

The article on the last page describes methods of transferring funds under the Federal Reserve System.

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, June 1, 1921

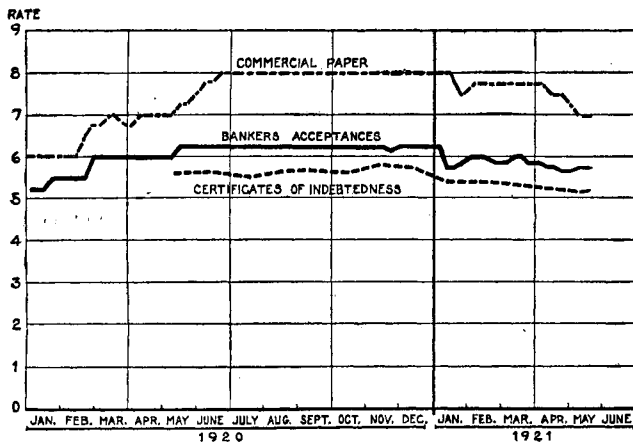
A letter was sent recently to all who receive the *Review* (excluding bank officers and directors and those who receive it through a member bank) asking whether they wished us to continue sending the *Review*. It is assumed that those who received the letter but did not reply, do not care to receive the *Review* and their names will be taken from the mailing list before the next issue.

We acknowledge with appreciation the many comments and suggestions for the improvement of the *Review* received from readers in replying to the letter.

Credit Conditions

THE continued improvement of credit conditions in the past month was manifested in an easing of the rates for prime paper. The extent of this easing is shown in the accompanying diagram for three of the principal classes of paper.

In the first week of May commercial paper became firmly established on a 7 per cent. level, where the rate has remained. The rate for prime bankers acceptances had previously reached $5\frac{5}{8}$ per cent., and Treasury certificates were quoted at a slightly lower yield basis. During the month acceptances and certificates have reacted slightly, but they remain at lower rates than before the easing occurred.



Prevailing Rates in New York City for Prime 4 to 6 Months Commercial Paper, Prime 60 to 90 Day Bankers Acceptances, and Longer Term 1921 Maturities of Certificates of Indebtedness

A similar easing of rates took place in European countries. Bank bills in London have shown a gradual decline since the first of March and are now quoted around $5\frac{1}{16}$ as compared with an average of about $6\frac{5}{8}$ during January.

Call money is now available for the London bill market in the neighborhood of 5 per cent. as compared with an average of about $5\frac{1}{2}$ per cent. during February, March and April.

Lower commercial money rates have been reflected both in this country and in Europe by a lowering of the discount rates of central banks. The changes reported recently in foreign central bank rates are as follows:

Bank	Date of Change	Present Rate	Former Rate
Calcutta.....	March 3	6	7
Swiss Bank.....	April 6	$4\frac{1}{2}$	5
London.....	April 28	$6\frac{1}{2}$	7
Stockholm.....	May 4	$6\frac{1}{2}$	7
Copenhagen.....	May 5	$6\frac{1}{2}$	7
Brussels.....	May 19	5	$5\frac{1}{2}$

In the United States six of the Federal Reserve Banks reduced their discount rates on commercial paper within the past few weeks as follows:

Bank	Date of Change	Present Rate	Former Rate
Boston.....	April 15	6	7
New York.....	May 5	$6\frac{1}{2}$	7
Atlanta.....	May 6	6	7
Chicago.....	May 7	$6\frac{1}{2}$	7
Minneapolis.....	May 10	$6\frac{1}{2}$	7
Dallas.....	May 16	$6\frac{1}{2}$	7

The other six banks had not raised their discount rates on commercial paper above 6 per cent. As a result of recent changes eight of the twelve Reserve Banks are now discounting commercial paper at 6 per cent., and four, New York, Chicago, Minneapolis, and Dallas, at $6\frac{1}{2}$ per cent.

As liquidation has gone forward there has been a decrease in the demand for funds on the part of prime borrowers which has been reflected in the growing scarcity

of such paper in the open markets. The volume of commercial paper outstanding, as shown in a diagram later in this issue of the *Review*, is smaller than it has been for many months.

The reduction of bank loans which has been going forward since the first of the year has continued steadily during the past four weeks. Member banks which have been borrowers at the Federal Reserve Banks have generally utilized surplus funds to reduce or extinguish such borrowings. The twelve New York City banks which were the largest borrowers early in January have reduced their loans at the Reserve Bank more than 50 per cent. The following table shows the changes that have taken place both in this district and in the country as a whole.

	Amount May 18	Decline from April 22	Decline from High	
			Amount	Per Cent.
Loans of Reporting Banks				
All districts..... Millions of Dollars				
All districts.....	15,449	180	1,835	10.6
New York City.....	4,921	120	1,089	18.1
Earning Assets F. R. Banks				
All districts.....				
All districts.....	2,314	177	1,108	32.4
New York.....	657	76	546	45.4
Note circulation F. R. Banks				
All districts.....				
All districts.....	2,767	90	638	18.7
New York.....	719	37	168	18.9

United States Currency in Foreign Countries

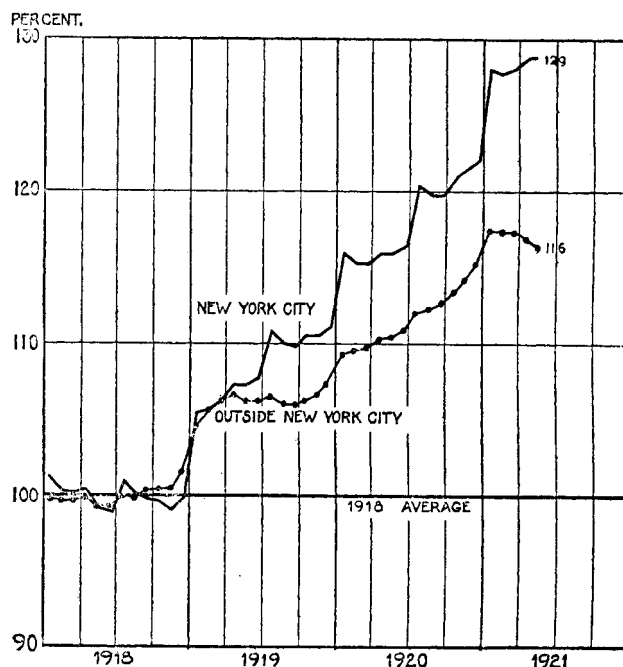
This bank has recently received from banks and private banking houses in this city reports of their shipments of United States paper currency to foreign countries, and their receipts of such currency from foreign countries. The information was requested with the thought that it would provide some basis for an estimate of the amount of United States currency in circulation in foreign countries, and be of interest likewise in connection with recent tendencies in Federal Reserve note circulation. The following tabulation of replies, covering the period January 1 to April 30, indicates a substantial balance of imports over exports. The heavier imports of United States currency, which is equivalent to gold, probably reflect the same conditions that are causing gold imports. The record of exports, on the other hand, is probably much reduced by the impossibility of knowing the amount of currency carried out of the country by travelers, or remitted by individuals through the mails.

