,000 or 3 per cent., and the loans of the 829 member banks in the principal cities throughout the country, including New York City, in the same period decreased $363,000,000, or 2 per cent. Earning assets of the Federal Reserve Bank of New York from December 23 to January 21 decreased $72,000,000 and those of all Federal Reserve Banks including New York decreased $340,000,000. The reserve percentage of the Federal Reserve System increased from 45.1 per cent. on December 23 to 48.5 per cent. on January 21. The Federal reserve note circulation decreased $290,000,000, or about 9 per cent.

Whether these reductions of loans and notes are merely seasonal it is impossible to state with accuracy, because we have no standard with which to compare them. Prewar experience is of little value because the Federal Reserve System was not then in existence, and experience since the war began is much confused by the financial exigencies of the period. It is impossible, therefore, to estimate to what extent these reductions in the volume of credit reflect a belated adjustment of the volume of credit to reduced commodity prices.

Among the New York City banks the movement of funds since January 1 has not been in accordance with what would have been considered normal prior to the European War. Then, after the turn of the year, funds usually returned to New York City in large volume. This January, however, just the reverse has been true. During January, up to the 24th, the principal New York City banks have lost nearly $300,000,000 in deposits, of which $60,000,000 represents withdrawals by out-of-town bank correspondents. This loss of deposits has necessitated, of course, a heavy drain of gold from this district to other Federal Reserve districts and has led very recently to increased borrowings by the New York banks at the Federal Reserve Bank.

On October 22 eight Federal Reserve Banks were in debt to the other four Federal Reserve Banks in the sum of $267,000,000. On January 21 this had been reduced to $73,000,000, indicating a substantial liquidation or movement of commodities in the borrowing districts. That some portion of the loans liquidated in these districts has been transferred to New York City banks and has thus added to their burdens, there seems but little doubt. Many of the New York City banks report that loans to their out-of-town bank correspondents have recently reached the highest figures in their experience.

Improved credit conditions throughout the country as a whole have been reflected in the lower rates at which the Treasury was able to sell its certificates of indebtedness on January 15, in the reduction of about ½ of 1 per cent. in the market rates for bankers acceptances and ¼ of 1 per cent. in the rates for commercial paper, and in slightly lower rates for call and time money based on collateral. They have also been reflected in higher prices for government and corporate bonds. The more confident state of the public mind, referred to by Governor Harding, has been reflected in the better demand for many commodities and in the steadier level of this bank's index of prices of 12 basic commodities.

Conditions have been quite similar in London. The reserve ratio of the Bank of England has risen from 7.3 on December 29 to 13.37 on January 19. Note circulation has declined about 6 per cent. The rates for money have eased fractionally and investment securities have risen somewhat in price.

Savings Bank Deposits

The aggregate deposits of thirty-seven of the largest savings banks in New York State increased 10 per cent. between January 10, 1920 and January 10, 1921, according to reports received by this bank. The rate of increase is slightly greater than the ratio of gain reported by these same banks for the year 1919 and nearly four times as great as the rate of increase during 1918. The list of thirty-seven banks represents more than 63 per cent. of the savings bank resources in New York State. In past years deposit increases in these banks have been closely indicative of the rate of increase in all the savings institutions of the state.

The following table shows the comparative figures for deposit balances at two periods:

Locality	Jan. 10, 1920	Jan. 10, 1921	Per Cent. Increase
Lower Manhattan.....	$342,745,806	$358,052,228	4.5
Residence & Factory Districts, Greater New York..........	786,002,221	892,059,270	13.5
Outside New York City	371,203,561	402,031,373	8.3
Total............	$1,499,951,588	$1,652,142,871	10.1

The increase in deposits has been especially rapid in banks where a considerable proportion of the depositors are manual workers. Particularly noteworthy is the large gain in the deposits of important banks located in the manufacturing sections or outlying residential portions of the five boroughs of New York City. Deposit balances in large banks of Brooklyn, The Bronx, and Richmond increased from 15 to 46 per cent. in the year. Deposits of banks in the industrial centers of Manhattan and Queens increased from 10 to over 30 per cent. A similar tendency to large increases was noted generally in manufacturing cities throughout the state where manual workers predominate among depositors. Causes for gains in savings accounts in this type of community are found in continued high wages accompanied by decreases in the cost of living and the possibility of unemployment. Interesting evidence of the working of the latter cause is found in the rapid growth of savings accounts in Paterson, New Jersey, during the very months in which unemployment was steadily increasing among the silk workers in that city. It is also apparent that numbers of people who have made a practice of keeping savings in their homes or on their persons are now depositors in savings banks.

The savings banks in the financial district of Manhattan, where depositors are chiefly clerical workers in banks, brokerage houses, and similar institutions, show in general slight gains. Savings bank officers in this section report that their customers have made large purchases of investment securities and particularly of Liberty Bonds. A further influence is the fact that salaries of clerical workers as a rule did not rise proportionately to the cost of living as did the wages of manual workers.

Bill Market

From the customary year-end quietness of the final ten days of December, the bill market developed early in January a greater degree of activity than it has had for some time. The demand for bills, which appeared to be due in large measure to the usual January reinvestments, came from many sources throughout the country, and quickly depleted dealers' portfolios of the better known New York member bank bills. In consequence of this heavy demand dealers reduced their offering rates for 90-day bills bearing the best known names a full ½ per cent. below those prevailing in December, to 5¾ per cent., while their new offering rates for the shorter maturities generally ruled at 5 5/8 per cent., compared with 6 per cent. a month ago. An outstanding feature of the market was the unusually wide distribution, with an increased number of new customers. Of bills drawn, movements in cotton, grain, sugar, and tobacco predominated as the underlying transactions.

During the third week in January dealers reported coincident with firmer money rates, a less urgent demand, accompanied by an increase in the supply. Rates, however, held at the new levels. The minimum buying rates of the Federal Reserve Bank were unchanged at 5¾ to 6 per cent., according to maturities, for prime endorsed bills.

