

(On the last page is given a brief summary of the operations of the Federal Reserve Bank of New York in 1921, and their cost)

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, February 1, 1922

Credit Conditions

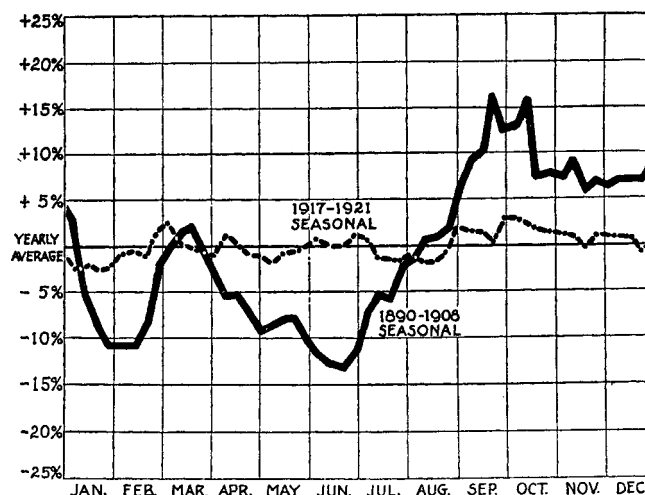
THE passing of the holiday period with its heavy demand for hand-to-hand currency, and the settlement of obligations maturing around the beginning of the year, were attended by a large increase during the first half of January in the volume of loanable funds in New York City. The effects of this increase were felt in the various money markets and in the loans of the New York Reserve Bank. The decline of interest rates which began about a year ago, was continued, and rates reached levels lower than at any time since 1919. In the markets for investment securities the effects of the larger supply of money were manifested in the sale of bonds, which continued very active and at higher prices, and in the stock market where prices rose also. At the New York Reserve Bank loans declined \$100,000,000 to the lowest point since April 5, 1918, of which about \$50,000,000 represented the retirement from circulation of Federal Reserve notes.

The January decline in interest rates was quite in line with the initial stages of the winter easing of money which used to take place before the advent of the Federal Reserve system. But there was this difference, among others, that it did not follow a marked rise of interest rates during the fall and early winter, when crops were being moved and holiday trade was requiring a large supply of currency. In former years the financial machinery of the country was ordinarily put to its greatest strain for both credit and currency when crops were being harvested, and this strain usually was not relieved until the currency required in the course of holiday trade returned to the banks. It was then usual for surplus funds to pile up in local banking centres, from which a large part of the surplus, often largely in the form of currency, would be transferred to the principal banking centres and from there to New York.

In former times this accumulation of funds in New York City, together with the liquidation that ordinarily took place around the first of the year, resulted in a sharp fall of interest rates, as surplus funds sought employment. Just as there was no reservoir upon which agriculture and business could draw in the autumn for the additional currency and credit required at that season, so no means was at hand in midwinter for the absorption and retirement of a surplus. While these alternating periods of stress and ease were not without advantage to

those who could adjust their borrowing requirements to the months of relatively low interest rates, they bore heavily upon those who had to borrow in the late summer and fall, particularly upon farmers and others engaged in the marketing of farm products, whose need to borrow was fixed largely by the seasons.

The furnishing of a means whereby seasonal requirements for credit could be met and seasonal fluctuations of money rates be largely done away with, was one of the main purposes in establishing the Federal Reserve system. The last five years have shown to what extent the Reserve system is able to meet a prolonged period of emergency, and to mitigate the evils of such a period. Perhaps it is too soon to tell with accuracy how far the Reserve system is able to change former conditions so that the seasonal alternations of credit strain and credit surplus shall give way to regularity and stability—to a condition where the supply of credit responds to the demand, both in its rise and fall.



Typical Seasonal Changes in Interest Rates on 60 to 90 Day Commercial Paper for the Years 1890 to 1908 and the Years 1917 to 1921. Weekly Variations Are Shown as Percentage Deviations from the Annual Average

But even though many of the normal currents of the money market during the last five years were lost in the vast financial undertakings of the war, it is possible to

present certain evidences on this point. The diagram printed on page one compares the seasonal variations in interest rates in New York City before and after the establishment of the Federal Reserve system. It shows by weeks the movement of interest rates in terms of their divergence from the average. The diagram has been so drawn as to reflect only those changes which occur from one season to another, with the result that each line represents a typical year, one before the Federal Reserve system was established, and the second after its establishment; and emergency developments extending through several years, such as those centering in 1896, 1907, and 1920, are not reflected.*

In the past five years it is apparent that though seasonal demands for credit were as usual superimposed on the demands otherwise prevailing, rates of interest reflected the movement of the seasons to a much less degree than before the Reserve system was established. It is also true that during these latter years the Reserve Banks furnished a means whereby the volume of credit expanded and contracted as the demand for it increased and diminished. In former years the rigid banking system of the country could not respond to such changes in the demand, because the supply of credit was relatively constant. The wider fluctuations of interest rates reflected that comparatively fixed supply, which was inadequate at one season and possibly excessive at another. With the establishment of the Reserve system, which provides a means whereby the supply of credit is responsive to the demand, it is natural that the seasonal variations which formerly obtained should in a considerable measure be smoothed out.