Country	Imports	Exports
Europe.....	\$35,121,251	\$105,168
Mexico and South America.....	1,773,062	1,355,000
Cuba and West Indies.....	12,257,779	9,684,500
Canada.....	2,318,662	20,000
Asia.....	687,239	.....
Africa.....	86,766	.....
Australia.....	3,690	.....
Country not reported.....	3,405,192	12,000
Total.....	\$55,653,641	\$11,176,668

The exports reported above were shipments made directly by the banks of this district. In addition, this bank transferred \$22,500,082 to the Federal Reserve Bank of Atlanta for shipment to Cuba in the form of notes for the account of New York City banks.

Savings Bank Deposits

The accompanying diagram shows the deposits of eleven large savings banks in New York City and ten large savings banks in the district outside of New York City, which report their deposits to this bank on the tenth of each month. The figures are expressed as percentages of the average deposits in 1918. May reports show a slight increase in savings deposits in New York City, but a slight decrease in centers outside of New York City.



Deposits of 11 Savings Banks in New York City and 10 Savings Banks in the Second District Outside New York City, in Percentages of Average Deposits in 1918

Bill Market

During the past four weeks the rate on prime 90-day bills fluctuated between $5\frac{5}{8}$ and $5\frac{3}{4}$. Dealers found it difficult to maintain sales at the lower figure, and the period closed with $5\frac{3}{4}$ as the ruling rate. In the first week in May when the $5\frac{3}{4}$ rate was maintained sales by principal dealers were larger than in any previous week for nearly three months. Total sales for the month, however, were approximately equal to the monthly average for the first quarter.

About one-third of the bills coming into the market during the past four weeks were drawn for the purpose of furnishing dollar exchange. Another third was composed of bills covering packers' products, grain, and sugar, in about equal amounts. In the second week of May the aggregate of cotton bills increased somewhat, though these were still in smaller volume than other bills.

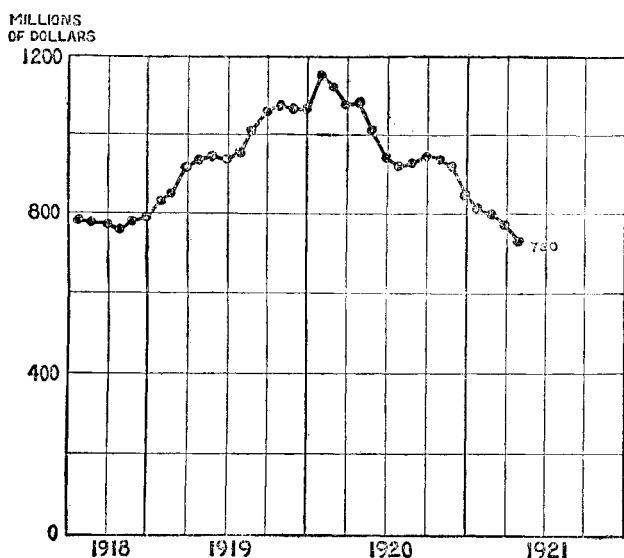
On May 16 the Federal Reserve Bank of New York announced that in accordance with Regulation B, Series of 1921, of the Federal Reserve Board, bills of maturity up to six months, issued in import and export transactions, might be offered to the Federal Reserve Banks for purchase. Heretofore three months has been the maximum maturity of acceptance eligible for purchase.

The considerations which led the Board to make eligible bills of longer maturity are stated by Governor Harding as follows: "(1) The desire to widen the acceptance market by meeting the wants of savings banks and similar purchasers of bankers' acceptances who are now deterred from investing in acceptances of longer than three months' maturity, because of the lack of authority of Federal Reserve Banks to purchase longer maturities up to six months; (2) to provide more ample facilities for financing import and export trade with countries where either normal conditions or present abnormal conditions indicate the desirability of rendering assistance by making acceptances of maturities not exceeding six months eligible for purchase by Federal Reserve Banks."

The minimum buying rate of this bank has remained unchanged at $5\frac{3}{4}$ to 6 per cent. for indorsed prime bills ranging up to 90 days' maturity.

Commercial Paper

Early in May the ruling rate for prime names in the commercial paper market declined from $7\frac{1}{2}$ to 7 per cent., and 7 per cent. continued through the first three weeks of May as the prevailing rate. Buyers continued to show a willingness to buy exceptionally desirable paper below the prevailing market level. Some dealers reported a considerable volume of sales at $6\frac{3}{4}$ per cent., and occasional transactions in exceptional paper at $6\frac{1}{2}$ and $6\frac{1}{4}$ per cent. Double name paper was sold as low as 6 per cent. On the other hand much slow moving paper continued to sell at $7\frac{1}{4}$ per cent., and in some cases buyers demanded even higher rates.



Commercial Paper Outstanding—Eleven Dealers

Lower rates did not stimulate any appreciable increase in offerings, and dealers had much difficulty in securing prime paper. Partly because of the shortage of high-grade paper the volume of sales during the four weeks was small. The cumulative effect of reduced sales is shown by the preceding diagram. The volume of commercial paper of 11 principal dealers outstanding on April 30 was less than at any other time since this bank has been tabulating the figures.

Stock Market Money Rates

Call loans were made at $6\frac{1}{2}$ to 7 per cent. during the four weeks ended May 20, indicating a slightly firmer money market than during the preceding period, when rates on several days fell to 6 per cent. or below. Increased demand for collateral loans, resulting from the brief April rally in the stock market, and unusually heavy offerings of new securities, were factors which tended to keep rates at the higher levels.

Time loans were on a slightly easier basis. Rates at the close of the period ruled at $6\frac{1}{2}$ to $6\frac{3}{4}$ per cent., compared with $6\frac{1}{2}$ to 7 per cent. a month ago. Business done, however, continued small.

Bond Market

Bond trading was somewhat more active late in April and early in May, but there was no important change in the general price level. Railway bonds showed much irregularity, first declining under the influence of heavy new financing and later recovering sharply upon the successful placing of the new issues and the rise in railway stocks. Practically all corporation bond groups reacted with the stock market.

Foreign government loans rose sharply as a result of the reparations settlement, and a number of issues, including Japanese and Mexican bonds, and some of the new 8 per cent. issues, sold at new high levels for the year. Disagreements in Europe over Silesia subsequently caused a partial loss of gains made in this group. Mexican issues were rather sharply lower at the close of the period.

Total bond sales during April, excluding Liberty bonds, were \$94,500,000, which was only slightly larger than the comparatively low totals of recent months.

United States Securities

Liberty bonds, like corporation issues, made little apparent response to somewhat lower money rates. Except for a temporary dip in prices late in April and moderate declines again just before May 20, the $4\frac{1}{4}$ per cent. issues moved along a fairly even level. The tax-exempt $3\frac{1}{2}$'s declined sharply to a new low point of 88.04.

The total sales of Government war issues on the New York Stock Exchange during April were \$138,500,000, slightly larger than the March total but 49 per cent. less than the amount sold in April last year.

Total subscriptions to the May 16 offering of Treasury certificates of nine months' maturity at $5\frac{1}{2}$ per cent. were more than double the amount offered. Allotments totaled \$256,000,000, of which \$100,000,000, or 39 per cent., was allotted to this district. Outstanding issues of certificates continued in active demand on a somewhat lower yield basis until just before May 20, when there was a slight rise.

