

(The article on the last page describes the lending powers of the Reserve Banks 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, November 1, 1921

Credit Conditions

MODERATE increases in business activity in a number of directions referred to last month have in the main been continued, and there is now additional evidence of renewed activity along other lines also. Changes shown by the most recent reports may be summarized as follows:

The number of workers employed in factories throughout the country increased during September about 1 per cent., and in New York State factories about 4 per cent.

The volume of new building undertaken in the country as a whole in September was larger than in any previous month this year, and in this district was larger than in any previous month for which there are reliable records. This activity continued at a high rate during October.

The production of iron and steel and of textiles shows a continued increase.

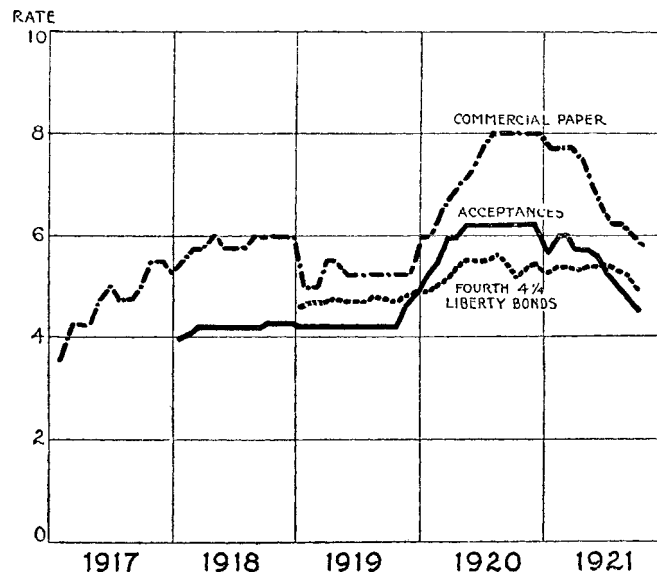
The volume of the country's railroad traffic, especially shipments of manufactured articles, was larger during September and in early October than in any previous period this year.

Prices of the different groups of commodities at wholesale, composing the Department of Labor index, continued to seek a common level. The increases and decreases of different groups exactly offset one another, so that the index as a whole shows no change and is at about the level which has been maintained, with little fluctuation, since last May.

These changes in the aspect of several of the more important branches of business activity are reflected in existing credit conditions. Interest rates have returned to about the same levels as in many months of 1918 and 1919; acceptances are offered at $4\frac{1}{2}$ per cent. as against $4\frac{3}{4}$ a month ago; commercial paper has tended toward a $5\frac{1}{2}$ per cent. level from 6 per cent., and Treasury certificates are selling in an active market at increasing premiums, and yield approximately 4 to $4\frac{3}{8}$ per cent. as against $4\frac{5}{8}$ per cent. a month ago. This decline was reflected in the rates of the November 1 issues of about \$200,000,000 of

Treasury certificates, which were offered at $4\frac{1}{4}$ per cent. for the April 1, 1922, maturity and $4\frac{1}{2}$ per cent. for the September 15 maturity. These offering rates compare with those of two years ago. The new issues, like all other recent issues of Treasury certificates, were largely oversubscribed in this district.

This decline in interest rates, which has been progressive in recent months, has taken place at a season when the demand for funds to move crops formerly caused rates to rise. Since the establishment of the Federal Reserve system no such seasonal movement of interest rates has manifested itself, and while crop moving demands have been present this year as heretofore, the elasticity of the system together with the funds released through liquidation, has more than taken care thus far of the season's requirements. The course of money rates in recent years is shown on the accompanying diagram.

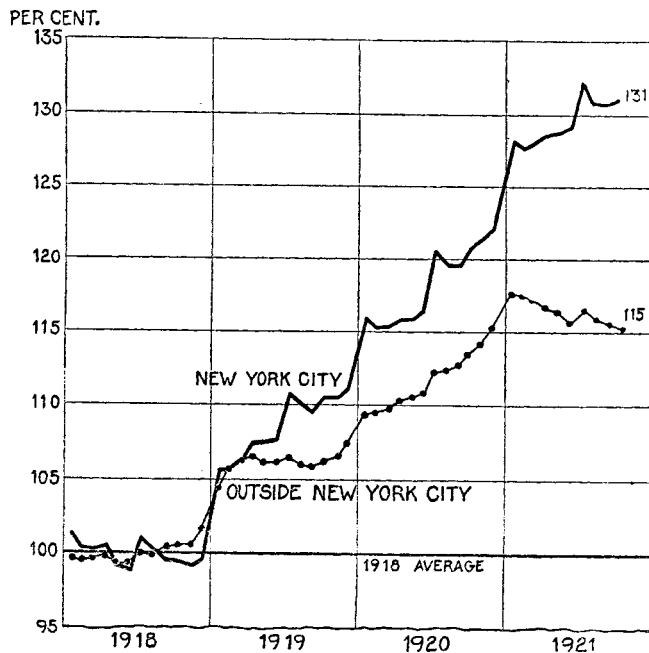


Selling Rates on Prime 4 to 6 Months Commercial Paper, Prime 90-Day Bankers Acceptances, and Yield on Fourth $4\frac{1}{4}$ Liberty Bonds

The rise in the price of raw cotton and the rapid movement of this year's grain crop to market have been factors in liquidating loans, especially in districts which are

primarily or largely agricultural. This liquidation was reflected immediately in the position of the Reserve Banks of those districts, which in the last thirty days have reduced their borrowings from other Reserve Banks by \$28,000,000. Easier conditions in agricultural sections have been reflected also in the loans of large New York City banks which report that borrowings by their out-of-town correspondents have recently been somewhat reduced. Small country banks and banks in the cotton States have been particularly active in reducing indebtedness here. A few of the larger banks in crop moving centers have been borrowing more heavily but this tendency has not been general nor sufficiently large to offset entirely the liquidation of other loans.

It was in October of 1920 that the loans of the Reserve system reached their highest point, and correspondingly the reserve percentage of the system was very near its lowest point. Since then the loans of the Reserve Banks have declined more than half and the reserve percentage has risen from 43 to 70 per cent., the highest point in four years. Similarly, the loans of the New York Reserve Bank have declined to one-quarter of the 1920 maximum, and its reserve percentage has risen from 38 per cent. in October of 1920 to 83 per cent. in October of 1921. While this improved condition, both as regards the reduction of the loan accounts and the rise of the reserve ratios, is in a large measure due to the accessions of gold, it is nevertheless a clear reflection of the improvement now visible in the country's business position.



Deposits of 11 Savings Banks in New York City and 10 Savings Banks in the Second District Outside New York City (Average Deposits in 1918 = 100 Per Cent.)

Savings Bank Deposits

During September the general trend of deposits in representative savings banks in New York City was again upward after two months during which withdrawals exceeded new deposits by moderate amounts. Nine of the eleven reporting banks in New York showed slight gains between September 10 and October 10. In ten cities in the Second Federal Reserve District outside New York the trend was somewhat more irregular; six banks reported moderate declines while four showed small gains. In previous years for which figures are available, the deposits of reporting banks both in New York City and outside showed slight increases in September.

Bill Market

Dealers' bid rates for prime bills were lowered $\frac{1}{4}$ of one per cent. to $4\frac{5}{8}$ per cent. early in October reflecting easier tendencies in money markets, increased investment demand and moderate supply. Dealers' selling rates were lowered in proportion and prime bills from 30 to 120 days maturity sold at $4\frac{1}{2}$ per cent. during the last three weeks of October, as compared with $4\frac{3}{4}$ a month ago.