Commercial Paper

In the third week of January 7¾ per cent. became the ruling rate for prime commercial paper, compared with 8 per cent. which had prevailed since June. The propor-

Bank Deposits and Loans
(In Millions)

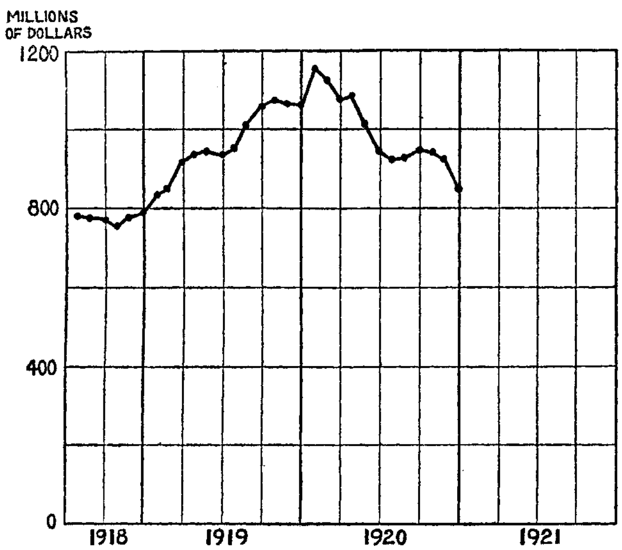
DATE	Reporting Banks in New York City*			Reporting Banks in all Districts*		
	Total Deposits‡	U. S. Securities and Loans Thereon	Total Loans and Investments§	Total Deposits‡	U. S. Securities and Loans Thereon	Total Loans and Investments§
1921						
January 21..........................	4,705	726	5,449	.....	......	......
January 14..........................	4,757	714	5,434	13,931	1,901	16,440
January 7..........................	4,818	730	5,523	13,966	1,931	16,603
1920						
December 31........................	4,931	778	5,615	14,056	2,051	16,750
December 24........................	4,802	761	5,558	13,786	2,051	16,696
December 17........................	4,882	796	5,608	14,005	2,112	16,803
January 16..........................	5,292	1,151	5,906	14,630	2,937	16,812
1919						
October 10..........................	5,397	1,550	6,010 (High)	13,699	3,500	15,944

* Between January 16, 1920 and January 14, 1921 New York City reporting banks increased from 71 to 72 and reporting banks throughout the country from 803 to 829. ‡ Including Government Deposits. § Including rediscounts.

tion of sales at the lower rate had gradually increased from the first of the year, until paper bearing prime names which have not appeared with frequency could be sold readily as low as 7½ per cent., particularly when accompanied by new financial statements which were favorable. The less well known names continued to sell at 8 per cent.

There was some increase in sales to New York City banks, but as a rule the large commercial banks in important business centers remained out of the market. Dealers continued to rely largely upon country banks to absorb their offerings. This distribution broadened gradually, and reached proportions which the dealers regarded as fairly satisfactory compared with the extreme dulness of December. The tendency recently noted to discriminate against the paper of certain industries as a whole became less marked. The supply of paper increased somewhat, but not to the same extent as did the demand, and dealers reported that insufficient volume of prime offerings was a factor in limiting their transactions.

The attached diagram shows the volume of commercial paper outstanding from July, 1918, to January, 1921 of eleven large distributors who report monthly to this bank. The December decline was even sharper than that shown for October and November.



Commercial Paper Outstanding—11 Dealers.

Stock Market Money Rates

Freer offerings of call money soon after the first of the year, coupled with a lighter stock market demand, resulted in a decline in the closing rate from 7 to 6 per cent. on January 10, and later in a decline in the renewal rate to 6 per cent. Outside quotations fell below stock exchange rates, and call money was obtainable for a few days as low as 4 and 4½ per cent., the lowest in fifteen months. It was reported that this money was furnished by out-of-town banks, foreign banks, and others. By the third week of January the outside rate rose, and renewal rates on the exchange returned to 7 per cent.

Time money followed much the same course as call money. From 7¼ and 7¾ per cent., rates which have prevailed since the latter part of November, time money declined to 6 and 6½ per cent., at which fair amounts were reported lent for periods ranging from 60 days to six months. These rates were the lowest since 1919. Later in January the market became firmer.

Stock market money rates prevailing at the outset of 1921 were in sharp contrast with those during the first twenty days of January a year ago. Then call loans ranged from 6 to 18 per cent., and time money rates, which were 7 to 7½ per cent., were in the early stages of their rise to 10 per cent. later in the year.

United States Securities

Liberty 4¼ per cent. bonds between December 20 and January 20 made gains ranging from 3 to nearly 5½ points and reached levels not touched since October and early November, and the Victory notes reached the highest prices since April. The following table indicates the changes during the past thirty days:

Issue	Closing Price Dec. 20, 1920	Closing Price Jan. 20, 1921	Advance
Liberty 3½s	89.90	92.30	2.40
Liberty 1st 4s	84.80	88.22	3.42
Liberty 2nd 4s	84.56	87.90	3.34
Liberty 1st 4¼s	85.00	88.00	3.00
Liberty 2nd 4¼s	83.10	87.98	4.88
Liberty 3rd 4¼s	85.60	91.02	5.42
Liberty 4th 4¼s	83.80	88.38	4.58
Victory 4¾s	94.96	97.24	2.28
Victory 3¾s	94.94	97.24	2.30

Sales to establish losses for income tax purposes, made the advance irregular during December. In January, the rise in the first three weeks was more rapid, and was interrupted only temporarily by a rather sharp reaction in the second week. The closing prices on January 20 were generally the highest of the period.

Sales during December totaled $405,000,000, nearly twice those for November, and by far the largest for any month of the year. But compared with December, 1919, there was a decrease of 22 per cent., a noteworthy contrast because sales of bonds of other classes showed a slight increase. Total sales of Liberty bonds during the year 1920 reached $2,861,000,000, slightly less than the total in 1919, whereas other bond sales increased 23 per cent. The volume of trading in Liberty bonds was considerably reduced in January.

The January 15 issues of Treasury certificates of indebtedness, running three months at 5½ per cent., and nine months at 5¾ per cent., were largely oversubscribed. In this district subscriptions were in excess of $300,000,000, more than the total amount offered for the entire country. Of total allotments of approximately $311,000,000, the allotment to this district amounted to $138,000,000. The large unsatisfied demand in this district is reflected in the rates at which certificates of all issues are quoted in the open market. Certificates maturing between March 15 and June 15 are sold on a 5½ per cent. basis, and certificates maturing between August 16 and December 15 on a 5 5/8 per cent. basis.

Bond Market

In the last week of December bond prices began a rapid advance which has resulted within four weeks in the recovery of practically all the decline which began the latter part of October. The rise in American investment issues, both Government and corporate, was the most abrupt in the past two years, while British bonds, though they have not yet advanced, have shown no further declines since May. The broad up-turn in this market was attributed to the usual year-end reinvestments, rebuying by those who had sold to record losses for income tax deductions, further fall in commodity prices, and evidence of easier money conditions.