New Financing

During the past month new securities were offered in large volume and met with excellent demand. A joint offering of \$230,000,000 convertible 6½ per cent. bonds by two important trunk line railroads was the largest single piece of corporation financing ever attempted in this country. The issue was moderately over-subscribed within a comparatively short period. Following this issue a number of large industrial issues were brought out.

A good demand for foreign bonds was indicated by the quick sale of \$25,000,000 twenty-year non-callable 8 per cent. bonds of the United States of Brazil, offered on a basis to yield 8¼ per cent.

The minimum yield basis for new offerings of the best grade was about one-half of one per cent. under the highest level. On the other hand, the majority of the concerns which were obliged to secure new funds continued to pay high rates. Recent foreign offerings have not allowed the borrower the privilege of redemption in advance of maturity, as has been customary heretofore.

The total of April domestic capital issues was \$391,000,000, the largest for one month since April of last year, when new issues reached the record total of \$472,000,000. Railway notes and bonds were the greater part of the total, and stock issues were much in the minority. A large percentage of the foregoing issues was used to pay off maturing obligations.

Stock Market

In the latter part of April stock prices made their first substantial advance since early in January. Industrial shares rose 5 to 10 points above the level which had been fairly consistently held for three months. Railroad issues which had been declining since the first of the year made an even sharper recovery. The advance was generally ascribed to somewhat easier money conditions and to a more optimistic estimation of business developments.

In May, simultaneously with a reappearance of price-cutting in some industries, industrial stocks lost the greater part of their advance. Railroad stocks also declined, though less abruptly than industrial shares.

The higher prices were accompanied by the most active trading of the year, and on several days sales exceeded a million shares. With the reaction in the market, trading slackened materially. For the whole month of April, sales were 15,500,000 shares, slightly less than the March total.

Foreign Exchange

Throughout the latter part of April and the first ten days of May sterling, francs, and lire advanced steadily, discounting the effect of the acceptance by Germany of the Allied reparations terms. When the announcement was made on May 11 that the Reichstag had voted to accede to the Allied demands all three of these rates advanced sharply to new high prices for 1921. Sterling at \$4.00¾ was higher than at any other time since April 5, 1920, while francs at \$.0881 were at the highest price since January, 1920, having gained 20 per cent. in four weeks. Lire advanced to \$.0572, making a gain of over 17 per cent. in three weeks and of approximately 60 per cent. since January 1.

While German acceptance of the Allied ultimatum was an important factor in the advance of rates on London, Paris, and Rome other influences were the improvement in credit conditions both here and abroad, continuation of the heavy gold movement toward the United States, and the gradual narrowing of the trade balances against the European countries. Buying of European exchange for speculative purposes was also much heavier during the past month than for some months past, particularly in the case of German marks which advanced in close correspondence with the rates on Allied countries, gaining 19 points or practically 13 per cent. in the month.

The quotation for bar silver has remained practically unchanged in the last four weeks and rates of exchange on the Far-Eastern centers have fluctuated within narrow limits. Argentine exchange declined to a new low early in May and other South-American rates, particularly exchange on Peru, Chile, and Brazil, continued to show weakness at times.

The following table shows the closing quotations for principal exchanges on May 21, the change from last month, and the percentage depreciation from par.

Country	May 21 Last	Change from April 23	Per Cent. Depreciation from Par
England.....	\$3.9663	+ .0313	18.5
France.....	.0877	+ .0144	54.6
Italy.....	.0557	+ .0072	71.1
Spain.....	.1347	- .0037	30.2
Germany.....	.0170	+ .0019	92.9
Switzerland.....	.1803	+ .0072	6.6
Sweden (Stockholm).....	.2360	.0	11.9
Holland.....	.3586	+ .0102	10.8
Belgium.....	.0876	+ .0130	54.6
Argentina.....	.3127	- .0027	26.3
China (Hongkong).....	.4913	- .0125	*
China (Shanghai).....	.6488	- .0100	*
Japan (Yokohama).....	.4825	.0	3.2
Canada.....	.8950	+ .0050	10.5
Bar Silver in N. Y.....	.5863	- .0200	.....

*Silver Exchange Basis.

Gold Imports

The following table shows in thousands of dollars the amounts of gold received from different countries each month since January 1:

Country	Jan.	Feb.	March	April	Total
France.....	\$4,695	\$13,584	\$41,241	\$16,231	\$75,751
England.....	17,765	9,323	24,075	14,342	65,505
Sweden.....	.....	.....	4,679	24,859	29,538
Canada.....	188	539	19,825	158	20,710
China & Hongkong....	2,354	7,500	2,653	3,980	16,487
Netherlands.....	394	224	939	11,052	12,609
British India.....	1,014	5,008	2,059	3,677	11,758
All other.....	7,225	6,701	6,187	13,842	33,955
Total.....	\$33,635	\$42,879	\$101,658	\$88,141	\$266,313

Shipments amounting to \$14,000,000 from England in April consisted for the most part of gold from South African mines. A considerable portion of the \$65,500,000

received from England since January 1 has been gold shipped from India to New York by way of London. Gold continued in May to come into this port in large volume.

Foreign Trade

Foreign demand for American products has shown no general revival, but some markets are more active, and there has been a gradual expansion in the list of commodities in demand.

Japan, which was the first country to curtail its purchases here, now appears to lead in renewed buying. Steel exporters have taken fairly large Japanese orders for some steel products, notably black sheets, and shippers of machinery report Japan their best market. The Japanese have also increased their purchases of raw cotton and copper during the past month.

There were reports of further sales of cotton goods to the Far East and Near East. One exporter reported sales during the past four weeks of approximately 50,000 bales of grey sheetings to the Levant, Red Sea ports, India, and China. Raw cotton exports continued to dwindle, falling nearly 12 per cent. in April to 340,000 bales. This is 50 per cent. less than in April of last year.

American wheat continued in good demand in foreign markets, particularly for prompt shipments, as the British coal strike has interfered with exports from Argentina to Europe. The prolongation of the British strike has caused only a moderate increase in export buying of coal. Shippers of meats report that orders recently have amounted to the largest aggregate in many weeks. Demand for copper showed a marked increase with Germany and Japan the chief buyers.