Purchases by interior banks were somewhat restricted because of the lower rate but sales to these banks and for foreign account continued to constitute a substantial portion of total sales. Large New York banks purchased fair amounts of bills, giving preference in some cases to the shorter maturities.

Bills drawn against export shipments of cotton and grain were, as last month, the most numerous of the new offerings, with cotton bills increasing slightly during October. Bills covering imports of raw sugar, mainly of 30 to 60 day maturity, were next in importance, and because of the early maturity were in good demand. Dealers reported a somewhat larger supply of bills drawn for the purpose of furnishing dollar exchange.

The number of investors in bills continued to expand. Two dealers who maintained records of new names added to their lists of acceptance buyers reported 24 additional purchasers within a period of three weeks.

Commercial Paper

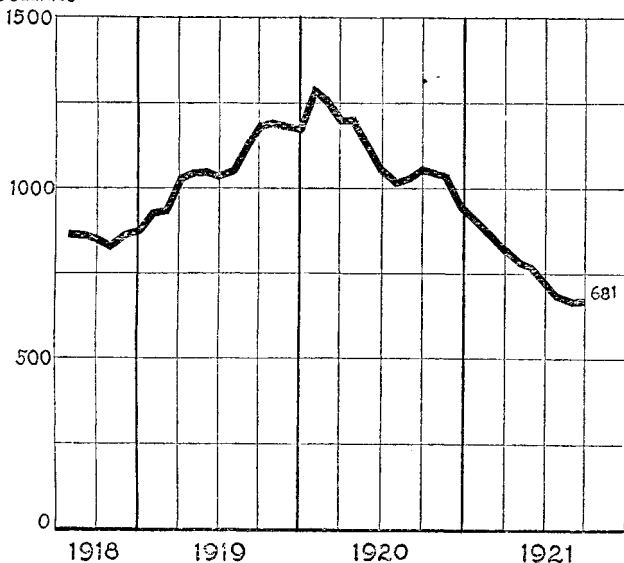
On October 1, for the first time in about a year, the volume of commercial paper outstanding as reported to this bank showed an increase. The changes are shown in the accompanying diagram which is based this month, for the first time, upon the reports of thirty dealers representing a large percentage of all commercial paper business of the country. Monthly figures for the past year are drawn from reports from this number of dealers, but prior to October, 1920, the totals have been estimated from the figures of eleven of the largest dealers, who have been reporting since 1918.

Offerings of commercial paper during September were larger than in recent months, and there was a broadening in the demand. Dealers report that in late September and early October lower rates led to considerable sales of commercial paper in the open market to pay off bank loans. To some extent the larger supply also reflected increased activity in some lines of business. Country banks continued

to be the largest purchasers, but paper moved more freely in the cities than several months ago. A number of the larger New York City banks have recently been in the market occasionally for moderate amounts, and some dealers report fairly active buying in Philadelphia and Boston.

About the middle of October the rate for prime paper, which had shown a tendency to decline towards $5\frac{1}{2}$ per cent., became somewhat firmer and on October 20 dealers were selling a large proportion of their paper at 6 per cent. although some sales of exceptionally high-grade paper were still made at $5\frac{1}{2}$ and $5\frac{3}{4}$ per cent. The higher rates made it difficult for dealers to secure an adequate supply of prime, quick-selling paper for their customers. As a rule rates averaged somewhat higher in the West than in the vicinity of New York City.

MILLIONS OF
DOLLARS



Commercial Paper Outstanding—Thirty Dealers

Stock Market Money Rates

Between September 20 and October 20, call money rates on the New York Stock Exchange fluctuated between 4 and 6 per cent. The latter rate was reached on September 30, and again on several days prior to October 15, in both cases reflecting large movements of funds, either away from this district or from bank to bank within the district. At the close of September, banking houses were making payment for equipment trust certificates purchased from the Director General of Railroads, the proceeds of which were deposited to the account of the Government at the Federal Reserve Bank, remaining there for several days pending disbursement as Treasury needs required. In the week ended October 15, the transfer to the several Federal Land Banks of proceeds of the sale here of Federal Land Bank bonds coincided with holiday withdrawals before Columbus Day, and large withdrawals of Government deposits.

The lowest call money rate of the period occurred following the October 15 redemption of Treasury certificates and the payment of Liberty bond interest, which

more than offset the Government deposits withdrawn from the banks on that day, and the return of funds to the banks through other channels.

Time money rates were chiefly $5\frac{1}{4}$ to $5\frac{3}{4}$ per cent., until the week ended October 21, when there was a decline to a range of $5\frac{1}{4}$ to $5\frac{1}{2}$ per cent. Little activity occurred in the market, as demand for funds was comparatively light.

Stock Market

Around the middle of October, representative averages of railway stocks declined 3 points or more from the levels reached during the advance of September and early October. High and low priced issues shared about equally in the losses. These declines largely preceded the public announcement of the intention of the railway workers to strike. Shortly following this announcement prices rallied about a third.

Representative averages of industrials likewise declined around the middle of October, but later made a complete recovery. Throughout the thirty days, industrial stocks on the whole maintained fairly well their early September gains.

Whereas, the volume of trading increased between August and mid-September, when prices were rising, the tendency since then has been for trading to diminish. For the month of September sales totaled 13,000,000 shares, the largest volume of sales since the price break in May and June, but 15 per cent. less than sales in September last year.

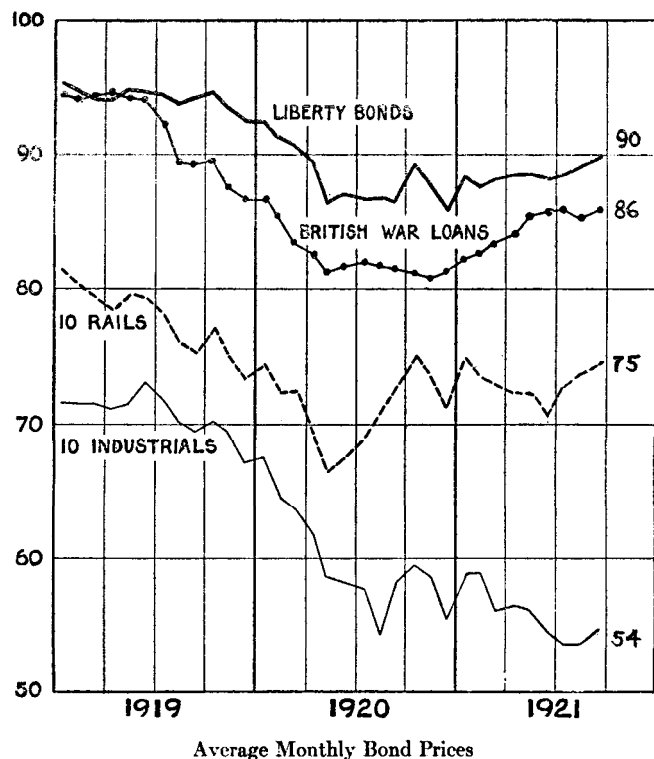
Bond Market

During September representative price averages of corporation bonds advanced approximately 2 points. In the last week of the month, however, there was a halt in the upward movement and in October there were some declines from the highest levels. Heavier offerings of new securities, firmer call money rates around October 15, and possibilities of a railway strike were factors tending to bring about a reaction.