Savings Bank Deposits

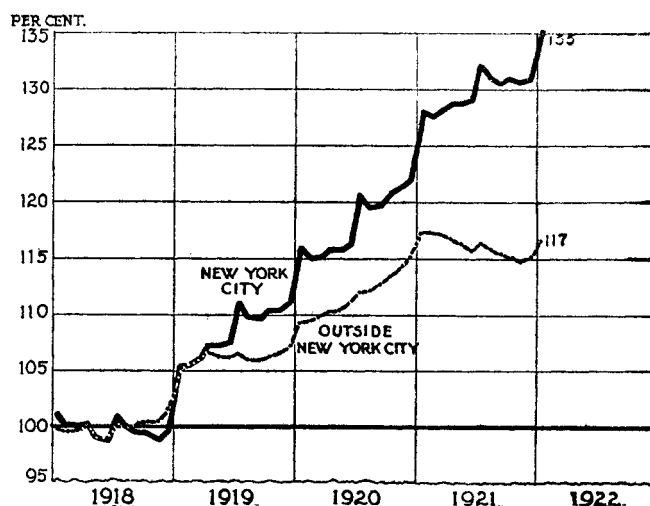
Following the semi-annual crediting of interest on January 1 the aggregate deposits of each of the reporting savings banks in the Second Federal Reserve District showed a net gain between December 10 and January 10. The increase in deposits of eleven New York City banks was substantially more than the amount credited as interest on January 1, indicating a continuation of the increase in savings balances in evidence last year. For the ten reporting banks in cities outside New York City the net increase for the month was probably less than the amount credited as interest on January 1, an evidence of further withdrawals of savings balances. Deposits in these ten banks on January 10, 1922, were less than on January 10, 1921.

The net increase in deposits in 21 reporting banks in the district in the year ended January 10, 1922, compares as follows with the increases in previous years.

Year Ended	Per Cent. Increase
January 10, 1919.....	4.2
January 10, 1920.....	8.8
January 10, 1921.....	9.8
January 10, 1922.....	4.3

*By way of technical explanation, it should be stated that the figure for each week is the median percentage deviation from a fifty-two week moving average. The data for 1890 to 1908 were taken from the Report of the National Monetary Commission, Vol. 22 (1910).

The following diagram shows the changes which have taken place by months.



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.)

Bill Market

Firmness of money rates during the latter part of December caused a lack of investment demand in the bill market, and dealers' portfolios increased. This phase was succeeded by a sharp revival of investment demand early in January accompanying easier money conditions. Dealers reduced their bid rates for prime bills by successive changes from $4\frac{3}{8}$ per cent. to $3\frac{7}{8}$ per cent. and made proportionate reductions in offering rates down to $3\frac{3}{4}$ per cent. Later in the month both rates advanced $\frac{1}{8}$ as the supply of free funds became somewhat more restricted.

During the latter part of December the discount market availed itself of Federal Reserve Bank facilities to a considerable extent but during the first part of January entirely liquidated its position at the bank as money became easier.

New offerings of bills in the market were in moderate volume and consisted principally of bills in connection with the export of cotton and grain and the import of raw sugar, coffee and silk.

Commercial Paper

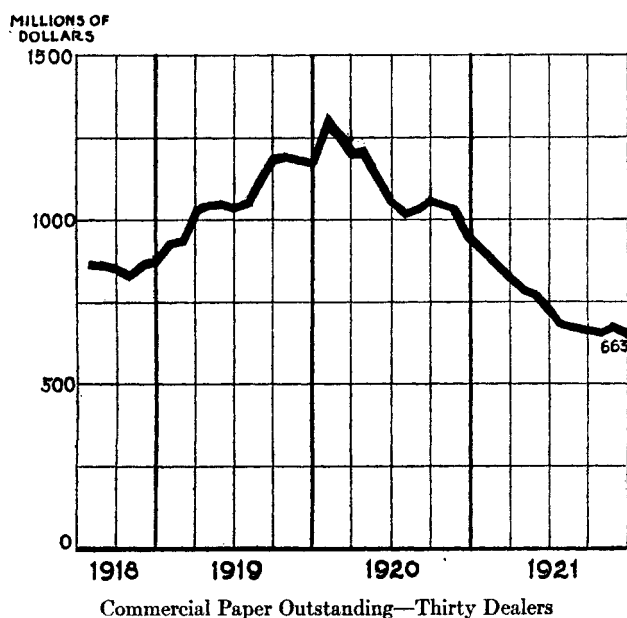
In the second week of January, $4\frac{3}{4}$ per cent. became the ruling selling rate for prime commercial paper compared with 5 per cent. previously prevailing. Some sales of high grade paper were made as low as $4\frac{1}{2}$ per cent. With the upward tendency of other money rates in the third week of January, the commercial paper market became somewhat firmer, but $4\frac{3}{4}$ remained the ruling rate.