Foreign bonds in this market, though somewhat slower than other groups to take up the advance, moved forward rapidly in January. Nearly 50 per cent. of these issues reached lowest prices of the year in December, but the majority subsequently recovered to the levels of early fall. Swiss 8s sold again at 104¼ and other 8 per cent. loans recovered to near the original offering levels. In the third week of January these issues again reacted somewhat, due to the prospect of new high yield financing.

December trading in corporation and miscellaneous bonds was heavier than in any previous month of 1920. Total sales were $157,000,000, a figure 30 per cent. above the November total, and even larger than the total for December, 1919. Activity reached its height in the closing week of the month, and tended to slacken in January, though still continuing in large volume. Total bond sales on the New York Stock Exchange in 1920 were $1,115,000,000, compared with $908,000,000 in 1919.

New Financing

There was little new financing after the first of the year until about January 10 when a number of new issues were offered. In preceding years there has been a tendency for January totals to average considerably larger than for December, but the new issues put out thus far in January, 1921, indicate the reversal of that tendency. Offerings were rather numerous, but with one exception, of comparatively moderate or small size. The majority were well sold, but the high income basis upon which they were offered indicates that interest rates, so far as new industrial financing is concerned, still remain at their highest levels.

The December total of new corporate issues was $237,000,000, which was the largest December total since 1909, but a little under the 1920 monthly average. Borrowing was almost entirely by industrial and public utility corporations, and notes and bonds constituted over 70 per cent. of all issues. Investors showed a preference for long term issues. Issuing corporations, however, in nearly every case reserve the right to redeem bonds in advance of maturity upon the payment of a premium.

Issues of new securities for the year amounted to $3,107,000,000, an increase of $86,000,000 over 1919, and the maximum reached thus far. As compared with 1919 there was a large increase in bond and note issues and a large decrease in stock issues. Issues by public utility corporations and manufacturing companies were larger, and those by railroads and traction companies somewhat smaller. It is estimated that about 30 per cent. of the 1920 issues were used to refund maturing obligations.

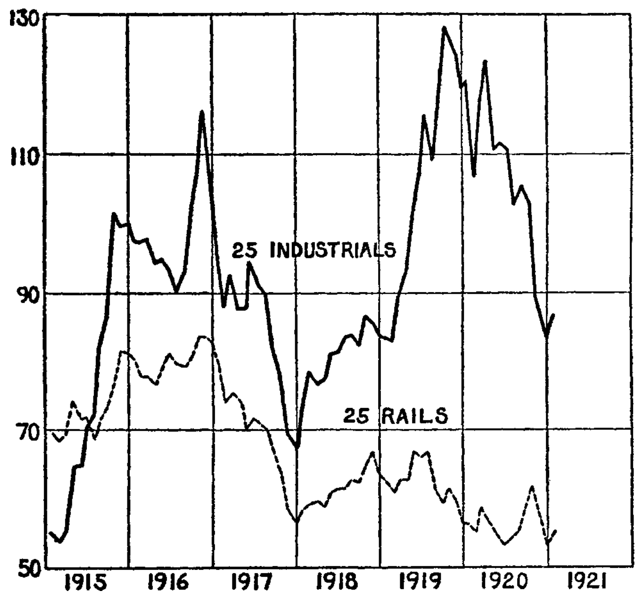
Stock Market

A vigorous rebound from the extreme point of depression reached December 21 has carried stock prices back to about the levels of December 1. The advance in the industrial list was about 17 per cent., and in railroad stocks about 14 per cent. Short covering and repurchases by those who had sold to record losses on tax returns contributed to this advance, and there were indications also of substantial investment buying by out-of-town purchasers. The recovery was sharp until the second week of January when price movements became irregular.

The turning point in December came after the liquidation which culminated on the 21st, when sales were larger than at any time since last spring and comprised the largest list of different stocks ever traded in on a single day. In the first three weeks of January trading gradually slackened.

December sales totaled 24,000,000 shares, a moderate increase over November and the heaviest for one month since April, but slightly less than in December, 1919. The total sales for the year 1920 were 227,000,000 shares, a decrease of 28 per cent. compared with 1919.

The accompanying diagram brings into comparison the average monthly prices of representative industrial and railroad stocks during the two major cycles of the past five years. The averages plotted for January, 1921, are computed from the daily quotations through January 22.



Average Monthly Prices of 25 Industrial Stocks and 25 Railroad Stocks.

Gold Movements

Gold imports in December were $56,300,000 compared with $56,900,000 in November. Imports in December from France amounted to $25,900,000, and from England to about $23,000,000. Exports in December were $17,000,000, of which $14,000,000 went to Japan in the early weeks of the month.

For the year 1920 there was an excess of gold imports over exports amounting to $106,600,000. But this does not mean that new gold available for bank reserves increased to that extent. About $111,500,000 of the imports comprised gold which had been held under earmark by the Bank of England for the account of the Federal Reserve Banks, and had been included for over a year in their gold reserves. Though this gold was physically transferred to the United States in 1920, it did not affect the country's gold reserves, and in consequence for banking purposes should be subtracted from the total of imports. The net movement thus shows a loss for the year of about $5,000,000.

Below are shown the year's imports and exports classified according to source and destination. The table includes the transfer of Federal Reserve gold from the Bank of England.

The $163,000,000 of imports from England in excess of Federal Reserve gold includes large American purchases in the London market, as well as funds applied on the payment of the Anglo-French loan maturing here last October. Nearly 60 per cent. of the exports went to Asiatic countries.

Foreign Exchanges

The outstanding feature in the foreign exchange market was the rapid advance in the sterling rate under active trading during January. The quotation for sterling rose from $3.55 on January 3 to $3.79 on January 24. The rise is attributed in large part to the easier credit conditions in this country, which prompted those who had credit balances in England to build them up there rather than to withdraw them for use here, and caused some increased buying of sterling bills in this market. At the same time there was a noticeable decline in the volume of cotton and grain bills offered. Speculative buying, which is always an important factor in the foreign exchange market, developed to a considerable degree under stress of short covering.

Continental exchanges, although comparatively inactive during the greater part of the past thirty days, have recently shown increased strength and activity, but the advance in rates was not so marked as in sterling. These exchanges advanced partly in sympathy with sterling, and in the case of francs underlying factors were the unusually good crops in France and rapid progress in reconstruction. Lire advanced only slightly over the quotations of 30 days ago. German marks made a rapid advance during the past two weeks.

Japanese exchange has ranged below par since the middle of December for the first time since April, 1920, due chiefly to Japan's unfavorable trade conditions and the embargo on the exportation of gold. While Indian rupees advanced slightly there has been no improvement in Shanghai taels. The South American exchanges advanced slightly.

The following table shows the high, low and closing rates of principal exchanges for the period from December 27 to January 24.