Reactionary movements during October in French and Belgian bonds payable in dollars were apparently in part a reflection of the weakness in German exchange. On October 22, these issues showed losses of 2 to 4 points from the high levels of the year reached in July and early September. Japanese bonds likewise showed sharp declines from the high prices that were reached late in August.

Even allowing for slight unsettlement in recent weeks, prices of most fixed income securities have had a substantial advance since the middle of the year. The accompanying diagram plotted from monthly averages brings into comparison the price movements of high-grade corporation bonds and of British and United States Government issues from the beginning of 1919 to October 1, 1921.

September bond sales, exclusive of United States Government issues, on the New York Stock Exchange totaled \$128,500,000, the largest total for one month since last December. Trading was only slightly less active in October.



United States Securities

Heavy buying of Liberty bonds during the greater part of September and the first week of October carried the longer maturities $2\frac{1}{2}$ to 5 points above the levels prevailing on September 1. All issues, except the $3\frac{1}{2}$ s, reached new high prices for the year. The heaviest purchases were of Victory notes which rose half a point to their highest figure for the year.

In the later weeks of October there was a moderate reaction from the highest levels. The following table shows the net changes in prices between September 1 and October 20.

Issue	Closing Price September 1	Closing Price October 20	Advance
Liberty $3\frac{1}{2}$ s.....	\$87.40	\$91.56	\$4.16
Liberty 1st 4s.....	87.60	92.60	5.00
Liberty 2nd 4s.....	87.72	92.40	4.68
Liberty 1st $4\frac{1}{4}$ s.....	87.90	92.78	4.88
Liberty 2nd $4\frac{1}{4}$ s.....	87.84	92.24	4.40
Liberty 3rd $4\frac{1}{4}$ s.....	91.88	94.54	2.66
Liberty 4th $4\frac{1}{4}$ s.....	87.92	92.42	4.50
Victory $4\frac{3}{4}$ s.....	98.96	99.40	.44
Victory $3\frac{3}{4}$ s.....	98.96	99.38	.42

For the month of September, sales of United States securities on the New York Stock Exchange totaled \$208,000,000, slightly less than the total for June of this year, but nearly three times the August total and 27 per cent. more than in September, 1920.

Outstanding issues of Treasury certificates continued in active demand, and at advancing prices. The yield to purchasers on October 20 was on the average, about $\frac{1}{2}$ of one per cent. less than on September 20. On October 15, \$382,538,000 of Treasury certificates matured. Late in October the Secretary of the Treasury announced two new issues aggregating about \$200,000,000 at rates lower than for any corresponding maturities since 1919. The new issues will be dated November 1 and will bear interest at the rate of $4\frac{1}{4}$ percent. for the April 1, 1922, maturity, and $4\frac{1}{2}$ per cent. for the September 15, 1922, maturity.

New Financing

The volume of new security offerings continued to increase through September, and in the last week of the month and the first week of October the totals were among the largest for any weeks of the year. The principal issues were railway equipment trust certificates purchased from the Railroad Administration, foreign government bonds, Federal Land Bank bonds, and State and municipal securities. Industrial offerings continued relatively few. Dealers reported a good demand, which readily absorbed most of the new issues.

Demand was particularly strong for tax-exempt issues, and of \$60,000,000 ten to twenty-year 5 per cent. Federal Land Bank bonds, offered at par early in October, approximately \$40,000,000 was distributed by October 20. Offerings of State and municipal bonds were made on recent days at 5 per cent. as compared with a $5\frac{1}{4}$ per cent. rate for similar issues a month previous. Banks, trust and insurance companies, and other institutions were active buyers of these issues, but savings banks practically withdrew from the market.

Foreign government offerings of bonds payable in dollars totaled \$83,500,000. Of these, the largest issue was \$50,000,000 Argentine Government two-year 7 per cent. notes, offered at a price to yield 7.20 per cent. In October, \$12,000,000 twenty-year 7 per cent. bonds of the State of Queensland, Australia, were sold here on a 7.10 per cent. basis, the first appearance of Australia as a borrower in this market. Other offerings were \$12,000,000 City of Rio de Janeiro, Brazil, bonds, yielding 8.20 per cent. interest, and \$9,500,000 Chilean Government bonds, yielding 8.40 per cent. interest.

Corporation securities offered during September totaled over \$200,000,000, the largest sum for one month since April, and considerably larger than the September total last year.

Gold Movement

Gold imports in September amounted to \$66,515,000, \$19,000,000 less than in August but slightly larger than in July. Exports were \$2,449,000. During the first ten days of October imports amounted to \$16,475,000 and exports to \$897,000. Receipts from France were nearly \$6,000,000, from Sweden slightly over \$4,000,000 and from British India \$2,000,000. Total receipts for the third quarter were larger than those of either of the first two quarters. Sources of imports by quarters are given in the following table.

(000 omitted)

Country	First Quarter	Second Quarter	Third Quarter	Total Jan. 1-Sept. 30
England.....	\$51,163	\$51,087	\$57,813	\$160,063
France.....	45,235	28,103	80,926	154,264
Sweden.....	4,679	37,941	12,324	54,944
Canada.....	20,553	4,535	5,931	31,019
China and Hong Kong.....	12,508	6,804	3,648	22,960
British India.....	8,081	9,065	10,141	27,287
Netherlands.....	1,557	14,159	2,785	18,501
Germany.....	3	4	16,342	16,349
South America.....	6,069	6,175	5,831	18,075
All Other.....	13,687	24,534	20,715	58,936
Total Imports.....	\$163,535	\$182,407	\$216,456	\$562,398
Total Exports.....	4,471	2,219	6,856	13,545
Excess Imports.....	\$159,064	\$180,188	\$209,600	\$548,853

Foreign Trade

The value of September exports from the United States was \$325,000,000, about \$47,000,000 less than in August, and only slightly above the total for July, which was the lowest of the year. The value of imports decreased \$15,000,000 to \$180,000,000, likewise the smallest total for any month this year with the exception of July.

Despite the decrease in total value of exports in September, the tonnage volume of a number of important staple exports showed an increase. Cotton shipments increased about 6 per cent. to 522,839 bales, and were more than twice as large as in the corresponding month of 1919 or 1920. The movement continued to increase during the early weeks of October. In the foodstuffs groups, barley, corn, rye, pickled beef, and lard showed increases in September.

Wheat exports decreased 28,000,000 bushels below the record shipments of August, but were nevertheless slightly above the shipments in September, 1920. Exporters report that the large foreign demand that existed up to the early weeks of September has largely disappeared, and that aside from a little buying by Greece and Italy the market during recent weeks has not been active.

Demand for manufactured goods continues light, but in nearly all markets there is more buying than in the duller periods of the year. There has begun to be a scattering of new business from South America, and reports from there indicate that much progress has been made in liquidating surplus stocks. In most lines, this enlargement of buying has been of only moderate proportions, but the scattered, small-lot buying of cotton goods has amounted to a fairly substantial volume of goods in the aggregate. Some exporters here have been more willing lately to extend credit than was the case a month or so ago, though others have made little change in their credit policies. In Australia, buying has increased at a somewhat more active pace than in South America.

Aside from Japanese buying of railway materials, black sheets, and tin plate, there was little activity of note in the foreign steel market. Argentina placed large orders here for locomotives and other railway rolling stock and

equipment, and the Chilean Government awarded to American manufacturers a large contract for a railway electrification project. In both cases, the contracts were secured in competition with European bidders.