The lowering of rates accompanied an increased volume of sales, particularly in New York City. The number of consistently large buyers in this market remained limited, but there was some broadening in the list of intermittent buyers and many dealers found this city their best market.

The country demand tended to be somewhat less active as lower rates came into force.

Supplies of paper increased early in January, but not to the same extent as did the demand, and dealers' lists in consequence remained short. Larger offerings were due in part to first-of-the-year borrowing, and to lower bid rates. Later in January, the volume of offerings again diminished, as many borrowers filled their needs and as firmer money conditions caused dealers to be somewhat more cautious in lowering bid rates.

The accompanying diagram indicates that the outstanding paper of dealers who report regularly to this bank, after a rise in November, declined during December to the lowest point in over three years. This decline was probably due in part, at least, to seasonal causes, as December is normally a month of decreased paper distribution.



Stock Market Money Rates

The rate for Stock Exchange call money which was $5\frac{1}{2}$ per cent. on January 3, declined gradually to a prevailing rate of $3\frac{1}{2}$ per cent. in the second week of January. Closing rates on two days reached the 3 per cent. level, the lowest since November, 1919. These lower rates accompanied the release of funds from holiday trade, first-of-the-year settlements, a substantial increase in out-of-town funds in this market, and disbursements of Government funds without corresponding withdrawals from the banks.

In the third week of the month the supply of surplus funds seeking investment became greatly reduced through heavy buying of securities, large payments by banks and banking houses to the Federal Reserve Bank on account of loans and to the account of the Treasurer of the United States, and some withdrawals of funds by out-of-town correspondents of city banks. As a consequence call loan renewal rates moved upward to $4\frac{1}{2}$ and 5 per cent. and closing rates twice touched 6 per cent.

The time money market opened the year on a 5 per cent. basis, but in the first two weeks declined to a range of $4\frac{1}{2}$ to $4\frac{3}{4}$ per cent., the lowest quotations since 1917. Accompanying, however, the firmer call money rates of the third week, time loans on January 20 advanced again by $\frac{1}{4}$ of one per cent.

Stock Market

The stock market entered 1922 with prices, on the average, not far from those prevailing at the opening of 1921, with the difference that the prices of January, 1921, were the lowest figures reached at the end of a year's decline, while this year's figures are close to the high quotations of a five months' upward movement.

The first few days of January, 1922, brought some reaction in industrial stocks, due partly to the announcement of financial difficulties involving several well known banking and business concerns, some unfavorable dividend actions, and renewed declines in prices of a few important commodities. An upturn in stock prices accompanied easier money conditions, and in the third week of January representative railway and industrial averages reached new high levels for recent months.

Total stock transactions on the New York Stock Exchange in December were 17,000,000 shares, 29 per cent. less than the heavy trading of December, 1920. For the year 1921, trading amounted to 171,000,000 shares, or 25 per cent. less than in 1920.

United States Government Securities

Following a reaction of 2 to 3 points in Liberty bond prices in December the market became active and during the period of easier conditions in the money market early in January, prices rose slightly above the highest levels previously reached in the current upward movement. In the latter part of the month prices again declined somewhat.

The demand for Victory notes has been particularly broad recently, as their approach towards maturity has made them comparable with Treasury certificates and commercial paper as a medium of short term investment. In sympathy with lower rates in these competing markets, the $3\frac{3}{4}$ per cent. notes rose to 100.26, and the $4\frac{3}{4}$ per cent. notes to 100.30, the highest price at which the latter issue has ever sold.

December trading in United States Government securities on the New York Stock Exchange amounted to \$221,000,000, a total somewhat larger than in any previous month of the year, but 45 per cent. less than transactions in December, 1920. The total trading for the year 1921 was \$1,957,000,000, or 32 per cent. less than in 1920, and the smallest volume since 1918.