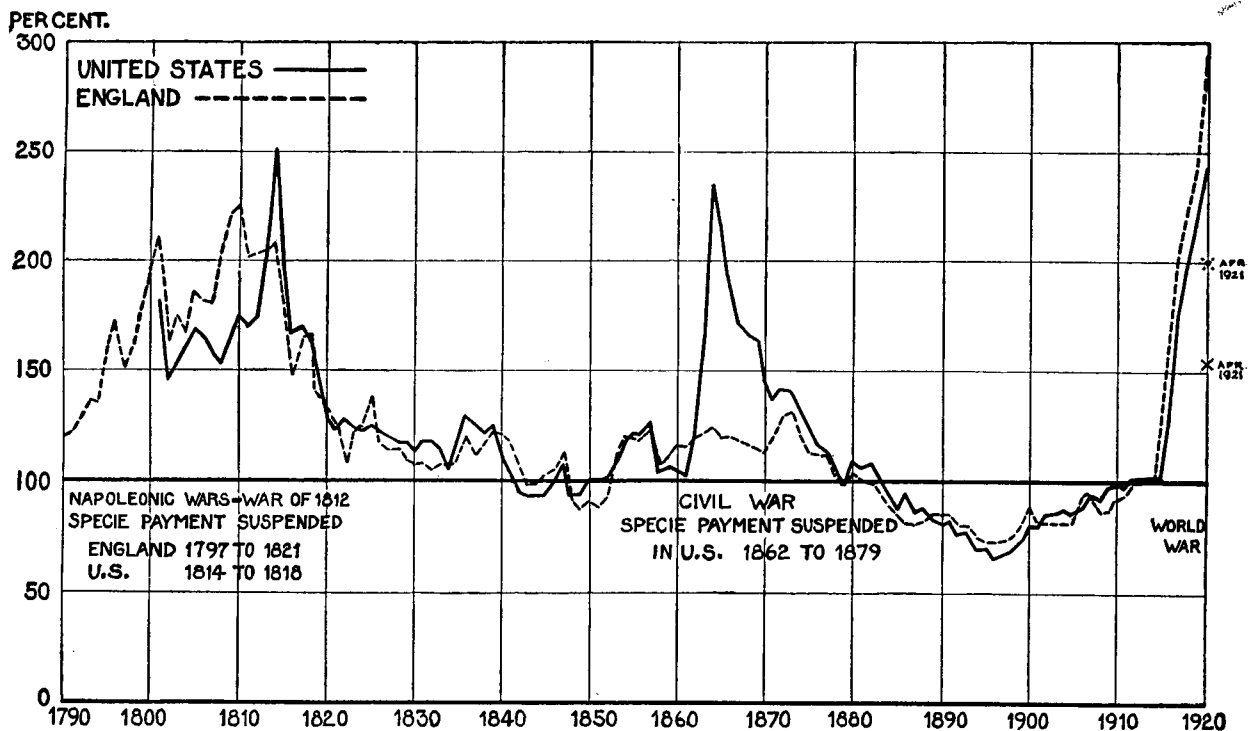
Demand from South America has remained quiescent. There is still a large volume of credit outstanding on goods invoiced at the high prices, but exporters report that collection of overdue accounts is proceeding more satisfactorily. A cablegram, dated May 16, to the Department of Commerce reports the declaration of a partial moratorium in Peru, but according to a later press cable, the decree does not affect the collection of foreign drafts.

April exports, as reported by the Department of Commerce, totaled \$340,000,000, 12 per cent. less than March figures. Imports showed a further slight gain to \$255,000,000.

The War Finance Corporation has just published an announcement outlining specifically the requirements of the Corporation in connection with advances to American exporters, banks, bankers, and trust companies, for the purpose of assisting in the exportation of domestic products. The Federal Reserve Bank of New York has available copies of these regulations, which it will supply to inquirers upon application.

Wholesale Prices Since 1790

The diagram at the bottom of this page compares the course of wholesale prices in the United States and England during the past century and a quarter. It indicates that in the fundamental economic factor of price changes the history of the two countries has been closely parallel. The only periods in which prices moved differently in the two countries were those when a depreciated paper standard of currency replaced the gold standard. If prices were shown on a gold basis all major differences would be eliminated and prices would show astonishingly slight fluctuations over the major part of the entire period.

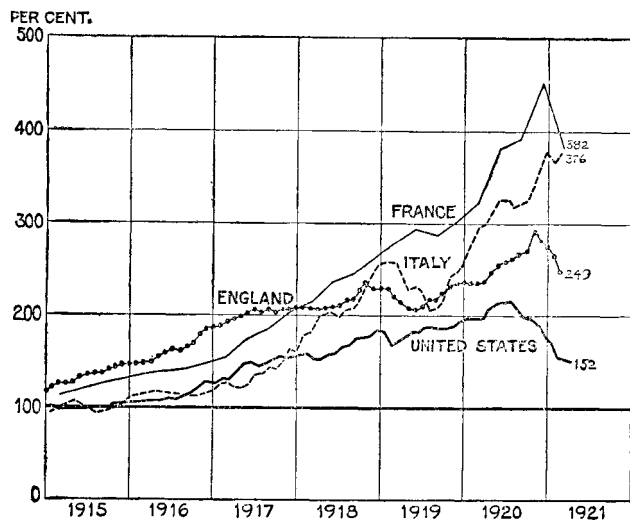


Wholesale Commodity Prices in the United States and England Expressed as Percentages of Figures for 1913

Figures for other countries going back over so long a period are not at present available. Indices for French and German prices from about the middle of the twentieth century run so closely with British and United States indices that on a diagram they are at times scarcely distinguishable. The evidence clearly points to common causes affecting prices in all countries.

The index for prices in the United States is a combination of indices published in the quarterly of the American Statistical Association by Alvin H. Hansen for the years from 1801 to 1840, and by Carl H. Juergens from 1825 to 1863; an index published by Roland P. Falkner in the Report of the Senate Committee on Finance (1893) for the years 1840 to 1891; and the current index of the United States Bureau of Labor Statistics. A diagram showing the index from 1825 to 1920 was published in the *Review* of December 31, 1920, and a closely similar compilation of figures for the years from 1810 to 1920 was published by Ralph G. Hurlin in the *Annalist* for April 11, 1921.

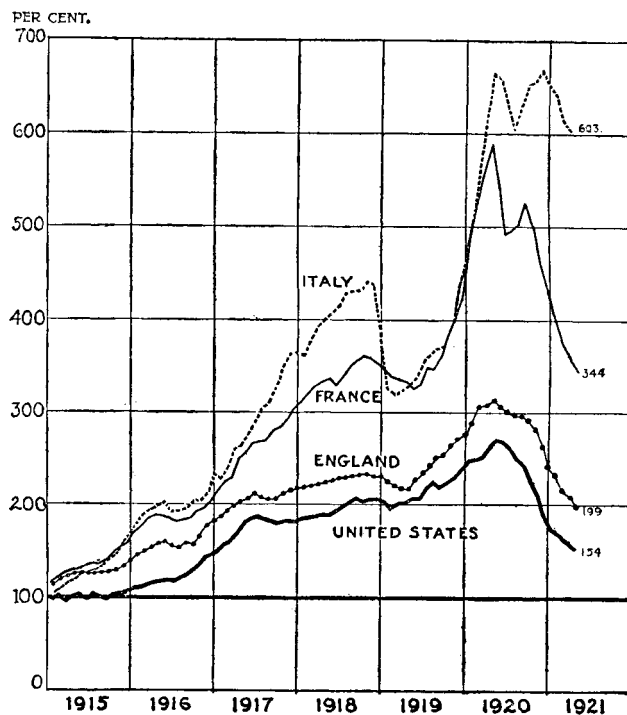
The figures for British prices are made up from an index prepared by W. Stanley Jevons for the years 1782 to 1817, and the Sauerbeck-Statist index for the rest of the period. The fact that index numbers compiled by different methods from varying numbers of commodities show such close correspondence is evidence of the stability and accuracy of price index numbers as well as of the intimate relation between price changes in the two countries.



Retail Price of Food in Four Countries Expressed as Percentages of Figures for July, 1914

It is equally clear that in many countries there has as yet been no approximation of adjustment between the prices of different groups of commodities. This is illustrated by a comparison of the two diagrams on this page which show on the right wholesale commodity prices in four countries and on the left, plotted on the same scale, the retail prices of food in the same four countries. Figures for the retail price of food are particularly significant because they are closely indicative of the cost of living. In the right-hand diagram the position of Italy and France is reversed. High wholesale prices in Italy were in large degree the result of a shortage of coal and raw materials. In Professor Bacchi's index number the prices of textiles and minerals and metals have risen to levels many times 1913 prices, while the advance in foodstuffs was much more moderate. In France, on the other hand, foodstuffs are as far above 1913 prices as any group.