Country	High	Low	Last	Per cent. Depreciation from Par
England	3.8000	3.4900	3.7925	22.1
France	.0746	.0565	.0735	61.9
Italy	.0382	.0334	.0374	80.6
Spain	.1370	.1293	.1370	29.0
Germany	.0182	.0132	.0180	92.4
Switzerland	.1578	.1514	.1578	18.2
Sweden (Stockholm)	.2170	.1975	.2165	19.2
Holland	.3325	.3120	.3320	17.4
Belgium	.0780	.0607	.0768	60.2
Argentina	.3481	.3263	.3470	18.3
China (HongKong)	.5800	.5550	.5600	....*
China (Shanghai)	.7750	.7200	.7400	....*
Japan (Yokohama)	.4875	.4825	.4838	2.9
Canada	.8838	.8475	.8813	11.9
Bar Silver in New York	.6863	.6425	.6675	....

*—Silver Exchange Basis.

Foreign Trade

Export shipments reported for December by the Department of Commerce totaled $720,500,000, an increase of nearly 7 per cent. over the November totals. As imports declined more than 17 per cent. to $266,000,000, the December surplus of exports was $454,500,000, or the second largest of any month on record. Foreign trade for 1920 reached the highest dollar value in the history of the country. Exports, valued at $8,228,000,000, increased $308,000,000 over the total for 1919, while imports valued at $5,279,000,000 were $1,375,000,000 more than in 1919.

The increase in the dollar value of our foreign trade for 1920, both export and import, is somewhat exaggerated because of the higher prices prevailing through most of 1920 as compared with previous years. If allowance is made or the variation in prices, thereby reducing dollar values to figures approximating the actual volume moved,

Imports and Exports of Gold in 1920

IMPORTS			EXPORTS		
Country	Amount (in thousands)	Per cent. of total	Country	Amount (in thousands)	Per cent. of total
England	$274,982	64	Japan	$101,299	31
France	48,738	11	Argentina	89,995	28
Canada	34,196	8	Hongkong	31,497	10
Hongkong	30,192	7	China	28,287	9
Other countries	40,595	10	Rest of Asia	27,811	9
			Other countries	43,202	13
	$428,703	100		$322,091	100

the volume of exports in 1920 was about 10 per cent. below that of 1919, and the volume of imports was about 17 per cent. above.

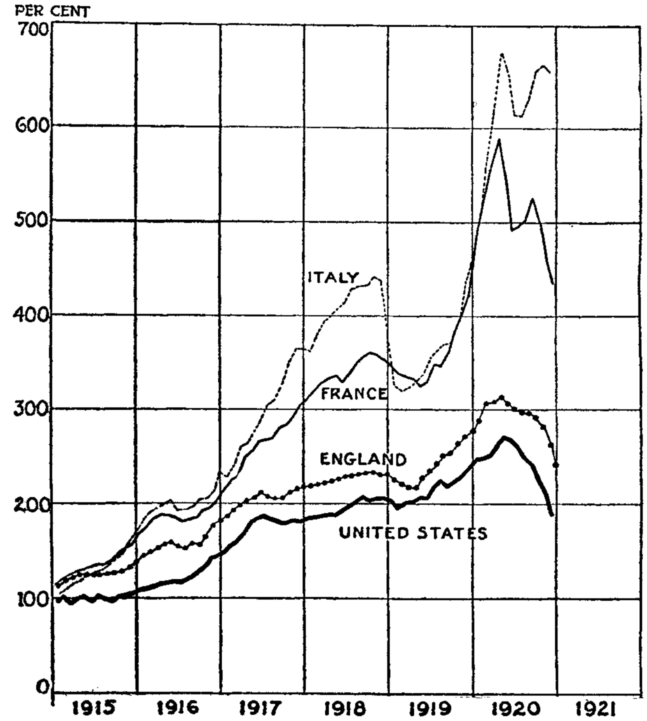
December and January shipments on the whole were still largely on old contracts and except in particular lines the volume of new orders is small. In foreign countries stocks of merchandise received from this country are large, and it is reported that foreign buyers can often purchase from such stocks at prices below those now quoted by American exporters.

Exports of wheat and flour from this country and Canada continued to run above last year's figures. Bradstreet reports that for the 29 weeks from July 1, 1920, to January 20, 1921, wheat and flour shipments were 267,-500,000 bushels or nearly 50 per cent. more than in the corresponding period a year ago. December cotton exports were the largest of any month since March, but were 100,000 bales less than the amount exported in December, 1919. Coal exports have decreased.

In recent weeks there have been large sales of flour and wheat to foreign purchasers. Copper buying has become comparatively active, with Germany the principal buyer and England and France taking substantial tonnages. A leading interest also reports more inquiries from steel products, particularly from Japan, but in general the demand for export steel is light. Cotton exporters report foreign business quiet, with little new demand from England, France, or Japan, but some orders from Italy and Germany. Shippers of cotton goods report quiet markets, but more numerous inquiries recently from Scandinavia and Latin America.

World Commodity Prices

Wholesale commodity prices in foreign countries continued downward during December with somewhat accelerated speed, according to available indices. Both the Economist and the Statist index numbers of English



Wholesale Commodity Prices in Four Countries in Percentages of Average Prices in 1913.

prices registered greater declines than for any previous month of the present movement. The Economist index now stands 29 per cent. below the high point and the Statist 22 per cent. as compared with 31 per cent. for the United States Department of Labor index. An index of 25 basic commodities in England computed by this bank declined 8 per cent. from December 31 to January 22, and now shows a 40 per cent. reduction from

Indices of Wholesale Prices

Country	Latest Quotation (1)	Per Cent. Change During			Per Cent. Decline from High	High Month
		Oct.	Nov.	Dec.		
United States:						
12 basic commodities (5)	141.1 (Jan. 22)	−8.6	−14.3	−6.7	41.8	May 17
Department of Labor	189.0 (Dec.)	−7.0	−8.0	−8.7	30.5	May
Dun's	164.3 (Jan. 1)	−4.3	−6.8	−6.2	24.6	May 1
Bradstreet's	137.5 (Jan. 1)	−7.3	−13.1	−7.0	39.3	Feb. 1
Great Britain:						
Economist	220.0 (Jan. 1)	−6.2	−8.1	−10.2	29.1	Apr. 1
Statist	243.4 (Jan. 1)	−3.5	−6.7	−7.4	22.1	May 1
25 basic commodities (5)	207.8 (Jan. 22)	−10.4	−7.1	−9.9	39.8	Mar. 12
France	434.3 (Dec.)	−4.6	−8.3	−5.7	26.1	Apr.
Italy	658.0 (Dec. 1)	+.2	−.6	......	3.1	May 1
Japan	205.5 (Dec.)	−2.1	−1.9	−7.1	36.0	Mar.
Canada	214.4 (Dec.)	−2.7	−4.2	−4.5	18.5	May
Sweden (2)	299.0 (Dec.)	−4.4	−4.3	−9.7	19.0	Jan. 1919
Australia (3)	208.0 (Nov.)	−6.5	−3.3	......	11.9	Aug.
Calcutta (4)	194.0 (Nov.)	−1.0	−5.8	......	11.0	Jan.
Norway	370.0 (Jan. 1)	−2.1	−3.7	−9.4	14.6	Oct. 1