Treasury certificates were likewise in unusually active demand early in January. Selling rates for the longer maturities declined about $\frac{1}{4}$ of one per cent. during the first three weeks of the month and were little affected by the upward reaction in other money rates in the third week. Rates for the nearer maturities, however, reflected more closely variations in the money supply in this market.

On January 26 the Secretary of the Treasury announced an offering of \$400,000,000 or thereabouts of Treasury notes dated February 1, 1922, and maturing on March 15, 1925. The rate was $4\frac{3}{4}$ per cent., as compared with $5\frac{3}{4}$ on the issue of three-year notes issued last June. The Secretary of the Treasury reserved the right to allot additional notes up to \$200,000,000 or thereabouts, to the extent that payment was tendered in Victory notes. The offering was a part of the Treasury's refunding programme.

Bond Market

The market for corporation and miscellaneous bonds responded with vigor to the freer supply of money early in January. Trading was resumed on a scale even exceeding that of late November and early December, when the market was exceptionally active, and prices rose sharply from the lower levels that had been reached during December. Representative averages of corporation issues again reached or exceeded the highest point of the fall rise, which had been the maximum level since 1919. With the recurrence of firmer money conditions after the middle of January, the volume of trading decreased and price movements became somewhat irregular.

Foreign government bonds, on the average, moved with the general bond list. British issues, however, and Japanese bonds payable in sterling at current exchange rates, were generally strong both in December and in January. Between December 1 and January 20, prices of British loans rose from 1 to over 4 points, and Japanese issues from 3 to 5 points. The Japanese $4\frac{1}{2}$ s, payable in sterling at fixed exchange rates, were also somewhat firmer.

December transactions on the New York Stock Exchange in bonds other than United States Government securities amounted to \$203,000,000, the largest total for a single month since 1904. The total transactions for the year 1921 were \$1,367,000,000, the largest amount in recent years, and 22 per cent. larger than for 1920.

New Financing

New financing on a large scale continued into January, and resulted in considerable congestion in the market during the early days of the month, particularly as some issues were brought out at rates lower than those generally prevalent. Easy money conditions during the first half of the month, however, assisted materially in the final distribution and in the third week of January the demand was again good and there was some increase in offerings.

January offerings included a wide variety of issues, most prominent of which were State soldiers' bonus bonds aggregating \$30,000,000, a railway bond issue amounting to \$30,000,000, and \$40,000,000 bonds of the Government of the Dutch East Indies. Rates on the new issues indicated that whereas some corporation issues may be sold on a 6 per cent. basis or lower, many borrowers still find it necessary to pay rates ranging as high as 7 and 8 per cent. The Dutch East Indies bonds, bearing 6 per cent. interest for 25 years, but callable after ten years at par, were sold at prices to yield 6.75 per cent. if held to the nearest redemption date, the lowest yield thus far offered on foreign bonds in the current market.

The total of new issues for the first three weeks of January was nearly \$240,000,000, a much larger amount

than in the corresponding period of last year, but smaller, in terms of weekly rate, than in December, which was one of the most active months of last year. For the year 1921, the volume of new corporation issues was less than the 1920 volume, but due to increases in offerings of State, county, and municipal bonds, foreign government loans, and Federal Land Bank bonds, the total of all offerings in 1921 was larger than in 1920, although slightly smaller than in 1919.

The following table shows comparatively offerings of various classes of securities during 1919, 1920, and 1921, as compiled in preliminary form by the Commercial and Financial Chronicle.

(In millions of dollars.)

	1919		1920		1921	
	Amount	Per cent. Refund- ing	Amount	Per cent. Refund- ing	Amount	Per cent. Refund- ing
Corporate	\$2,740	15.9	\$2,967	8.6	\$2,420	24.7
Foreign Government..	515	55.2	291	34.4	385	13.0
Federal Farm Loan ...	110	0.0	...	0.0	122	0.0
War Finance Corp.	200	0.0	...	0.0	...	0.0
Municipal (U. S.)	691	1.9	683	1.7	1,203	0.7
Municipal (Canadian) ..	93	80.1	53	14.1	76	0.0
Municipal (U. S. Poss.)	12	0.0	16	0.0	25	0.0
Total	\$4,361	18.5	\$4,010	9.4	\$4,231	15.5

Foreign Exchange

Foreign exchange rates moved within an exceptionally narrow range during the past month. Some irregularity prevailed during the last week of December but during January rates generally remained unchanged or moved slightly higher. Trading was in limited volume, consisting mainly of routine transactions.