Foreign Exchange

During October a renewed unsettlement of German exchange carried the reichsmark to a new low point. Reichsmarks reached .52 of a cent on October 17, after a decline of 44 per cent. in less than four weeks, and of 67 per cent. since the German Government accepted the Allied terms for reparations payments in May. Heavy selling of marks during October was reported to be in part for the account of the German Government to secure funds for the reparations payment due October 15 and in part for the account of German subjects who wished to place their funds in foreign currencies.

The decline in marks coincided with an advance of 24 cents in sterling. Large transfers of funds to London, smaller offerings of commercial bills in this market than are normal at this season, a demand from speculators who desired to cover commitments on the short side of the market, and purchases of sterling by the German Government and by private German interests were among the principal factors in the advance.

Exchange transactions on other European countries were reported to be in comparatively small volume and the movement of rates was governed largely by changes in the rates on London and Berlin. South American exchanges held steady, retaining the gains which followed the successful flotation here of loans to Argentina and to the City of Rio de Janeiro, Brazil. The Far Eastern exchanges, Hong Kong, Shanghai, and Calcutta, advanced simultaneously with a gain of eight cents per ounce in the New York price for foreign silver. The value of the Canadian dollar at New York rose 1.6 cents to within a fraction of 92 cents, the highest rate since October, 1920. Canadian exchange normally rises at the time of the crop movement.

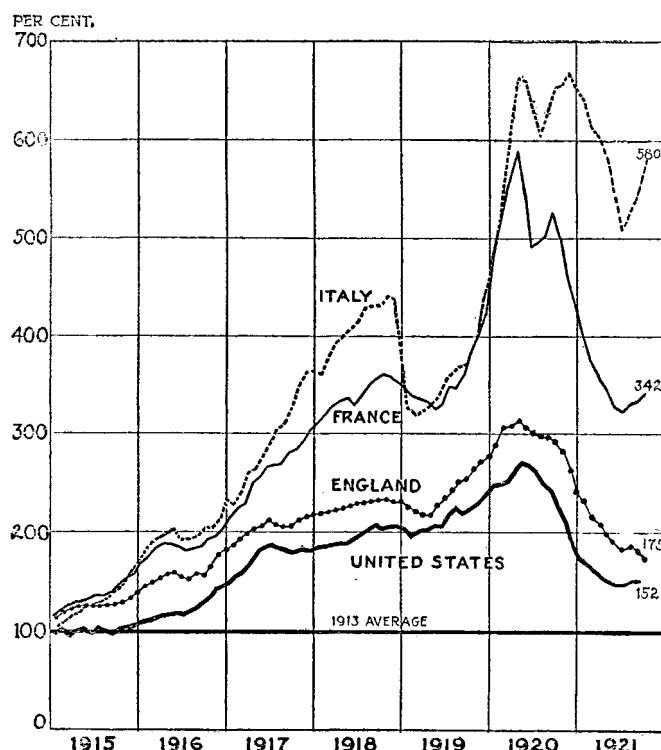
The following table shows the changes that have occurred in the principal exchanges during the past month.

Country	Oct. 20 Last	Change from Sept. 20	Per Cent. Depreciation from Par
England.....	3.9475	+ .2350	18.9
France.....	.0733	+ .0031	62.0
Italy.....	.0396	- .0022	79.5
Germany.....	.0067	- .0026	97.2
Belgium.....	.0722	+ .0020	62.6
Holland.....	.3392	+ .0246	15.6
Switzerland.....	.1811	+ .0091	6.2
Spain.....	.1319	+ .0019	31.7
Sweden (Stockholm).....	.2305	+ .0143	11.8
Argentina.....	.3184	+ .0191	25.0
Brazil.....	.1242	- .0006	61.7
Japan (Yokohama).....	.4775	- .0038	4.2
China (Hong Kong).....	.5638	+ .0400	*
China (Shanghai).....	.7938	+ .0625	*
India.....	.2719	+ .0094	16.2
Canada.....	.9138	+ .0169	8.6
Bar Silver in N. Y.....	.7150	+ .0587	.....

*Silver Exchange Basis.

World Prices at Wholesale

The movement of wholesale prices in the countries for which figures are available was uneven during September. Prices in a number of countries were sharply higher and



Wholesale Commodity Prices in Four Countries (Average Prices in 1913 = 100 Per Cent.)

in a number of others were markedly lower. The most noteworthy advances were in the cases of Germany and Italy. In both of these countries the movements of prices and of exchange rates corresponded closely. As prices have gone up, exchange rates of those countries have gone down and vice versa. In the case of Germany, rising prices have accompanied a continued increase in the note circulation of the Reichsbank. In Sweden and Denmark, prices have been declining at a rapid rate for two months and the value of their currencies in exchange has been rising.

The effect of the rise in raw cotton prices in this country was reflected practically universally in increases in the prices of textiles and clothing. Advances in these groups were partially offset in many countries by considerable declines in the prices of foods.

Domestic Commodity Prices

The September index number for the general level of wholesale prices of raw materials, partly finished articles and finished articles, compiled by the United States Department of Labor, was identical with that for August. The index for each of those two months stood at 152, taking average figures for the year 1913 as 100. Since May there has been no large movement of this general average in either direction. During these months, however, there has been a continuous adjustment between the levels of the different groups making up the index number and this adjustment has been in the direction of a common level. Since last April the range between the highest and the lowest groups has been reduced from 159 to 103 points. The most notable changes during the past month in the separate groups of commodities were increases in the prices of farm products and cloths and

Indices of Wholesale Prices

Base of 1913 = 100, unless otherwise noted

Country	Latest Quotation	Per Cent. Change During			Per Cent. Decline from High	Date of High
		July	August	September		
United States:						
12 basic commodities*	107 (Oct. 22)	- 0.3	+ 1.3	- 0.2	56	May 17, 1920
Department of Labor	152 (Sept. Av.)	0.0	+ 2.7	0.0	44	May 1920
Dun's	134 (Oct. 1)	+ 2.4	- 0.7	- 0.4	39	May 1, 1920
Bradstreet's	121 (Oct. 1)	+ 3.0	+ 0.3	+ 0.9	46	Feb. 1, 1920
Great Britain:						
Economist	183 (Oct. 1)	- 0.2	+ 0.4	+ 2.2	41	April 1, 1920
Statist	175 (Oct. 1)	+ 1.5	- 1.7	- 3.9	44	May 1, 1920
20 basic commodities*	144 (Oct. 22)	- 1.3	- 2.4	+ 2.6	58	May 21, 1920
France	342 (Oct. 1)	+ 1.6	+ 0.4**	+ 3.1	42	May 1, 1920
Italy	580 (Oct. 1)	+ 2.2	+ 4.2	+ 7.1	13	Dec. 1, 1920
Japan	207††(Sept. Av.)	+ 2.3	+ 1.4	+ 4.0††	36††	Mar. 1920
Canada	172 (Sept. 15)	- 1.6	- 0.9	- 1.6	35	May 15, 1920
Sweden†	182 (Sept. 15)	- 3.2	- 6.2	- 8.1	51	Dec. 15, 1918
Australia‡	160 (Aug. Av.)	- 1.9	+ 0.7		32	Aug. 1920
Calcutta§	184 (Sept. 1)	+ 2.8	+ 0.5		16	Feb. 1, 1920
Norway	279 (Oct. 1)	+ 6.8	- 2.8	- 1.8	35	Oct. 1, 1920
Germany||	2022 (Oct. 1)	+17.4	+ 3.1	+10.9	0	Oct. 1, 1921
Denmark¶	202 (Oct. 1)	+ 0.4**	-11.8	- 9.8	50	Nov. 1, 1920

*Computed by this bank. †July 1, 1913 to June 30, 1914 = 100. ‡July, 1914 = 100. §End of July, 1914 = 100. ||Middle of 1914 = 100.
 ¶July, 1912 to June, 1914 = 100.
 ††Preliminary. **Revised.

clothing as a result of higher prices for cotton, a decrease in the food group, and continued decreases in the house furnishings and building materials groups, which have for some months been at higher levels than any of the other groups. The latest quotations for the different groups are shown in the following table.