The retail price of food in Great Britain is higher compared with 1913 prices than is the general level of wholesale prices. In the United States the opposite condition exists, although in the past month the two indices compared have come within two points of each other.



Wholesale Commodity Prices in Four Countries Expressed as Percentages of Average Prices in 1913

World Commodity Prices

Wholesale prices in this country, England, and France continued downward in April at much the same rate as in March. As further reports for March and April are received from other countries there is increasing evidence that the rate of decline of world prices is slackening. The entire list for March shows moderate declines and April figures thus far received are closely similar. The available figures are shown in the table on the next page.

Domestic Commodity Prices

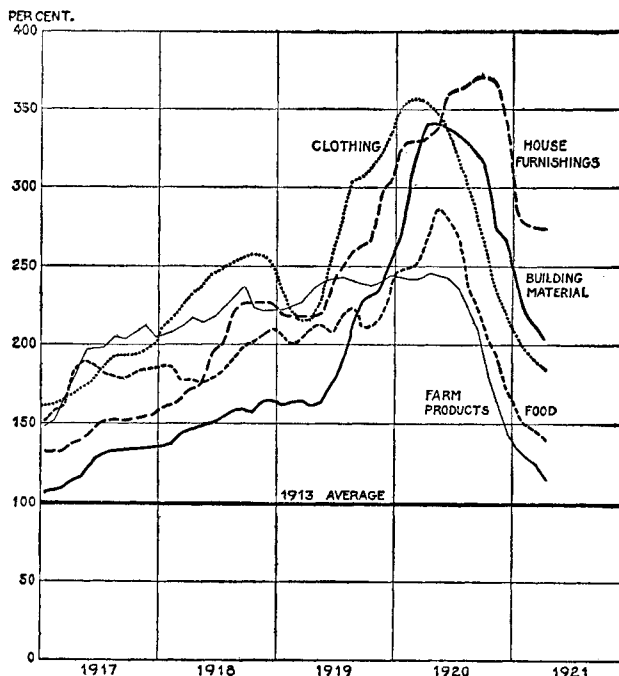
The index number of wholesale prices compiled by the United States Department of Labor declined during April from 162 to 154, or 4.9 per cent. This compares with a decline of 3 per cent. during March, but is smaller than the decline in any other previous month since last September. The index numbers for past months since the high point was reached last May, together with the per-

centages of decline each month, are shown in the following table:

Month	Index Number (1913 Average = 100 Per Cent.)	Per Cent. Decline from Preceding Month
May, 1920.....	272	
June, 1920.....	269	1.1
July, 1920.....	262	2.6
August, 1920.....	250	4.6
September, 1920.....	242	3.2
October, 1920.....	225	7.0
November, 1920.....	207	8.0
December, 1920.....	189	8.7
January, 1921.....	177	6.3
February, 1921.....	167	5.6
March, 1921.....	162	3.0
April, 1921.....	154	4.9

The April movements of prices of the different groups of commodities making up the index number range from a decline of 0.4 per cent. to a decline of 8 per cent., and there is no evidence in these more recent changes pointing toward stabilization at a common level. The wide variation between the different groups is shown in the diagram on this page, which traces the prices of five of the more important groups since 1917. The spread between the prices of the highest group and the prices of the lowest group is greater than at any other time since last December.

Variations between the price levels of different groups of commodities may be ascribed to a number of factors, including the proportion of the price which represents wages, the proportion which represents transportation



Wholesale Prices of Certain Groups of Commodities in the United States
Expressed as Percentages of the Average Figures for 1913

charges, the extent to which the demand for commodities is dependent on a foreign market, and the rapidity with which stocks manufactured at higher costs have been turned over. House furnishings, for example, reflect labor costs in high degree, and have a much slower turn-

Indices of Wholesale Prices

Base of 1913 = 100 per cent. unless otherwise noted

Country	Latest Quotation	Per Cent. Change During			Per Cent. Decline from High	Date of High
		February	March	April		
United States:						
12 basic commodities ¹	114 (May 23)	-12.8	-5.5	-3.1	53	May 17, 1920
Department of Labor.....	154 (Apr. av.)	-5.6	-3.0	-4.9	43	May 1920
Dun's.....	138 (May 1)	-2.1	-4.1	-4.4	37	May 1, 1920
Bradstreet's.....	117 (May 1)	-4.1	-4.1	-4.9	48	Feb. 1, 1920
Great Britain:						
Economist.....	183 (May 1)	-7.9	-1.5	-3.3	41	Apr. 1, 1920
Statist.....	199 (May 1)	-7.2	-3.2	-4.2	36	May 1, 1920
25 basic commodities ¹	175 (May 23)	-7.6	-8.2	-0.2	49	Mar. 12, 1920
France.....	344 (May 1)	-7.2	-4.7	-4.4	41	May 1, 1920
Italy ⁷	604 (Apr. 1) ⁸	-4.5	-1.6		10	Dec. 1, 1920
Japan.....	190 (Apr. av.)	-3.0	-2.1 ⁸	-0.5	41	Mar. 1920
Canada.....	187 (Apr. 15)	-4.0	-2.6	-3.6	29	May 15, 1920
Sweden ²	229 (Apr. 15)	-6.4	-5.2	-3.4	38	Dec. 15, 1920
Australia ³	181 (Mar. av.)	-2.0	-5.7		23	Aug. 1920
Calcutta ⁴	183 (Apr. 1)	-2.2	+5.2		16	Feb. 1, 1920
Norway.....	278 (Apr. 1)	-9.1	-0.9		36	Oct. 1, 1920
Germany ⁵	130 (May 1)	-3.7	-0.8		16 ⁸	May 1, 1920
Netherlands.....	201 (Mar. 1)	-5.8			50	Av. 1918
Denmark ⁶	270 (Apr. 1)	-3.4	-3.6		33	Nov. 1, 1920

¹ Compiled by this bank. ² July 1, 1913 to June 30, 1914 = 100. ³ July, 1914 = 100. ⁴ End of July, 1914 = 100. ⁵ Jan. 1, 1920 = 100. ⁶ July, 1912 to June, 1914 = 100. ⁷ Bacchi's new index. ⁸ Revised.

over than many other articles. Building material prices are considerably affected by high transportation charges. Farm products are influenced by reduced demand from European countries.

The following table gives the most recent figures for the prices of all groups of commodities entering into the Department of Labor index number.

Commodity Group	Maximum Level	April Level	Per Cent. Decline from Maximum	Per Cent. Decline from March
Farm products	246	115	53.3	8.0
Metals	195	138	29.2	0.7
Food, etc.	287	141	50.9	6.0
Chemicals, etc.	222	168	24.3	1.8
Cloths and clothing	356	186	47.8	3.1
Fuel and lighting	284	199	29.9	3.9
Building materials	341	203	40.5	2.4
House furnishings	371	274	26.1	0.4
Miscellaneous	247	154	37.7	7.8
All commodities	272	154	43.4	4.9

In the first three weeks of May the index of 12 basic commodities computed by this bank has shown a distinct upward tendency. The figure for each week has shown an advance, and the latest index number is 4 per cent. higher than that for May 2. This index is not a measure of general price level but shows the price movement of 12 major basic commodities which tend to react quickly to changing economic conditions. The 12 commodities included are copper, corn, cotton, hides, hogs, lead, lumber, petroleum, pig iron, rubber, sugar and wheat.