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

Country	January 20 Last	Change from December 20	Per Cent. Depreciation from Par
England	\$4.2100	0	13.5
France .....	.0811	+ .0001	58.0
Italy .....	.0437	- .0021	77.4
Germany .....	.0050	- .0009	98.0
Belgium .....	.0777	0	59.7
Holland .....	.3642	- .0040	9.4
Switzerland .....	.1940	- .0005	+ 0.5
Spain .....	.1490	- .0007	22.8
Sweden (Stockholm) .....	.2493	- .0002	7.0
Argentina .....	.3348	+ .0002	21.1
Brazil .....	.1239	- .0027	61.8
Japan (Yokohama) .....	.4763	+ .0093	4.5
China (Hong Kong) .....	.5488	0	*
China (Shanghai) .....	.7388	- .0275	*
India .....	.2688	- .0100	44.8
Canada .....	.9469	+ .0119	5.3
Bar Silver in New York .....	.6500	- .0175	....

*Silver Exchange Basis.

Foreign Trade

In spite of reduced shipments of cotton and wheat, December exports, which were valued at \$296,000,000 as reported by the Department of Commerce, were slightly higher than during November. Shipments of corn and certain other foodstuffs were in heavier volume. Imports increased \$26,000,000 to \$237,000,000, due largely to heavier receipts of some foodstuffs such as coffee, and of materials for use in manufacturing, such as rubber, hides, and silk. As a result, the export balance, \$59,000,000, was the lowest reported since October, 1914.

The total figures for the year 1921 show a decline of 45 per cent. in exports and 52 per cent. in imports as compared with 1920; and the excess of exports was smaller than in 1920 because of the greatly reduced trade movement. The detailed figures since 1913 are shown in the following table.

(Figures in millions of dollars)

	Exports	Imports	Excess Exports
1913.....	\$2,484	\$1,793	\$ 691
1914.....	2,114	1,789	325
1915.....	3,555	1,779	1,776
1916.....	5,483	2,392	3,091
1917.....	6,231	2,952	3,279
1918.....	6,149	3,031	3,118
1919.....	7,920	3,904	4,016
1920.....	8,228	5,278	2,950
1921.....	4,485	2,509	1,976

Current buying during January was closely restricted. Orders for cotton are being filled largely from stocks of American cotton shipped on consignment. There was little export buying of wheat except for the account of the American Relief Commission and for Greece. Germany and the Scandinavian countries were the principal purchasers of corn.

Steel exporters and those handling general merchandise report, in some instances, slightly more activity since the first of the year, but there is little indication of increased disposition on the part of buyers to contract for more than pressing needs. In the foreign steel market, Canadian buying, chiefly of construction materials, and Japanese purchases of sheets and tin plate, continued to lead in point of volume, with business elsewhere generally slow or largely confined to materials for government projects.

Foreign demand for copper, which was active in the closing months of last year, became slow in January.

Gold Movement

Net imports of gold during December amounted to \$29,535,000, making the net imports for 1921, \$667,387,000 against \$106,613,000 for 1920. More than half of the gold received during 1921 was from England and France, while the greater part of the exports was to Hong Kong and Mexico. The total stock of monetary gold in the United States on January 1, 1922, was estimated by the Treasury Department to be \$3,657,000,000, or about 40 per cent. of the world's stock of monetary gold.

Previous to 1921 the largest amount of monetary gold held in the country was \$3,095,000,000 in July, 1919. The imports and exports for 1921 are shown in the following table.

IMPORTS
(000 omitted)

Country	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total 1921	Total 1920
England.....	\$51,163	\$51,087	\$57,813	\$42,028	\$202,091	\$274,982
France.....	45,235	28,103	79,972	37,378	190,688	48,739
Sweden.....	4,679	37,941	12,252	11,484	66,356	2,036
Canada.....	20,553	4,535	5,931	5,837	36,856	34,196
China & Hong Kong.....	12,508	6,804	3,648	614	23,574	30,193
British India.....	8,081	9,065	10,049	4,815	32,010	.....
Netherlands.....	1,557	14,159	2,785	1,392	19,893	2,099
Germany.....	3	4	16,342	3,578	19,927	8
So. America.....	6,069	6,175	5,831	6,162	24,237	14,496
All Other.....	13,687	24,534	20,611	16,803	75,635	21,955
Total Impts..	\$163,535	\$182,407	\$215,234	\$130,091	\$691,267	\$428,704

EXPORTS

China & Hong Kong.....	\$453	\$744	\$2,205	\$6,209	\$9,611	\$59,784
Mexico.....	3,098	920	1,287	1,785	7,090	18,172
Sweden.....	.....	.....	2,643	.....	2,643	.....
Canada.....	635	506	665	1,108	2,914	5,557
British India.....	.....	.....	55	1,124	1,179	6,753
All Other.....	285	49	1	108	443	231,825
Total Expts..	\$4,471	\$2,219	\$6,856	\$10,334	\$23,880	\$322,091
Net Imports..	\$159,064	\$180,188	\$208,378	\$119,757	\$667,387	\$106,613

Domestic Wholesale Prices

The Department of Labor index of wholesale prices for December was at exactly the same level as in November, 49 per cent. above the 1913 average. The principal changes among the commodity groups making up the index were a 2 per cent. decrease in food prices and a 3 per cent. increase in the prices of lumber and building materials. Quotations for the different groups are shown in the following table.