1. All indices have been converted to 1913 base and are monthly averages unless otherwise stated. 2. July 1, 1913 to June 30, 1914=100. 3. July 1914=100. 4. End July, 1914=100. 5. Computed by this bank. The 12 basic commodities index has been recomputed on 1913 base since last report to make it comparable with other indices.

the high point, compared with a 42 per cent. reduction in this bank's index of 12 basic commodities in the United States.

After several months of only slight declines, Japanese prices showed a heavy drop in December and the latest quotation was 36 per cent. below the high point reached last March. It is of interest to note that Canadian prices for December were less than 19 per cent. below the high point reached last May and were 114 per cent. above the 1913 average.

The table at the bottom of page 6 contains the latest index numbers for prices in the United States and foreign countries and the diagram above the table illustrates price movements in four principal countries.

Domestic Prices

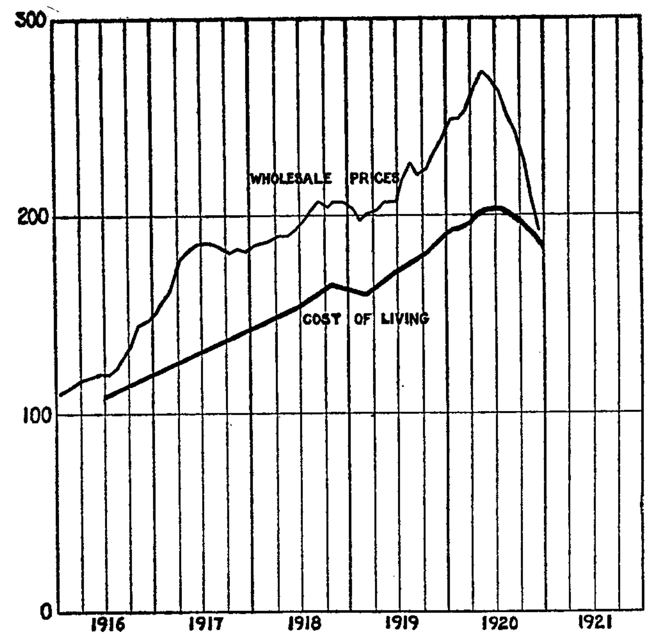
According to the Department of Labor index, the decline in wholesale prices in the United States during December was slightly greater than in any previous month of the present downward movement. That index now registers a decline of 31 per cent. from the high point of last May and 21 per cent. since December, 1919, but is still 89 per cent. over the average of 1913. The greatest declines from high points were shown by the following groups: farm products, 41 per cent., food 40 per cent., and cloths and clothing 38 per cent. House furnishing goods were only 7 per cent. below the maximum. It is of interest to note that farm products now cost only 44 per cent. more than in 1913 and food 72 per cent. more, while house furnishing goods cost 250 per cent. more and lumber and building materials 170 per cent. more.

The decline in the index of 12 basic commodities maintained by this bank was considerably less in December than during the previous month, and during the first two weeks in January showed a slight advance, indicating a check in the precipitate decline in prices of basic commodities. Between December 17 and January 15 there was an advance in prices of wheat, flour, live hogs, raw cotton and tin. Recently certain cotton fabrics also have shown a slight upward trend. On January 15, 1921, prices of rubber, hides, copper and tin were below the 1913 averages; rubber was 70 per cent. lower. Sugar on January 15 was approximately 80 per cent. higher than in 1913.

Cost of Living

The diagram on this page brings into comparison index numbers showing changes in the cost of living and wholesale commodity prices in the United States. The cost of living index is that prepared by the National Industrial Conference Board and the wholesale price index is the one published by the United States Department of Labor. The cost of living index is the best approach we have to an index of general retail prices.

Wholesale prices have consistently moved ahead of the cost of living. They reached a point two and one-half times as high as in 1914, while the cost of living reached a point only about twice as high. The drop thus far in wholesale prices has also been much greater and more rapid. In December the two indices were practically together at a point between 80 and 90 per cent. ahead of 1914 levels.



Wholesale Commodity Prices and the Cost of Living in Percentages of Figures for July, 1914.

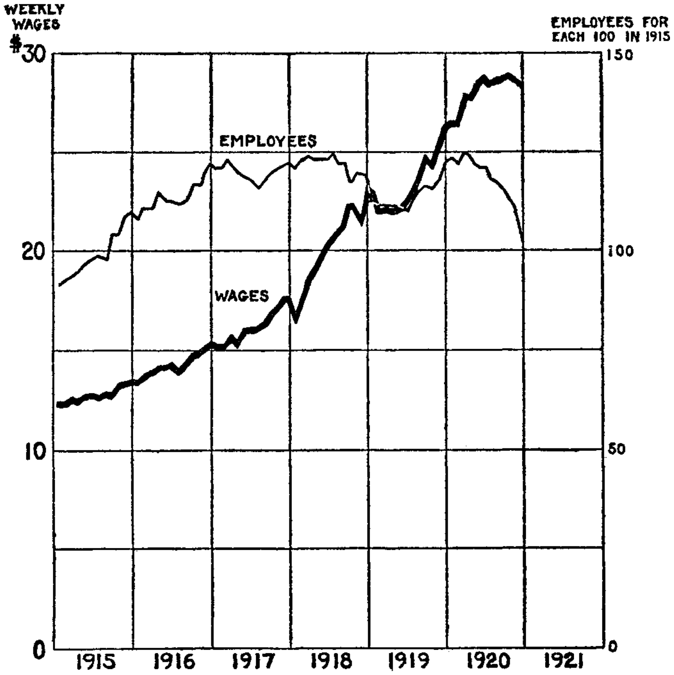
Reports received by the National Industrial Conference Board show a decrease of 8 per cent. in the price of food, and a 9 per cent. decrease in the cost of clothing during the month of December. Shelter, fuel and light, and sundries show no change. The following table shows the position on January 1, 1921 of the different items making up the index number. Each figure is shown as a percentage of the figure for July 1914.