(1913 average = 100)

Commodity Group	1920 Maximum Level	1921 Aug. Level	1921 Sept. Level	PER CENT. CHANGE	
				Maximum to September	August to September
Farm Products....	246	118	122	-50.4	+3.4
Metals.....	195	120	120	-38.5	0.0
Food, etc.....	287	152	146	-49.1	-3.9
Chemicals, etc.....	222	161	162	-27.0	+0.6
Cloths and Clothing	356	179	187	-47.5	+4.5
Fuel and Lighting..	284	182	178	-37.3	-2.2
Building Materials.	341	198	193	-43.4	-2.5
House Furnishings.	371	230	223	-39.9	-3.0
Miscellaneous.....	247	147	146	-40.9	-0.7
All Groups.....	272	152	152	-44.1	0.0

The Cost of Living

The cost of living for a wage earner's family in the United States declined about 1 per cent. in September according to the National Industrial Conference Board. Of the items which make up the index, food declined in price 1.3 per cent. and sundries 1.6 per cent.; clothing advanced 1.9 per cent. and all other items remained unchanged. Living costs are now 63.7 per cent. higher than in July, 1914.

A special survey by the United States Bureau of Labor Statistics in 32 large cities reports the cost of living in September as 72.1 per cent. higher than in December, 1914. The figure for New York City is 80 per cent. above the 1914 level. The sixteen points difference between the Department of Labor figures for New York City and the Conference Board figures for the country as a whole, is due principally to higher quotations for clothing and for sundries in New York City as indicated in the following table.

(December, 1914 = 100)

	Food	Clothing	Shelter	Fuel and Light	Furniture and House Furnishings	Sundries	Total	Per Cent. Change from May, 1921
United States*..	153	160	169	179	...	180	163.7	-1.2
United States, 32 Cities.....	146	190	160	179	216	202	172.1	-1.7
New York City..	150	232	144	192	237	218	179.7	-1.1
Buffalo.....	150	202	162	180	231	206	178.4	-1.1

*National Industrial Conference Board July, 1914 = 100.

In the United Kingdom, the cost of living declined 4.5 per cent. during September due to a general reduction in food prices. Living costs are now 110 per cent. above the July, 1914, level. Food prices in Paris increased about 4 per cent. during September. They are still about 230 per cent. above pre-war prices.

Production of Basic Commodities

Available figures indicate that the production of basic commodities in the United States during September was in about the same relation to normal production as in August. Of the following production indices, which are computed as percentages of normal production, making allowances for both seasonal variation and year to year growth, five show increases, six decreases, and two are stationary. Somewhat greater activity in the steel industry was reflected by slight increases in pig iron and steel ingot production. The trend of cotton consumption continues upward; the figure for September compares favorably for the first time with that for the corresponding month in 1920.

The following table gives the available figures for monthly production as percentages of normal production. Normal production has been computed on the assumption of a rate of growth from year to year in direct continuation of the growth during past years and on the assumption of seasonal variations corresponding with those which have taken place in previous years.

(Normal production = 100)

Commodity	Av. Jan.-March	May	June	July	Aug.	Sept.
Anthracite coal mined....	103	90	93	94	92	93
Bituminous coal mined...	64	69	67	61	63	63
Pig iron production.....	58	34	31	26	28	29
Steel ingot production....	58	38	31	26	36	37
Zinc production.....	52	47	50	40	38	37
Lead production.....	66	63	64	63	71	..
Tin deliveries.....	31	24	31	30	64	50
Copper production.....	67	19	15	13	16	16
Gasoline production.....	103	92	89	84	85	..
Petroleum production....	100	111	107	106	108	97*
Cement production.....	79	83	84	89	89	91
Cotton consumption.....	62	67	71	64	75	79
Wool consumption.....	70	104	109	97	107†	..
Wheat flour milled.....	89	105	103	148	126†	119
Sugar meltings.....	85	81†	81	84	106	76
Meat slaughtered.....	90	96	101	88	113	103

*Preliminary.
†Revised.

Commodity Stocks on Hand

Figures showing commodity stocks on hand reported for October 1 are in general somewhat nearer to normal than those reported last month. The change is due in the main to the fact that the movement of crops to market is not quite as much ahead of normal schedule as it was a month ago, although the amounts in storage are still far larger than usual for this time of year. Grain in

Minneapolis storage is now reported as utilizing 46 per cent. of maximum capacity, as compared with 13 per cent. a year ago.

Sugar, flour, and tin stocks are slightly higher, while stocks of coffee, and cement are somewhat reduced.

The following table gives the available figures for monthly stocks as percentages of normal stocks. Normal has been computed on the assumption of a rate of growth from year to year directly continuing the growth during preceding years and seasonal variations corresponding with those of previous years.

(Normal stocks = 100)

Commodity	Av.	June 1	July 1	Aug. 1	Sept. 1	Oct. 1
	Jan. 1- Mar. 1					
Sugar.....	68	76	64	45	52	61
Cotton.....	104	134	145	157	164	...
Coffee.....	95	113	97	95	93	72
Tobacco.....	113	...	115	...	...	...
Wheat.....	60	37	39	145	140	126
Oats.....	251	324	437	766	727	520
Corn.....	93	224	284	208	222	161
Barley.....	90	151	220	310	353	146
Rye.....	143	142	99	248	599	452
Flour (in chief centers).....	116	86	75	79	106	123
Poultry, frozen.....	90	105	92	78	75	88
Meats, frozen and cured.....	88	96	100	94	87	74
Dairy products and eggs.....	95	127	111	101	100	102
Paper, total.....	120	143	142	137	134	...
Paper pulp, total.....	113	164	158	144*	126	...
Tin (world visible supply).....	116	123	131	139	133	137
Cement, Portland.....	91	102	97	98	89	88
Lead, bonded.....	423	188	185	181	207	...

*Revised.

Wages

On October 15 a general rail strike was called for October 30 by the officers of the five largest organizations of railway employes, following the completion of a referendum vote by which their members refused to accept the 12 per cent. wage reduction put into effect by the Railroad Labor Board on July 1. The organizations which voted to strike number about 400,000 of the 1,900,000 organized rail employes and include trainmen, engineers, conductors, switchmen, and telegraphers. Late in October organizations with about 1,500,000 members decided against an immediate strike. Representatives of the five striking groups were summoned, together with railway executives, by the Railroad Labor Board to a hearing in Chicago on October 26 to consider means of reaching a compromise and averting a strike. On October 27 an order rescinding the strike was sent out by union leaders on the insistence of the Railroad Labor Board and following the assurance by the Board that the consideration of any further wage reductions would be postponed.