Cost of Living

For the second month there has been practically no change in the cost of living index for the United States compiled by the National Industrial Conference Board. The index number for May 1 is 1 per cent. lower than April 1, at a point 66 per cent. above the pre-war level. The only change of importance during April was a decline of 2.6 per cent. in the retail price of food. The following table shows the May 1 level of the different items of the index expressed as percentages of 1914 figures, together with the decline from high and the decline in April.

Items	May 1 Level	Per Cent. Decline from High	Per Cent. Decline During April
Food	152	30.6	2.6
Shelter	171	0.0	0.0
Clothing	168	41.7	0.6
Fuel and light	178	11.0	0.6
Sundries	185	3.7	0.0
All items	166	19.0	1.1

A cost of living index computed by the Massachusetts Commission on the necessities of life is in close agreement with that prepared by the National Industrial Conference Board. The April index number of the Massachusetts Commission is 61 per cent. above the 1914 level and 1 per cent. lower than the March figure.

Wages

The process of readjusting wages, reviewed in detail by this bank last month, continued with added impetus throughout May. The United States Railway Labor Board announced its decision to order a reduction of wages of all classes of railway employees, holding that "prevailing conditions justify to some extent, yet to be determined, a revision downward." The amount of this reduction will be made known on June 1 and the revised scale will become effective on July 1. The decision will eventually affect 2,000,000 employees.

The United States Steel Corporation announced and put into effect during the month a reduction of 20 per cent. in the rates of pay of all of its employees, numbering approximately 160,000 men. This followed similar reductions by independent steel companies.

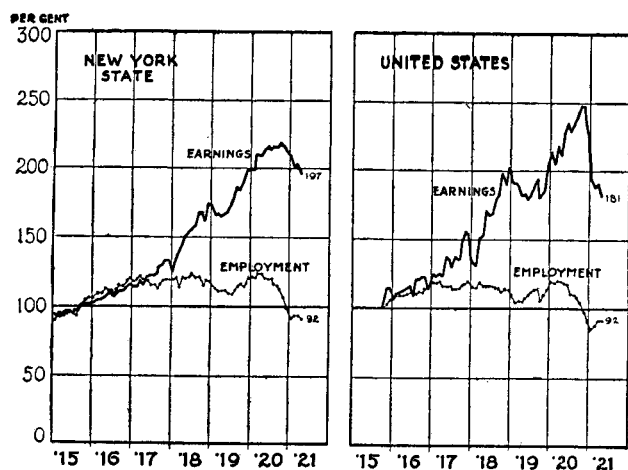
This bank's survey during April indicated that more than half of the firms in this district had reduced wages. The available evidence now appears to show that about three-quarters of the workers in this district are affected by reductions already made or announced.

In this district the largest manufacturer of shoes reduced wages 20 per cent. during the month. Numerous other plants in various industries announced reductions varying from 10 to 20 per cent. Farmers in this district report that they are employing help at monthly wages 20 to 30 per cent. below those which prevailed a year ago.

The principal groups of workers not yet affected in large measure are those in the building trades, in the printing and publishing industry, employees of public utility companies and, in less degree, clothing workers. In the building trades in New York City the wage agreement between employers and unions does not expire until December 31 and the only change in rates of pay has been for excavators, whose wages were reduced from \$6 to \$4.80 a day. In several up-State cities efforts to reduce wages in the building trades led to controversies which have not yet been adjusted. In the printing and publishing industry, there has been no effort to reduce wages although the workers have attempted to reduce the working week from 48 to 44 hours. Public utility companies have made no announcement of reductions. Wages of clothing workers in Rochester were readjusted by the substitution of the piece-work system for weekly wage rates which prevailed last year.

The accompanying diagram shows the trend of average weekly earnings and employment of factory employees in New York State and the United States as a whole during the past six years. Figures for New York State are furnished by the New York State Industrial Commission from returns by about 1,600 industrial establishments employing about 550,000 workers and those for the country as a whole are compiled from reports of the United States Department of Labor covering about 1,600,000 workers.

The movement of the curves for the State and for the country in general is similar. Wages in New York State rose somewhat less than in the country as a whole and in turn have fallen somewhat less rapidly. The average weekly wage in New York State during April was \$26.20, compared with \$26.97 in March, a decline of 2.9 per cent. The average is now 9 per cent. below the average of last October, the highest yet recorded.



Average Weekly Earnings of Workers and Number of Workers Employed in Industrial Establishments in New York State and in the United States Expressed as Percentages of Figures for October, 1915

Employment

Although changes in the number of persons employed in this district during the past month have been small, there has probably been a slight decrease. This has been the result, however, of labor disputes rather than of reductions in the forces of industrial concerns. The New York State Bureau of Labor estimates that of about 500,000 idle in New York State, 150,000 are unemployed as a result of labor troubles.

Those out on strike because of wage disputes include the marine workers at the port of New York and traction and building workers in up-State centers. In the printing and publishing industry in up-State cities there is some idleness because of a controversy as to hours.

Aside from labor disputes, there has been a reduction in the number employed in iron and steel plants, and in miscellaneous metal and machinery factories during May. Reports from railroads centering in this district which employed 330,000 workers a year ago indicate that they are now employing only 254,000, a decrease of about 23 per cent. On the other hand there was a continued increase in the number employed in textile, clothing and shoe factories, automobile plants, and the building trades.

In the factories of the State, the Industrial Commission reports that during the month of April there was a loss of 2 per cent. in the number of employees. This loss was sufficient to cancel the small gains recorded in February and March and the number employed in factories is now only 1 per cent. greater than in January, when unemployment was most pronounced.

Immigration

The number of immigrants arriving at the port of New York during April was slightly in excess of the number arriving during March. The number of aliens departing was likewise larger and the net increase through immigration at this port was nearly the same, as shown by the following table.

Month	Arrivals	Departures	Net Increase
Average, 1910 to 1914	63,316	18,082	45,234
January, 1921.....	56,465	37,442	19,023
February, 1921.....	34,595	22,404	12,191
March, 1921.....	43,114	22,140	20,974
April, 1921.....	46,101	25,181	20,920

During the first three weeks of May the rate of immigration was about the same as during April.

Volume of Production

Available figures for the current production of certain of the country's basic commodities show increases in a number of directions, but no consistent general improvement. The table below shows the production each month of 1921 expressed as percentages of the average of 1919 and 1920 figures for corresponding months.

Commodity	Jan.	Feb.	Mar.	April
1. Anthracite coal mined.....	103	137	122	118
2. Bituminous coal mined.....	88	85	75	80
3. Cement production.....	88	92	115	121
4. Cotton consumption.....	64	83	87	78
5. Pig iron production.....	77	66	49	46
6. Steel ingot production.....	73	63	53	50
7. Sugar meltings.....	56	73	117	87
8. Tin deliveries.....	54	41	47	48*
9. Wheat flour milled.....	76	82	95	100
10. Meat slaughtered.....	84	99	96	100
11. Wool consumption.....	46†	79†	91†	96†

*Compared with April, 1920 figure only.