(1913 average = 100 per cent.)

Commodity Group	November, 1921	December, 1921	Per Cent. Change
Farm products.....	114	113	-0.9
Metals.....	119	119	0.0
Foods, etc.....	142	139	-2.1
Chemicals, etc.....	162	161	-0.6
Cloths and clothing.....	186	185	-0.5
Fuel and lighting.....	186	187	+0.5
Building materials.....	197	203	+3.0
House furnishings.....	218	218	0.0
Miscellaneous.....	145	148	+2.1
All groups.....	149	149	0.0

World Wholesale Prices

Prices in England continue to work downward towards the price level in this country. The January 1 index compiled by the Statist was at 157, only 8 points higher than the Department of Labor index in this country, and the Economist index stood at 162.

Prices in France were again slightly lower. In Germany the price increases continued, but at a less violent rate than last month.

Prices in other countries for which reports are available showed little movement in either direction. In general, prices of food, which have moved more freely in the international markets than any other commodity, have been working toward lower levels, while prices of manufactured materials have in many cases made moderate increases.

Cost of Living

The cost of living index number of the National Industrial Conference Board for a wage earner's family was 161.4 on January 1 (July, 1914 = 100). This figure is about one per cent. lower than on December 1 and is almost the same as that for June 1. For seven months fluctuations have been within narrow limits. The decline between December 1 and January 1 was due to slight decreases in the cost of food, clothing, and fuel and light. Other items were unchanged.

The Department of Labor cost of living figure, which is published once a quarter for individual cities, stood at 178.1 in December for New York City, and at 176.8 for Buffalo (December, 1914 = 100). These figures are slightly lower than those announced for May and for September.

The following table shows by different items the latest figures reported by the National Industrial Conference Board and the Department of Labor.

The difference between the totals of the Department of Labor and the National Industrial Conference Board is due largely to considerably higher figures for clothing and for sundries in the Department of Labor index. On the other hand, the Conference Board figure for rents is higher than the Department of Labor figure.

Items	Conference Board January 1 United States	Department of Labor, December	
		New York City	Buffalo
Food.....	150	151.8	150.8
Clothing.....	156	217.8	196.5
Housing.....	169	145.7	161.7
Fuel and light...	178	190.7	179.7
Furniture & house furnishings....	...	232.0	224.7
Miscellaneous....	178	216.9	203.0
Total.....	161.4	178.1	176.8

Production of Basic Commodities

The following table shows for a number of basic commodities current monthly production as percentages of estimated normal production. In the computation of the normals, allowance has been made for year to year growth and seasonal variations.

December production of both anthracite and bituminous coal showed a reduction from November owing to moderate temperatures, together with light railway movement and small bunker demand. The production of pig iron on the other hand increased, foundry grades predominating, as shown by the diminished output of steel ingots. Zinc production and tin deliveries advanced,

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
		October	November	December		
United States:						
12 basic commodities*	107 (Jan. 21)	+ 2.6	+ 1.9	- 0.8	56	May 17, 1920
Department of Labor.....	149 (Dec. Av.)	- 1.3	- 0.7	0.0	45	May 1920
Dun's.....	136 (Jan. 1)	+ 1.1	+ 0.5	- 0.1	38	May 1, 1920
Bradstreet's.....	123 (Jan. 1)	+ 1.4	- 0.3	+ 0.6	45	Feb. 1, 1920
Great Britain:						
Economist.....	162 (Jan. 1)	- 6.8	- 2.8	- 2.2	48	April 1, 1920
Statist.....	157 (Jan. 1)	- 7.4	- 1.2	- 2.3	50	May 1, 1920
20 basic commodities*	128 (Jan. 21)	- 5.3	- 7.0	- 4.4	63	May 21, 1920
France.....	325 (Jan. 1)	- 3.7**	- 0.2**	- 2.0	45	May 1, 1920
Italy.....	595 (Jan. 1)	+ 3.3	- 0.7	- 0.1	11	Dec. 1, 1920
Japan.....	214 (Nov. Av.)	+ 6.0	- 2.2	.....	33	Mar. 1920
Canada.....	170 (Dec. 15)	- 1.5	- 0.9	+ 1.6	35	May 15, 1920
Sweden†.....	172 (Dec. 15)	- 3.8	- 0.6	- 1.1	54	Dec. 15, 1918
Shanghai‡.....	109 (Dec. 1)	- 1.1	- 1.5	.....	3	Sept. 1, 1921
Calcutta¶.....	180 (Dec. 1)	0.0	- 2.2	.....	17	Feb. 1, 1920
Norway.....	267 (Dec. 1)	- 2.0	- 2.5	.....	38	Oct. 1, 1920
Germany||.....	3516 (Jan. 1)	+34.8	+22.2	+ 5.6	0	Jan. 1, 1922
Denmark§.....	188 (Dec. 1)	- 7.9	+ 1.1	.....	53	Nov. 1, 1920
Holland.....	165 (Dec. 1)	- 6.1	- 2.4	.....	58	Year 1918