Average weekly earnings of factory workers in New York State showed a decline of 1.4 per cent. during September, from \$25.43 to \$25.07, and are now 13.3 per cent. below earnings of October, 1920, when the highest level was reached. Earnings in 13 selected industries through-

out the United States reported by the United States Department of Labor declined 2.7 per cent. during September and are now 20.5 per cent. below the highest point reached in 1920.

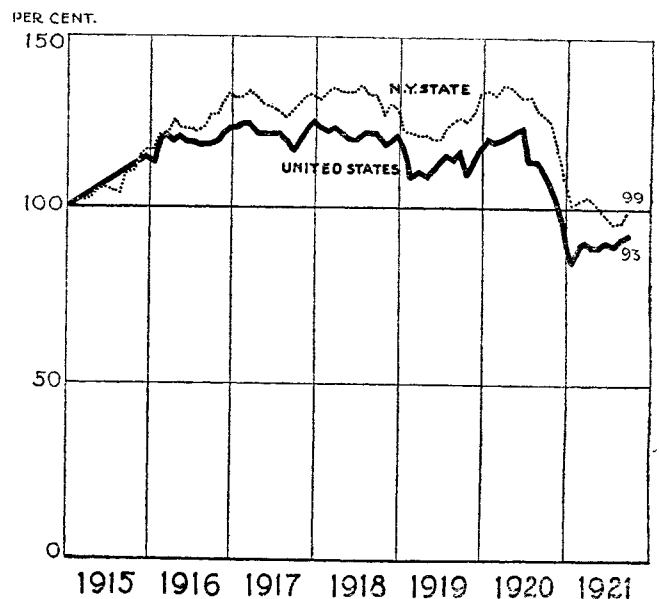
During the month large oil companies with refineries in northern New Jersey announced plans for a wage reduction of about 15 per cent., at the same time assuring their employes that such reductions would permit a resumption of full time operations.

Employment

There was an increase of nearly 4 per cent. between August 15 and September 15 in the number of factory workers employed in this State according to the reports of the New York State Department of Labor. Preliminary reports indicate further increases in October. With the exception of minor seasonal gains in February and March of this year, these increases are the first to be recorded since the beginning of the decline in March, 1920. The number of factory workers is now about 25 per cent. less than in March, 1920.

The principal changes during the past month occurred in textile and clothing factories. Shirt and collar plants in several cities have increased their working forces materially and seasonal increases have taken place in other branches of the clothing industry.

Partial revival in the steel industry has caused the employment of some additional men. Steel plants in the Buffalo district report an increase of 15 per cent., and certain automobile plants and railroads have also taken on additional men. In machinery and miscellaneous metal manufacturing there has been little change in the number employed, but the decrease which has continued for more than a year appears to have been checked.



Number of Persons Employed in Industrial Establishments in New York State and in the United States (Figures for December, 1914 = 100 Per Cent.)

The continued warm weather has made it possible to continue outdoor construction, road work and miscellaneous outdoor occupations later this year than usual. An exceptionally large amount of building, particularly in and about New York City, has reduced unemployment in the building trades to a minimum.

The United States Department of Labor reported an increase of 1.2 per cent. in the number of persons employed on October 1 in selected industries in 65 principal cities, of which 38 showed increases, 26 decreases and one, no change. The greatest gains occurred in Southern and Western centers and were attributed largely to agricultural activities and an improvement in general business resulting from the advance in the price of cotton.

The accompanying diagram shows the trend of employment in 13 selected industries throughout the United States and in New York State factories from 1915 to the present time, taking as 100 per cent. the number employed in December, 1914. There are now 7 per cent. fewer persons employed in 13 principal industries than in December, 1914, when the most recent period of industrial inactivity was at its height. In this comparison no allowances have been made for the normal growth during the intervening years.

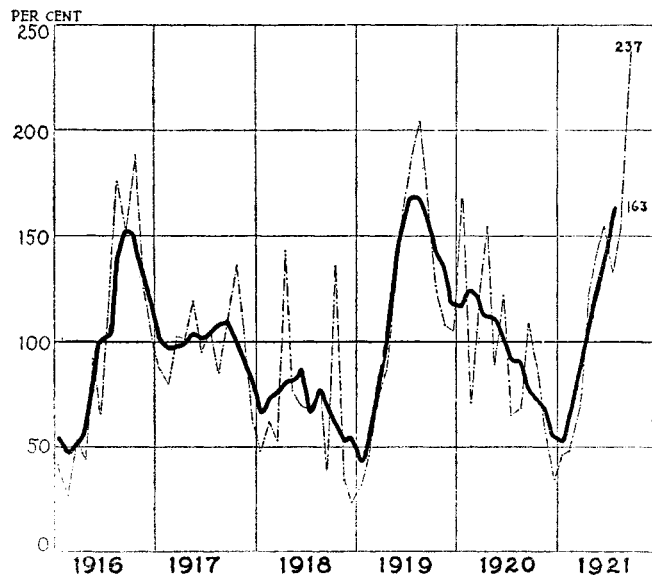
The changes which have occurred in individual industries in the United States between December, 1914, and September, 1921, and the decline from the maximum number employed have been as follows:

Industry	Per Cent. Change Between Dec., 1914 and Sept., 1921	Per Cent. Change from Maximum to Sept., 1921
Cotton manufacturing.....	+11	- 1
Cotton finishing.....	+ 6	- 5
Woolen manufacturing.....	+ 5	-19
Boots and shoes.....	+ 3	-18
Iron and steel.....	- 5	-49
Hosiery and underwear.....	- 7	-21
Paper manufacturing.....	- 8	-33
Men's ready made clothing.....	-12	-20
Automotive manufacturing.....	-12	-46
Silk manufacturing.....	-16	-22
Leather manufacturing.....	-20	-35
Car building and repairing.....	-20	-54
Cigar manufacturing.....	-24	-28
Total (weighted).....	- 7	-26

Volume of Building

Building contract awards in New York State and northern New Jersey as reported by the F. W. Dodge Company for September were 41 per cent. larger than in August and exceeded in dollar value and probably in volume also the awards of any previous month on record. For the twenty-seven northeastern States the September awards were 12 per cent. larger than in August, and despite seasonal declines in some of the New England and Middle Atlantic States were the highest of any month in 1921 and exceeded in value those of any previous September. A large percentage of the building continues to be residential.

The accompanying diagram shows the volume of building in this district each month since January, 1916, irrespective of price changes. It is based upon the dollar figures for contract awards compiled by the F. W. Dodge Company, with allowances made for changes in the cost of construction. The light line shows actual volume each month; the heavy line is a moving average showing the general trend. The diagram shows the rapid and nearly continuous increase in the volume of building which has taken place since the low point was reached last December.



Volume of Building in New York and Northern New Jersey. Light Line Shows Figures for Each Month. Heavy Line is Average Showing General Trend (Average Figures for 1913 = 100 Per Cent.)

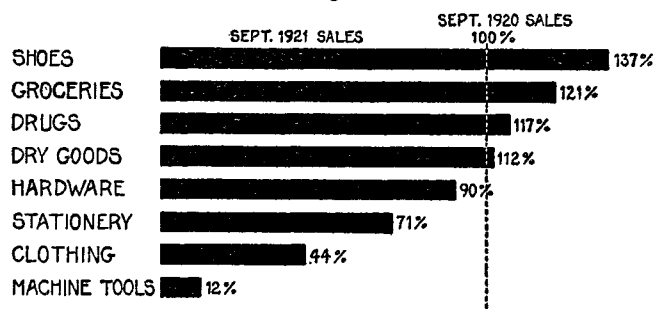
Railway Traffic

Freight car loadings continued their seasonal increase during September but were in slightly smaller volume during the early part of October. The movement of grain and grain products has slowed down somewhat although loadings of coal and lumber have continued in increasing volume. In the first week in October for the first time in 1921, the loadings of merchandise and miscellaneous freight, the group which includes manufactured goods, were heavier than in the corresponding week of 1920. The volume of traffic as a whole is now about 10 per cent. smaller in volume than in the corresponding weeks of 1920.