†Estimated on the basis of idle machinery reports.

Woolen Goods

Few orders for woolen goods were placed during May as clothing manufacturers had already contracted for the greater part of their fall needs. Purchases made during February and March, however, were reflected in increased manufacturing activity and a greater consumption of raw wool. The Bureau of Markets, Department of Agriculture, reports wool consumption, in pounds, as follows:

Month	1920	1921
January.....	72,721,000	*26,300,000
February.....	63,738,000	*31,449,000
March.....	67,709,000	*40,828,000
April.....	66,935,000	*46,441,000

*Estimated by this bank on the basis of idle machinery reports.

Preliminary reports indicate increased manufacture during May as many mills resumed full time operations. Deliveries to clothiers of cloth for sample suits have been made, but deliveries in quantity are still delayed because of the long period during the winter when mills were idle.

Silks

There has been a somewhat less active demand for silk goods during the past month, due in part to unfavorable weather and in part to the fact that garment manufacturers had completed their spring buying. The falling off in demand was not unexpected and caused no curtailment of production. The table that follows shows the changes reported in the industry in this district during the past few months.

Month	Per Cent. of Operations to Maximum Capacity	Bales in New York Warehouses at End of Month	Bales Imported
November, 1920.....	13	48,357	9,285
December, 1920.....	21	44,563	6,311
January, 1921.....	25	31,859	9,499
February, 1921.....	27	27,923	14,361
March, 1921.....	49	16,383	14,043
April, 1921.....	60	20,058	35,833
May, 1921.....	62	.....	.....

Cotton Goods

Merchants are placing orders for fall requirements of cotton goods with greater confidence than in several months past. Large purchases of print cloths and sheetings for delivery within the next sixty days have been important factors in reducing accumulated stocks carried by the mills.

The demand for muslins and dress gingham has also been good. The largest producers of muslins announced that their production had been sold for three months in advance and that this output would be double that of any previous three months' period. Large manufacturers of gingham have sold their entire production for several months to come. A better demand for cotton underwear and cotton hosiery is also reported.

Business Failures

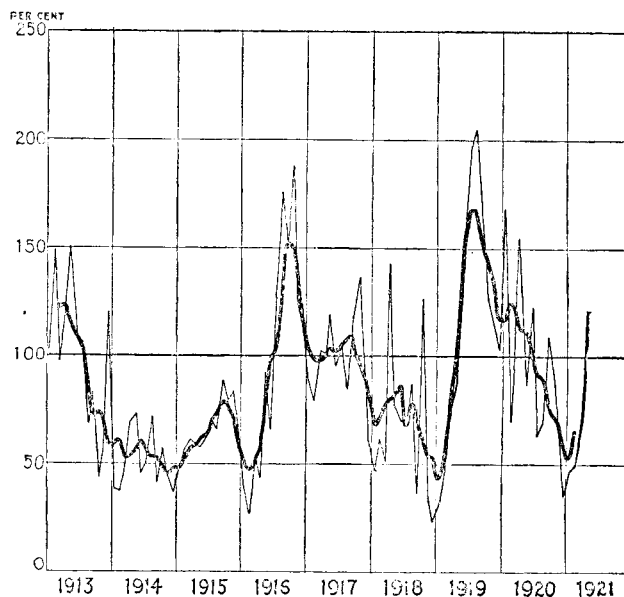
In April there was a slight increase in the number of commercial failures in the United States but it was coupled with a notable decline in the amount of liabilities reported. During the first three weeks of May the number of failures averaged practically the same as in April.

The following figures are taken from Dun's reports for this district and for the entire country.

Month	Number of Failures		Liabilities	
	Second Federal Reserve District	Entire United States	Second Federal Reserve District	Entire United States
January.....	390	1,895	\$9,808,623	\$52,136,631
February.....	222	1,641	26,836,505	60,852,449
March.....	248	1,336	30,833,852	67,408,909
April.....	229	1,487	10,471,232	38,567,769

Volume of Building

The light line in the accompanying diagram shows the volume of building in this district each month since January, 1913, with allowances made for changes in the cost of construction. The heavy curved line is a moving average, drawn to show the general trend aside from the more erratic monthly fluctuations. The volume of building is shown for each month as a percentage of the average monthly figures for the year 1913.



Volume of Building in New York and Northern New Jersey Expressed as Percentages of Average Figures for 1913 Light Line Shows Figures for Each Month. Heavy Line is Average Showing General Trend

Figures for the diagram have been obtained by dividing the dollar figures reported by the F. W. Dodge Company for contracts awarded, by a monthly index number for building costs maintained by this bank. The resulting figures show the amount of construction which took place substantially as it would appear if we could measure it by cubic feet or some other measure which is independent of price changes.

The diagram shows the long decline in building operations from the fall of 1919 accompanying rising costs of construction and uncertain business conditions. The point representing the April figure for volume of building is somewhat lower than the figure for April last year, but compares not unfavorably with points reached in the spring of previous years.

Contract awards in April in New York and Northern New Jersey as reported by the F. W. Dodge Company amounted to \$51,000,000 as compared with \$30,000,000 in March. Of the April awards 55 per cent. were for residences.

Retail Trade

The dollar value of retail sales during April was less than one-half of one per cent. below that of April, 1920, according to reports submitted to this bank by 42 department stores. Sales of stores located in New York City and Brooklyn were 2.8 per cent. below those of last year, but elsewhere in this district they were 5.8 per cent. greater.

The number of transactions increased 15.6 per cent., indicating that the volume of merchandise sold continues to be much larger than last year. The average amount of each sale, as compiled from reports of about 4,200,000 sales submitted by the stores that keep such records, fell from \$3.68 in April, 1920 to \$3.24 in April, 1921, a decline of 12 per cent. This decline is probably considerably less than the average decline in price of the articles sold.

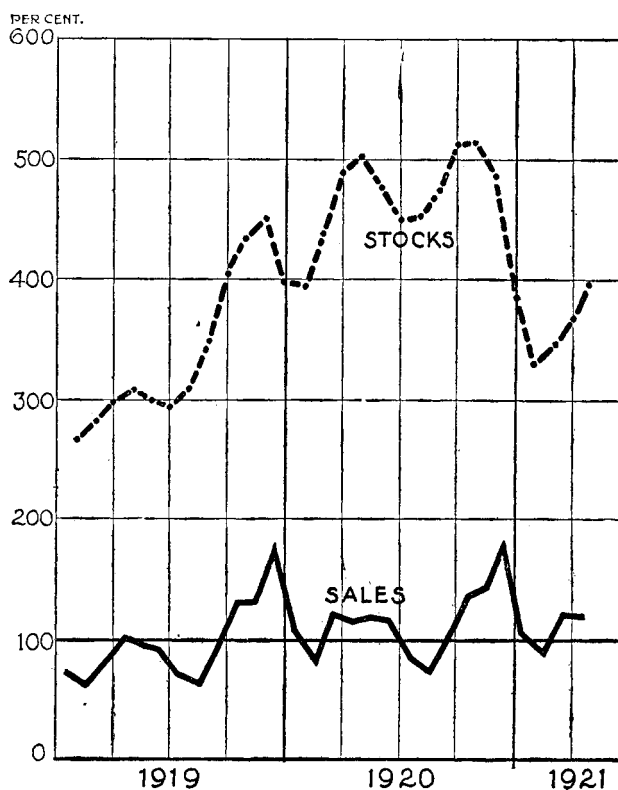
The dollar value of sales by apparel departments continues to surpass those of last year in spite of the reductions in price, but sales of house furnishings are falling somewhat behind. Merchants attribute this latter tendency to the limited construction of new houses and apartments in this district.