*Computed by this bank. †July 1, 1913 to June 30, 1914 = 100. ‡September, 1919 = 100. ¶End of July, 1914 = 100. ||Middle of 1914 = 100. §July, 1912 to June, 1914 = 100. ** Revised.

keeping pace with the continued active call for galvanized sheets and tin plate. The Steel Corporation has recently been turning out galvanized sheets at 75 per cent. of capacity and tin plate at 90 per cent. of capacity. Copper output continued at low ebb and the Export Copper Association still holds large stocks of copper. Crude petroleum output was materially increased by the high yield of the Mexia field. The amount of wheat flour milled was lower, reflecting the low price of flour and the accumulation of stocks in chief centers. Sugar meltings increased as the price margin between raw and refined sugar was maintained at 1.2 cents or higher per pound.

(Normal production = 100)

Commodity	1921					
	Jan. to Mar.	April to June	July to Sept.	Oct.	Nov.	Dec.
Anthracite coal mined....	103	95	93	89	87	81
Bituminous coal mined....	64	66	63	76	67	60
Pig iron production*....	57	32	27	33	39	45
Steel ingot production*....	60	37	34	50	53	48
Zinc production.....	51	47	38	38	55	57
Lead production.....	66	62	67	71	...	...
Tin deliveries.....	31	28	48	44	63	72
Copper production*....	69	26	17	20	18	15
Petroleum production....	100	108	104	94	100†	112†
Gasoline production....	103	92	84	84	85	...
Cement production.....	79	85	90	91	84	...
Cotton consumption....	62	67	73	76	85	81
Wool consumption.....	70	104	106	124	121	...
Wheat flour milled.....	89	107	131	111	78	74
Sugar meltings.....	85	86	89	114	125	144
Meat slaughtered.....	90	99	101	93	86	59
Lumber production.....	78	75	73	80	73	89
Wood pulp production....	88	74	71	77	83	...

*Revised

†Preliminary

Employment

The latest reports from the New York State Department of Labor and other sources indicate that the number of workers employed in this district remained practically constant during the past three months. A considerable decline in employment is normal for this time of the year and the fact that this seasonal decline was averted indicates somewhat better employment conditions.

During the past month there were increases in the number employed in iron and steel plants, in metal, machinery and railway equipment shops, in tanning and shoe factories, and in paper mills. Such increases were largely offset by declines in the number employed in automobile and shipbuilding plants, in factories that handle food and food products, and in the textile and clothing industries. The settlement of the strike in the garment industry in New York City late in January materially reduced idleness among needle-workers.

The United States Employment Service reported the following increases in employment in this district during December: in the Albany and Schenectady district, an increase of 2.9 per cent.; in Niagara Falls, 2.4 per cent.;

in Rochester, 1.7 per cent.; in New York City, 1.5 per cent.; and in Yonkers, 0.37 per cent. Decreases of 12 per cent. in Syracuse and 6.6 per cent. in Buffalo were reported.

Employment agencies in New York City report that the number of applicants for work and the number of positions available during January were about the same as during November and December.

Commodity Stocks on Hand

The following table shows index figures for stocks of basic commodities expressed as percentages of normal. Sugar stocks showed a marked decrease as a result of decreased imports accompanying larger meltings than are usual for the month of December. A light demand for coffee accompanying a high price level is reflected in larger coffee stocks. The most striking change in stocks of grains at primary markets was in the case of corn, which has been affected by heavy export shipments. The reduced production of flour has resulted in lower stocks of flour in chief centers. The world's visible supply of tin continued to increase under the influence of high prices in London, leading to increased deliveries.