Item	Index figures
Food	178
Shelter	166
Clothing	187
Fuel and light	200
Sundries	192
All items	181

The findings of the Industrial Conference Board are in general confirmed by figures recently compiled by the United States Department of Labor, although the index of the latter tends to run about 5 per cent. higher. The difference is due in large measure to higher quotations for clothing used in making up the Department of Labor index.

Employment and Wages

Increases in the number employed in this district in the textile, clothing, and automobile industries during January were more than offset by declines in the number employed by railroads, steamship lines and other transportation companies, in department stores, in the iron, steel and miscellaneous trades, and in agriculture. As a result it is estimated that the total number of persons employed in January was about 4 per cent. less than the December total. This is the seventh consecutive



Number of Employees and Weekly Wages in New York State Factories.

month that has shown a reduction. The largest decline from one month to another, 8 per cent., occurred in December. The total number employed in industries of this district on January 20 was about 24 per cent. less than the number employed last March. The New York State Industrial Commission estimates that in factories of the State there are 300,000 fewer wage earners steadily employed than there were last spring.

The United States Department of Labor has just completed a survey in New York State among industries most adversely affected and reports that a selected list of firms which employed 2,258,963 persons on January 1, 1920, had 1,611,920 on their payrolls on January 1, 1921, 32 per cent. less. The decrease in New York City was a little less than 32 per cent., while the decrease outside of the city was more than 36 per cent. The study included the metals, building, packing, textiles, leather, automobile, lumber, clay, and transportation industries. A survey recently made by the Brooklyn Chamber of Commerce of employment in that city showed closely similar results.

During the month many textile mills were reopened, including silk, cotton, hosiery and underwear plants in New Jersey and in New York State. There was also increased activity among the men's clothing workers in Rochester and among the women's clothing workers in New York, but between 50,000 and 60,000 men's clothing workers in New York City are idle as a result of labor troubles. There were increases in the number employed in the boot, shoe and leather trade, and automobile and accessory plants.

These increases were more than offset by declines in other industries. The railroads began to reduce their personnel last fall, and these reductions assumed larger proportions in January. There is, however, a tendency among the roads to reduce the number of working hours rather than the number of employees. The lull prevailing in shipping has caused unemployment of many longshoremen, freight handlers, dock workers and seamen. Manufacturers of iron, steel, and other metals laid off some workers during January, and to a lesser extent, sugar refineries and some other plants that handle food products.

The accompanying diagram illustrates the movement of wages and employment in the factories of New York State during the past five years. The wage curve reached its high point in October, 1920, when the average weekly wage of factory workers in the State was $28.93. The decreases since that time have been comparatively slight. The curve showing the number of employees in factories, on the other hand, reached its high point in March and shows a reduction of 20 per cent. on January first. Both the wage and the employment curve show declines at the time of the slight business depression following the Armistice.

A wage reduction of 22½ per cent. has been announced in practically all textile mills and this will have an appreciable effect upon the January figure for the wages of factory employees. Average wages in textile mills throughout the country in 1920 were more than three times as high as in 1913 and twice as high as in 1918. When a reduction of 22½ per cent. is applied uniformly to the hourly earnings it leaves the hourly wage 150 per cent. higher than in 1913 and 40 per cent. higher than in 1918. A reduction of working hours from an average of about 57 to an average of about 50 hours a week still leaves weekly wages 120 per cent. higher than in 1913, after discounting the 22½ per cent. reduction.

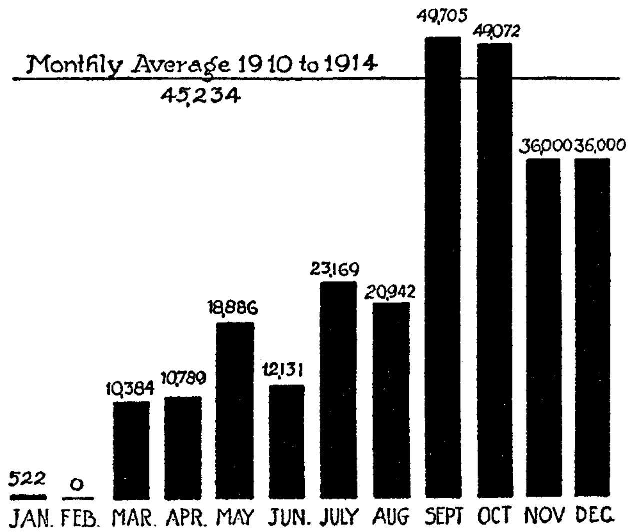
Immigration

While the number of alien immigrants arriving at the port of New York during the month of December was greater by about 6,000 than the number arriving during November, the number of aliens leaving this port also increased by about the same figure. In December arrivals were 67,310 and departures about 31,000, while in November arrivals were 61,163 and departures approximately 25,000, making the net gain in population about 36,000 each month. The monthly excess of arrivals over departures during 1920 is shown in the diagram on the next page.

Up to January 20 immigration was about the same as for the corresponding period in December.

Italy continued to send more immigrants to the United States than any other country and the reported efforts of Italian officials to restrict emigration to the United States, pending the outcome of legislation now before Congress, has not been reflected in the number of arrivals at Ellis Island.

The total net gain in population by immigration through this port in 1920 was about 266,000, or 49 per cent. of the yearly average during the five years before the war.



Net Immigration Each Month in 1920 at the Port of New York

Retail Trade

Final reports to this bank indicate that the Christmas sales of department stores in this district were nearly the same as in 1919, when they reached their largest volume. Net sales of reporting stores for the entire month of December were less than 2 per cent. below the sales in December, 1919. Stores in New York City and Brooklyn reported a slight decline and stores elsewhere in the district an advance. When the reduced prices of many articles are taken into consideration it seems clear that the actual volume of goods sold was greater than in December, 1919.

Retail trade during the month of January was marked by the annual mid-winter clearance sales which assumed greater importance this year because of the widespread expectation of unusually large price reductions. The belief was general that immediately following the holidays merchants would begin in earnest the work of liquidating stocks prior to inventories, which are now being taken in most of the large stores. Sales were advertised shortly after the first of the year and reductions in prices were made on all articles in stock the wholesale prices of which had declined. Merchants report that their volume of business compares favorably with that of last January, and that the process of liquidation of stocks is progressing.

During January there were large numbers of out-of-town buyers for retail stores in New York markets. Increased buying has not been due to any change in attitude on the part of merchants, but rather to necessity of filling in depleted stocks. Many of the orders placed have been for spring merchandise in which changing style makes necessary a renewal of stocks at the beginning of each season. For staple merchandise there has been a fairly large number of small orders, the total of which has been substantial enough to cause many manufacturing plants to resume operations.