Wholesale Trade

September sales by representative wholesale firms in this district, measured in dollars, were, with the exception of drugs, from 4 to 91 per cent. below those of September, 1920. Measured in physical volume, however, September sales in those lines in which purchases cannot long be postponed by the consumers, were greater than in September of last year.

The accompanying diagram shows the approximate physical volume of merchandise sold by wholesale firms in this district during September, 1921, as compared with that sold in September, 1920. This estimate of physical volume has been computed from reports of the dollar value of sales by making allowance for the probable price changes since last year. The bars show the percentages of September, 1921, sales to September, 1920, sales which are taken as 100 per cent.



Volume of Sales of Wholesale Houses in the Second District in September, 1921, Compared with Sales in September, 1920. Allowance is Made for Price Changes

As compared with sales in August, September figures show little change except in three lines. There has been a distinct increase in wholesale hardware sales, the September total exceeding that of August by about 8 per cent. September clothing sales were 25 per cent. less than those of August, a seasonal difference, as August is one of the most active months of the year in the wholesale clothing trade. There was a still further decrease in machine tool sales.

The estimated decline in prices between September, 1920, and September, 1921, and the percentage changes in sales between different months are shown in the table at the top of the next column.

Commodity	Per Cent. Change in Price Sept., 1920 to Sept., 1921	Per Cent. Change in Sales* Sept., 1920 to Sept., 1921	Per Cent. Change in Sales* Sept., 1919 to Sept., 1921	Per Cent. Change in Sales* Aug., 1921 to Sept., 1921
Drugs.....	15	+ 0.8	- 8.0	+ 0.6
Shoes.....	30	- 4.1	-63.5	- 7.5
Dry goods....	30	-21.6	-23.5	- 0.7
Groceries....	35	-21.6	-36.8	- 5.9
Stationery....	15	-34.6	-25.7	- 4.0
Hardware....	30	-37.4	-23.6	+ 8.7
Clothing....	30	-65.1	-63.6	-25.4
Machine tools.	20	-90.8	-90.0	-38.4

* Dollar value.

Retail Trade

Sales by department stores in this district during September were 8 per cent. below sales in September, 1920, whereas in August the decrease from the previous year was 5 per cent.

The larger decrease in the dollar value of sales during September was due in a measure to the somewhat lower prices of new fall goods. The decline of retail sales in September may also have been affected somewhat by the cumulative influence of unemployment and reduced earnings. It appears still to be true, however, that the actual volume of department store transactions is as large as last year, when allowance is made for price changes. The number of individual sales in September was reported to be 8 per cent. larger than in September, 1920, a smaller year-to-year increase than that shown in August. The average individual sale in September was \$3.15, compared with \$3.57 in September, 1920, a decrease of 12 per cent.

As compared with August, September sales show an increase of 25 per cent. This is a normal gain, reflecting heavy sales of fall and winter clothing during September. The corresponding seasonal increase was about 29 per cent. last year and 35 per cent. in 1919.

Business of Department Stores

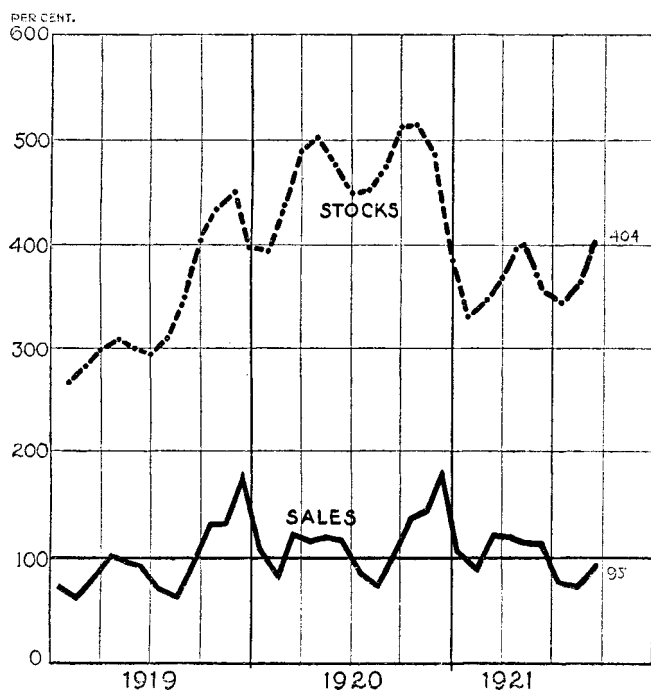
	New York and Brooklyn	Buffalo	Newark	Rochester	Syracuse	Elsewhere in Second District	Apparel Stores	Entire Second District
Per cent. change in net sales in September, 1921, compared with net sales in September, 1920....	-12.0	- 3.9	+ 1.8	+ 7.7	-13.4	- 7.3	- 2.6	- 8.2
Per cent. change in number of transactions in September, 1921, compared with number of transactions in September, 1920.....	+ 7.5	+11.0	+ 9.3	....	....	+ 8.7	+ 6.4	+ 8.3
Per cent. change in net sales from July 1, 1921 to September 30, 1921, as compared with same period in 1920.....	- 9.7	- 5.2	- 5.9	- 0.2	-13.6	-12.0	- 3.6	- 8.4
Per cent. change in stocks (retail price) at close of September, 1921, compared with stocks at close of August, 1921.....	+13.1	+16.2	+ 0.7	+10.5	+ 6.1	+11.9	+19.4	+11.9
Per cent. change in stocks (retail price) at close of September, 1921, compared with stocks at close of September, 1920.....	-18.6	-17.8	-24.2	-19.7	-19.0	- 7.7	-12.2	-18.0
Percentage of stocks (retail price) at close of July, August and September, 1921, to net sales during same months.....	444.8	456.6	428.6	431.6	488.5	579.0	308.1	442.5
Percentage of outstanding orders (cost) at close of September, 1921, to total purchases during calendar year 1920.....	6.5	9.0	4.8	8.5	....	6.6	11.9	7.1

The following table compares the changes in net sales of the leading department stores in the Second Federal Reserve District with those of mail order houses and chain store systems doing a nation-wide business. Dollar sales of chain store systems are not much below the 1920 volume, those of department stores are further below, and those of mail order houses show the largest relative decline, although in recent months mail order sales have been increasing rapidly.

	NET SALES IN SEPTEMBER, 1921 COMPARED WITH		
	August 1921	September 1920	September 1919
Department stores	+25.3	- 8.2	- 1.2
Mail order houses	+29.6	-17.6	-29.1
Chain stores (total)	- 0.7	- 6.4	+21.0
Ten cent stores	- 2.2	+ 1.6	+22.6
Drug stores	+ 1.7	- 0.9	+15.7
Dry goods stores	+22.0	- 5.0	+47.1
Cigar stores	+ 0.3	- 6.2	+33.4
Grocery stores	- 5.0	-14.5	+10.6

Stocks of department stores, at the selling price, increased 12 per cent. between September 1 and October 1, a normal increase due to the receipt of shipments of fall and winter stocks. Stocks now held by department stores are about normal; they have declined 20 per cent. in value since last October, mainly due to the decline in price. The ratio of stocks to sales is somewhat smaller this year than last, indicating a more rapid turnover of merchandise. Merchants continue to place forward orders with caution.