Stocks held by department stores increased 4 per cent. between April 1 and May 1, because of the receipt of the usual shipments of merchandise at this season of the year. Retailers continue to buy cautiously, but are placing fairly large orders for their fall requirements, especially in those lines in which they believe prices are becoming more nearly settled.

One of the large stores in this district has furnished this bank figures for the selling price this month, and in May, 1920, of 117 typical articles selected at random throughout the store. The average percentages of decline shown by different major classifications are as follows:

Women's suits.....	34	Shoes (women's).....	43
Men's suits.....	30	Shoes (men's).....	38
Women's millinery.....	32	Shoes (children's).....	36
Women's hosiery (cotton).....	27	Women's furs.....	41
Women's hosiery (silk).....	33	Furniture.....	48
Silks and satins.....	48	Domestic rugs.....	36
Cotton dress goods.....	43	China and glassware.....	24
Woolen dress goods.....	36	Pianos.....	16

The unweighted average of the declines shown by all articles is 37 per cent. The National Industrial Conference Board estimates the decline in the retail price of clothing between May, 1920 and May, 1921 at 41 per cent.



Sales and Selling Value of Stocks on Hand of 33 Department Stores Expressed as Percentages of Average Sales for 1919

Business of Department Stores

Month of April, 1921	New York City and Brooklyn	Elsewhere in Second District	Entire Second District
Number of firms reporting.....	14	28	42
Per cent. change in net sales during April, 1921 compared with net sales during April, 1920.....	- 2.8	+ 5.8	- 0.5
Per cent. change in number of transactions during April, 1921 compared with number of transactions during April, 1920 (19 stores reporting).....	+16.9	+10.1	+15.8
Per cent. change in net sales from January 1 to April 30, 1921 compared with net sales during corresponding period in 1920.....	- 3.8	+ 2.2	- 2.1
Per cent. change in stocks at close of April, 1921 compared with stocks at close of April, 1920.....	-22.0	-20.7	-21.6
Per cent. change in stocks at close of April, 1921 compared with stocks at close of March, 1921.....	+ 5.1	+ 1.1	+ 4.0
Percentage of average stocks at close of January, February, March and April, 1921 to net sales during those months.....	322.3	394.4	342.5
Percentage of outstanding orders at close of April, 1921 to total purchases during calendar year 1920.....	6.7	5.8	6.5

Transferring Funds Under the Federal Reserve System

ONLY a few years ago a man in Chicago having a bill to pay in New York would usually buy "New York exchange," in just the same way as a New York merchant buys London exchange in the course of overseas trade. Domestic exchange was subject to many of the rules that govern the foreign exchanges; it fluctuated, was bought and sold, and registered the ebb and flow of business currents. Often, as in the foreign exchanges, the shipment of gold or currency was required in order to settle balances between different parts of the country. These shipments were expensive, troublesome, and subject to the hazards of transportation. There was a normal seasonal movement toward the west in the autumn, when the crops were being moved, and a flow back to New York in the winter when goods were being paid for and investments made. All of this was expensive, not only because of the cost of shipment and insurance but because of the unproductivity of funds while in transit.

Under the Federal Reserve system shipments of gold and currency for the purpose of settling balances have been almost wholly eliminated. While writers still describe movements and transfers of funds quite as if shipments were being made, they refer to transfers accomplished instantly and at par over the wires of the Federal Reserve system. This method has established complete fluidity of funds in the United States; there are no longer the former barriers preventing funds from flowing freely wherever the demands of commerce, industry, and agriculture dictate. Physical shipments are now practically restricted to the supplying of hand-to-hand currency for use as till money to member banks by their Reserve Banks and to the return to the Reserve Banks of such currency as is not needed by the business of the country.

The medium through which balances are settled under the Federal Reserve system is the gold settlement fund, consisting at present of about \$450,000,000. It is lodged with the Treasurer of the United States, and constitutes a part of the gold reserves of the twelve Federal Reserve Banks. The portion of the fund which each Reserve Bank owns changes each business day, and those changes are recorded on the books of the Federal Reserve Board. The volume of settlements of all kinds made through the fund averages nearly \$300,000,000 a day, and in the course of the year amounts to an immense sum. The following table shows settlements of the Federal Reserve Bank of New York through the fund each year since it was first operated.

1920	\$48,841,000,000
1919	41,933,000,000
1918	32,936,000,000
1917	17,119,000,000
1916	2,335,000,000
1915	556,000,000

The changes in the proportionate ownership of the fund arise from the transactions between the various reserve districts which are cleared through the Reserve Banks, one large element in these transactions being the collection and clearance of immense volumes of checks representing the daily turnover of commerce and industry.

The business and agricultural interests of the country derive a great advantage from these prompt settlements. Suppose a merchant in New York deposits in his bank a check for \$50,000 drawn upon a bank in San Francisco. Formerly the check would travel to San Francisco, where on arrival it would be charged to the account of the man who drew it, and his bank would mail the New York bank a New York check in payment. The \$50,000 would not be available to the merchant at his New York bank until the check arrived, at least ten, and probably twelve days after the merchant deposited the original check. Now the time is cut at least in half, because the old method of remitting by mail across the continent has been eliminated. The mail remittance is unnecessary because the San Francisco bank upon which the check is drawn makes payment at the San Francisco Reserve Bank. The same day the funds are transferred through the gold settlement fund to the New York Reserve Bank which in turn settles immediately with the bank that had presented the check for collection.

The gold settlement fund and the private wire system connecting the Reserve Banks permit also another new and important service to the commerce of the country. This service, which is free, provides for the immediate transfer of funds by telegraph at par. Assume that the \$50,000 payment due from the man in San Francisco to the merchant in New York had to be made instantly, and could not wait for a check to be transmitted through the mail. His bank would charge his account, and at the same time instruct the San Francisco Reserve Bank to telegraph the New York Reserve Bank, asking it to place \$50,000 to the credit of the New York merchant in his own bank. The San Francisco member bank is charged \$50,000 on the books of the Reserve Bank, and \$50,000 in the gold settlement fund passes from the ownership of the San Francisco to the New York Reserve Bank. Thus the transaction is completed. Usually such transfers are for large sums; to make a large number of small transfers, which might equally well have been made by check, would clog unduly the private wire system of the Reserve Banks and hamper the efficiency of the service.

The number of wire transfers has been increasing rapidly. At the beginning of 1920 the number of such transfers made by the New York Reserve Bank averaged 363 a day; at the end of the year the average was 712 a day. The growth of its use is shown in the following table, which includes transfers made for the United States Treasury.

	Number	Amount
1920	147,302	\$17,022,000,000
1919	82,321	18,245,000,000
1918	39,099	19,384,000,000
1917	10,302	6,768,000,000
1916	2,971	485,000,000