For purposes of comparison with tabulations previously published in the Review, the following digest of department store reports for December is given:

Net sales in December, entire district, were 2 per cent. less than in December, 1919; New York City and Brooklyn, 4 per cent. less; elsewhere in district, 6 per cent. more.

Net sales for six months, July 1—December 31, 1920, entire district, were 6 per cent. more than in corresponding months of 1919; New York City and Brooklyn, 3 per cent. more; elsewhere in district 14 per cent. more.

Dollar value of stocks on hand, December 31, 1920, entire district, was 4 per cent. less than on December 31, 1919; New York City and Brooklyn, 2 per cent. less; elsewhere in district 13 per cent. less.

Dollar value of stocks on hand December 31, 1920, as compared with November 30, 1920, entire district, 21 per cent. less; New York City and Brooklyn 20 per cent. less; elsewhere in district 24 per cent. less.

Dollar value of stocks on hand, December 31, 1920, entire district, 358 per cent. of monthly sales; New York City and Brooklyn, 361 per cent.; elsewhere in district, 348 per cent.

Dollar value of outstanding orders on December 31, 1920, entire district, was 5 per cent. of the total purchases for the calendar year 1919, or about half of the amount normally outstanding on December 31; New York City and Brooklyn, 5 per cent.; elsewhere in district, 3 per cent.

The table at the foot of this page shows, for purpose of comparison, the figures reported to this bank by depart-

Business of Department Stores in the Second Federal Reserve District. 1920

Comparisons	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Percentage of increase of net sales each month over net sales for corresponding month in 1919	54.6	29.9	64.3	15.8	35.4	28.4	24.4	15.9	3.6	6.2	11.6	1.6*
Percentage of increase in stocks at close of each month over stocks at close of corresponding month in 1919	44.0	49.6	68.6	53.6	49.1	43.2	39.5	29.3	18.7	16.7	4.6	4.5*
Percentage of increase in stocks at close of each month over stocks at close of preceding month	11.9	8.4	25.8	0.4*	5.0*	6.1*	0.5*	6.8	6.9	0.5	5.6*	21.1*
Percentage of stocks at close of each month to monthly net sales	336.9	405.6	383.4	402.0	399.4	369.9	440.1	496.7	573.9	466.9	452.3	358.0
Percentage of outstanding orders at close of each month to total purchases during 1919	22.8	22.9	19.0	18.2	13.4	17.2	17.4	15.9	13.6	8.1	5.5	4.5

*Decrease.

ment stores of the district during the entire year 1920. In the interpretation of the figures it should be borne in mind that they are in terms of dollars and hence reflect price changes as well as changes in volume of retail trade. The diminishing percentages for net sales from May to September reflect, in considerable measure decreased prices from month to month in 1920, and rapidly rising prices in the months of 1919 with which 1920 figures are being compared. The fact that no important decreases and many increases in sales are shown in spite of these price changes, demonstrates the continued ability and willingness of the public to buy. Even in the last few months of the year when unemployment was increasing and business was becoming uncertain, sales were as well sustained as in the fall and early winter of 1919, when all sales records were exceeded.

Cotton and Cotton Goods

Following another decline in prices about the first of the year, there was a renewal of activity in the cotton goods market. An increase in buying was quickly reflected in manufacturing centers and many big mills which had either been closed or working on part time resumed full time operations. While the individual orders received as a rule were small as compared with the quantities purchasers contract for in normal years, the total has reached substantial dimensions. Neither buyers nor manufacturers, however, are willing to enter into contracts for deliveries beyond March or April.

It is held by the manufacturers that the business now going on is not profitable and there is a tendency to withdraw some lines of goods and make slight price advances in others. Prices of cotton goods are now about 60 to 70 per cent. below the high level reached in the spring. This compares with a reduction of a little more than 60 per cent. in raw cotton and 20 to 25 per cent. in wages.

The improvement in the dry goods trade, the increasing amount of cotton exported, the advancing foreign exchange rates, and restricted selling in the South tended to advance the price of raw cotton. Prices at the end of the third week in January were one to two cents higher than the low mark touched late in December. Total cotton exports during December were 788,578 bales as compared with 683,323 bales in November and 876,852 bales in December, 1919. Stocks of cotton held by the mills at the close of December were 1,258,000 bales, against 1,836,000 bales on the corresponding date in 1919.

The rate of operation of mills for the manufacture of cotton goods during 1920 is shown in the following figures for cotton comsumption by quarters:

Period	Bales consumed
First quarter	1,684,023
Second quarter	1,664,440
Third quarter	1,466,245
Fourth quarter	1,026,745

The highest monthly figure was for January, 1920, when 591,725 bales were consumed. December consumption was about half as great as this high mark, 294,851 bales.

Wool, Woolen Goods and Clothing

An additional reduction of 35 per cent. in the prices of woolen goods was made late in January by the American Woolen Company, making a total reduction of 45 per cent. since the fall of 1920. The new prices which had been anticipated by most of the independent mills are based upon replacement value, computed on the present market price of raw materials and on a 22½ per cent. wage reduction, announced early in the month, which corresponds with similar wage reductions made earlier by other textile manufacturers.

The latest quotations are for goods now in stock and are subject to adjustment if prices still to be announced for goods to be manufactured for next fall prove to be lower than the present level.

The new prices apparently proved satisfactory to buyers of woolen goods and substantial orders were reported. Manufacturers of women's clothes were the principal buyers. Dress manufacturers appear to have completed the process of liquidating stocks of clothes made from high priced materials. Manufacturers of men's clothing in other cities were in the market for fairly large amounts of cloth, but in New York City labor difficulties have kept the industry at a standstill. Buyers of dress goods for department stores are not placing large orders at present.

Goods held in stock by the mills are believed to be sufficient to meet immediate needs. As a result the mills as a whole, are now running at about 20 per cent. of their maximum.

There has been no change in the raw wool market and mills are not buying at present. Most of last year's clip remains on the hands of the growers or is held by commission houses. Reports from British and Australian wool auctions indicate that there are large surpluses in those countries and that the demand is limited. Prices of raw wool, which are more or less nominal because of the limited number of inquiries, are about 50 per cent. below those of last year.

Silks

The demand for manufactured silk increased in January, both on the part of retailers who placed a considerable number of small orders to fill in depleted stocks, and of dress and waist manufacturers whose orders were somewhat larger. There was little buying for the future and there were no changes in prices, but it is evident that the liquidation of surplus stocks is progressing.