The following diagram shows the fluctuations in sales and stocks during 1919, 1920, and thus far in 1921.



Sales and Selling Value of Stocks on Hand of 59 Department Stores
(Average Sales for 1919 = 100 Per Cent.)

Business Failures

Commercial failures in the United States in September were about 6 per cent. fewer in number than in August and liabilities were about 11 per cent. smaller. September failures are normally about 2 per cent. fewer than in August.

In the Second Federal Reserve District there were about 40 per cent. more firms failing than in August due to an increase of failures among small concerns. Aggregate liabilities of September failures, however, were only 8 per cent. in excess of those of August.

Ordinarily, more failures occur in October than in September, but the totals reported in the United States for the first three weeks of October indicate that the increase this year has been slightly below normal.

Crops

Department of Agriculture estimates of crop conditions on October 1 showed slight increases as compared with September 1 figures for this district, but for the country as a whole the figures showed a somewhat smaller probable yield. The predicted yield of corn for this district is especially high, 16 per cent. above 1920 figures. The following table shows the percentage differences between the estimated yield of principal crops this year and last year, both for this district and for the United States.

	Second District	Entire Country
Wheat	-16%	- 6%
Corn	+16	- 2
Oats	-35	-29
Cotton .....	..	-51
Hay	-23	-13

In order to make a comparison over a term of years of the aggregate yield of important crops, the following table has been computed giving the value of ten leading crops of the United States at uniform prices over the entire period. For each year the amount of each of the ten crops has been multiplied by the average price per unit for the years 1909 to 1918. The figures, therefore, give a basis for comparison independent of price changes.

On this basis, crops this year are about 15 per cent. smaller than last year and smaller than any year since 1916.

Year	Value
1910	\$5,873,297,000
1911	5,491,287,000
1912	6,548,624,000
1913	5,750,454,000
1914	6,397,327,000
1915	6,831,430,000
1916	5,907,114,000
1917	6,507,045,000
1918	6,417,861,000
1919	6,626,114,000
1920	7,283,679,000
1921	6,118,152,000

The Lending Powers of the Reserve Banks

THE powers of the Federal Reserve Banks to lend, and the limitations with which the Federal Reserve Act surrounds them, are described in the following extracts from an address of W. P. G. Harding, Governor of the Federal Reserve Board, delivered at Charlotte, N. C., on September 22. The subject of the address was "The Federal Reserve System—What It Is and What It Is Not."

The law does not permit the Federal Reserve Banks to compete for business with each other or with the National banks, State banks, and trust companies of the country. . . . They are not allowed to make loans or advances direct to the public, but can lend only to the United States, to their member banks and, subject to certain conditions, for periods not exceeding six months, in anticipation of the collection of taxes or the receipt of assured revenues, to States, counties, municipalities, and other political subdivisions in the United States.

In lending to their member banks Federal Reserve Banks are not permitted by law to use the same discretion that is allowed National banks, State banks, and trust companies, but they must observe the limitations prescribed by law as to the character and maturity of the notes offered them by member banks for discount. Except as to notes, drafts, and bills, drawn or issued for agricultural purposes or based on live stock, which a Federal Reserve Bank may discount for a member bank if the maturity does not exceed six months, a Federal Reserve Bank can not discount any paper which has longer than three months to run, exclusive of days of grace.

The law puts a limitation also upon the character of a note which a Federal Reserve Bank may discount for a member bank. A Federal Reserve Bank may make advances to its member banks on their promissory notes, for a period not exceeding fifteen days, provided such promissory notes are secured by the deposit or pledge of bonds or notes of the United States, or by notes, drafts and bills of exchange or bankers acceptances which are themselves eligible for rediscount or purchase by a Federal Reserve Bank. To be technically eligible for rediscount a note must be endorsed by a member bank, its maturity must be within the time limit prescribed by law and it must have been issued or drawn for agricultural, industrial or commercial purposes, and it must also be shown that the proceeds of the note have been used or are to be used for such purposes.

Federal Reserve Banks are forbidden by law from discounting notes, drafts or bills, covering merely investments, or issued or drawn for the purpose of carrying or trading in stocks, bonds or other investment securities, except bonds and notes of the Government of the United States. . . .

While Congress has placed upon the Federal Reserve Board the responsibility of defining eligible paper, within the meaning of the Federal Reserve Act, it has entrusted the management of the Federal Reserve Banks, under the general supervision of the Federal Reserve Board, to their own directors. Each Federal Reserve Bank has power to appoint, by its board of directors, such officers and employes as are not otherwise provided for in the Federal Reserve Act and to define their duties, to prescribe by-laws, not inconsistent with the law, regulating the manner

in which its general business may be conducted, and to exercise, by its board of directors, or duly authorized officers or agents, all powers specifically granted by law and such incidental powers as may be necessary to carry on the business of banking within the limitations prescribed by law. . . .

The Federal Reserve Board does not appear to be authorized by law to pass upon the paper which is offered for discount to Federal Reserve Banks. This is a function which must be exercised by the directors of the Federal Reserve Bank or by their duly authorized officers or agents. While the law does not prescribe any fixed limit as to the amount of loans that a Federal Reserve Bank may make to a member bank, it does require that due regard must be given to the claims and demands of other member banks, that is, to their possible needs for credit accommodation. It also provides that a Federal Reserve Bank must extend to each member bank such discounts and accommodations as may be "safely and reasonably made." This means that the directors of a Federal Reserve Bank and the officers appointed by them must exercise their best judgment in granting discount accommodations. They must assure themselves that the discounts are such as can be safely made, and reasonably made, with due regard to the possible requirements of other member banks which may ask for accommodations later on.

This discretion is not vested in the Federal Reserve Board and the reason for this is probably two-fold. First: the Federal Reserve System is not a central bank. It is a regional system comprising twelve banks. Congress did not intend that there should be a centralized control of credits. Second: in a country embracing so vast an area as the United States, it would be a very difficult task, if not an impossibility, for a central Board to pass intelligently upon the security of the paper offered for discount, which must necessarily come from all sections of the country.

I have already called your attention to the fact that Federal Reserve Banks are not permitted by law to make loans direct to individuals, firms or corporations, and that they can only rediscount paper which bears the endorsement of a member bank. It is evident, therefore, that in order for a Federal Reserve Bank to render financial assistance to those engaged in commerce or industry, in agriculture or in the raising of live stock, the loans must first be negotiated with member banks. There are many loans, however, which member banks may legally and properly make which can not be rediscounted with Federal Reserve Banks for the reason that the law does not admit of the classification of such paper as eligible. . . .

While the Federal Reserve Act was intended to strengthen the banking system of the United States and to provide ready means of rediscounting certain classes of paper, it is also the evident intention of the Act to disturb as little as possible the business of the member and non-member banks, or their dealings with their customers. There is nothing in the Federal Reserve Act which gives either the Federal Reserve Board or a Federal Reserve Bank any control over the loan policy of any member bank. A Reserve Bank cannot compel a member bank to make a loan which it does not desire to make nor restrain it from making a loan which it wishes to make even though it is forbidden by law.