The most recent survey of activities in silk manufacturing centers in this Federal Reserve district indicates that there has been a resumption of operations by many plants which have been idle for several months. In Paterson, N. J., silk looms are running at about 14 per cent. of maximum capacity, in terms of loom hours, as compared with 7 per cent. in December. Of the 24,000 looms at that center 10,000 are owned by firms in bankruptcy or are out of operation for other reasons, and the remaining 14,000 are running at 25 per cent. of capacity. Factories in New Jersey, outside of Paterson, with about 4,600 looms, report operations 34 per cent. of maximum, and similar conditions prevail in silk centers on Long Island, in Pennsylvania and New England.

There have been few changes in the raw silk markets here during the month. Prices have been maintained about on the level fixed by the Imperial Silk Corporation of Japan and fluctuations have been due to differences in the rate of exchange. The price of raw silk is now about $6.20 a pound compared with a recent low of $5.80, a high of $17.40 in January, 1920 and an average price in 1913 of $3.64. Stocks in local warehouses decreased about 8 per cent. during December, due to greater activity among the mills and to shrinking imports. Stocks in the metropolitan area on January 1 amounted to 44,536 bales.

Collections

Collections during January showed some improvement over those for December, but were slower than in January of 1920 or 1919. Payments by retailers to wholesalers in general reflected the satisfactory volume of retail trade in December. Payments were slower, however, from agricultural sections, where the decline in the prices of farm products has been felt, and from localities affected by the shutting down of factories. From other sections payments are reported to have improved. These more satisfactory collections have enabled wholesalers and manufacturers to settle accounts with producers and dealers in raw materials which fell due on January 1.

Failures

Commercial failures during the first three weeks of the new year showed a continued increase over the figures for previous months. During the week ended January 8, there were 379 failures recorded in the United States; during the week ended January 15, there were 514; during the week ended January 22, there were 485. The rise is slightly more rapid than the normal seasonal increase, but even so, the present rate is almost exactly the average normal rate for failures shown by records for the past fifty years. On the average according to Dun's reports from 1891 to 1920 about one per cent. of the firms in business failed each year. The figures for 1920 and 1919 were exceptionally low. The proportion of failures to the number of firms in business in 1920 was one-half of one per cent., and in 1919, a little more than one-third of one per cent., the smallest percentage of failures of which there is any record.

The number of failures in this Federal Reserve District in December increased 20 per cent. over the preceding month but the liabilities showed an increase of 100 per cent. The figures shown on this page are taken from Dun's reports for this district.

Month	Number of Failures		Liabilities	
	1920	1919	1920	1919
January	103	134	$ 1,212,644	$ 3,258,200
February	75	102	1,062,322	2,686,546
March	139	102	6,213,228	4,033,008
1st quarter	317	338	$ 8,488,194	$ 9,977,754
April	117	107	$ 2,865,153	$ 4,365,253
May	133	93	2,413,591	3,194,187
June	164	104	16,218,230	4,040,301
2nd quarter	414	304	$ 21,496,974	$ 11,599,741
July	172	79	$ 11,438,511	$ 1,836,523
August	179	68	15,009,838	1,615,398
September	145	92	14,551,283	2,335,120
3rd quarter	496	239	$ 40,999,632	$ 5,787,041
October	275	86	$ 15,462,866	$ 1,650,441
November	281	99	10,776,972	1,548,918
December	338	119	21,538,235	1,849,643
4th quarter	894	304	$ 47,778,073	$ 5,049,002
Total	2,121	1,185	$118,762,873	$32,413,538

Iron and Steel

There was further curtailment in the production of iron and steel during the first three weeks of January, especially among the independent companies, which are now running at between 25 and 30 per cent. of their maximum capacity. It is estimated that the plants of the United States Steel Corporation are operating at about 80 per cent. of capacity and the industry as a whole at a rate between 50 and 55 per cent. of capacity.

Announcement by the Steel Corporation of a decrease of 873,359 tons in unfilled tonnage between December 1 and January 1, was encouraging to the trade, as a greater decrease had been anticipated. The unfilled tonnage as of January 1 was 8,148,122, compared with a maximum reached in April, 1917, when the total on the books touched 12,183,083 tons. Unfilled orders of independent companies have been practically cleared.

Foreign competition is beginning to be a factor in placing orders. Germany is now exporting a small amount of iron and steel, and at present rates of exchange is offering steel cheaper than any other country. Belgian furnaces are again active and their quotations are lower than those of concerns in the United States and Great Britain. These comparisons do not take freight rates into consideration.

The price of steel and iron here is about on a level with the War Industries Board prices of March, 1918. There is little, if any, decline in the quotations of the Steel Corporation but prices of independent companies are about 30 per cent. below the high point of last March.

There has been as yet no concerted action on the part of steel and iron interests to effect a wage readjustment. There have been, however, numerous instances of reductions ranging from 15 to 20 per cent. by individual companies and others have been announced to become effective on February 1. The Steel Corporation has made no announcement.

Building

Building contracts awarded in this district in December were smaller in number and total value than in November. According to the reports of the F. W. Dodge Company contracts were let in New York State and Northern New Jersey during December for 616 projects to cost $17,000,000. The number of projects in November was 694 with a value of $29,500,000. Preliminary reports for January indicate little change from December in the volume of contracts let.

Comparative figures for the value of building contracts awarded in 1919 and 1920 in this district and 25 States in the northeastern section of the United States are as follows:

	1919	1920
New York State and Northern New Jersey	$ 543,000,000	$ 596,000,000
25 Northeastern States	2,580,000,000	2,565,000,000

In view of somewhat higher building costs in 1920 than in 1919 these data probably indicate a slight reduction in the volume of building in this district, and a somewhat larger reduction in the 25 States reported.

Railroads and Transportation

December freight traffic in the United States, measured by the number of cars loaded with revenue freight, was the lightest of any month in the year 1920 with the exception of April, when railroad operations were hampered by the switchmen's strike. The movement of goods in the first two weeks of December was somewhat heavier than in the last half of November but thereafter sharp successive weekly declines occurred in car loading totals. The number of cars loaded in the final week of the year was about 41 per cent. below the figure for the week ended October 23, when railroad operations reached the maximum for 1920. For the entire month of December traffic was about 12 per cent. lower than in November and about 22 per cent. lower than in October.

Preliminary reports for January indicate a moderate increase in the total freight car movement, chiefly because of increased movement of coal and manufactured goods. Several railroads with terminals at New York City report that there has been a further increase in the amount of freight offered for shipment, particularly since the middle of the month. This indicated increase in freight traffic may not appear in the actual car loading figures for some time, however, and also may not be generally indicative of the volume of traffic over the entire country.