Commodity	1921 April to June	1921 July to Sept.	Oct. 1	Nov. 1	Dec. 1	Jan. 1
Sugar.....	66	54	61	40	51	35
Coffee.....	114	95	72	65	72	90
Wheat.....	35	108	126	109	88	91
Flour (in chief centers)....	87	87	123	131	150	112
Oats.....	284	643	520	461	458	517
Corn.....	198	238	161	371	449	249
Barley.....	121	295	146	96	74	75
Rye.....	133	315	452	402	364	377
Dairy products and eggs....	178	104	102	98	96	...
Poultry, frozen.....	100	82	88	100	119	...
Meats, cured and frozen....	93	94	74	65	59	...
Cotton.....	126	155	140	113	104	...
Tin (world visible supply)...	115	134	137	168	147	165
Cement, Portland.....	99	95	88	68	109	...
Lead, bonded.....	169	191	165	193	202	...
Paper pulp.....	153	142	107	93	91	...
Paper.....	143	138	129	120	122	...

Wages

Wage readjustments continue. The most notable changes reported during January were the following:

A reduction of 20 per cent. in the wages of employees in paper mills in both the United States and Canada.

A reduction of 15 to 33 per cent. in the wages of marine workers on American deep-sea vessels, announced by the American Steamship Owners Association.

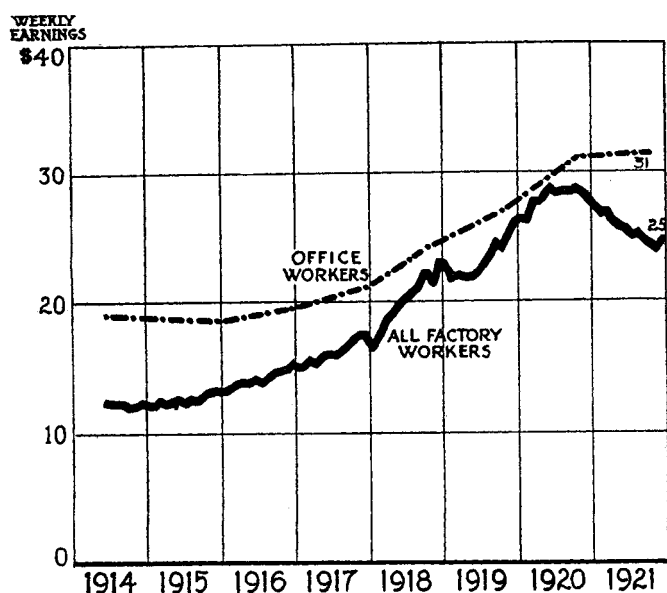
A reduction of 12 per cent. in wages of textile mill workers in Utica and Cohoes, N. Y. The working week has been lengthened from 48 to 54 hours and there will be no changes in per capita earnings.

A reduction of 10 per cent. from \$1.00 to 90 cents per hour in the wages of carpenters in Syracuse, N. Y. This reduction was proposed by the Carpenters' District Council, and accepted by the Builders' Exchange.

In New York City the tie-up of the garment industry has been terminated after nine weeks by a court order compelling the manufacturers to fulfil their contract with the employees by resuming operation on the same basis of wages and working conditions as those previously in force. In the building industry no new wage agreement has been reached and negotiations are still under way. The old agreement which terminated on December 31 has been extended pending the results of the negotiations.

The New York State Department of Labor, in its Monthly Survey, found that the average weekly earnings in factories during December were \$24.91 as compared with \$24.32 during November. The increase appears to be due to increased working time on account of holiday business and improved conditions in some lines. Earnings in December were 96 per cent. above the 1914 level. Average weekly earnings in 13 selected industries throughout the United States, as reported to the Department of Labor, advanced 6 per cent. from \$21.66 in November to \$22.88 in December.

The accompanying diagram shows the course of average weekly earnings of workers in New York State factories since July, 1914, and compares with this total line the average weekly earnings of office employees of the same concerns. In 1914 office employees were receiving \$19 per week as compared with earnings for all factory employees of about \$12.50. During the war period and 1919 and 1920 wages of operatives rose much more rapidly than those of office workers and in October, 1920, average earnings of all employees were only about \$2 less than for office employees. In terms of percentages, the earnings of all employees increased 130 per cent., while those of office workers increased only 63 per cent. Since 1920 average earnings of all employees have declined 14 per cent., but there has been practically no change in the



Average Weekly Earnings of All Workers in Representative Factories in New York State Compared with Average Weekly Earnings of Office Workers in the Same Factories. Source of Figures, Report of the New York State Department of Labor. Figures for Office Workers are Available Only Once a Year

wages of office workers. Both curves are influenced by the retention of the older and experienced and hence more highly paid employees during the past year and the withdrawal of the less efficient. For this reason, average weekly earnings have declined less than would have been expected as the result of decreases in rates of pay.

Wholesale Trade

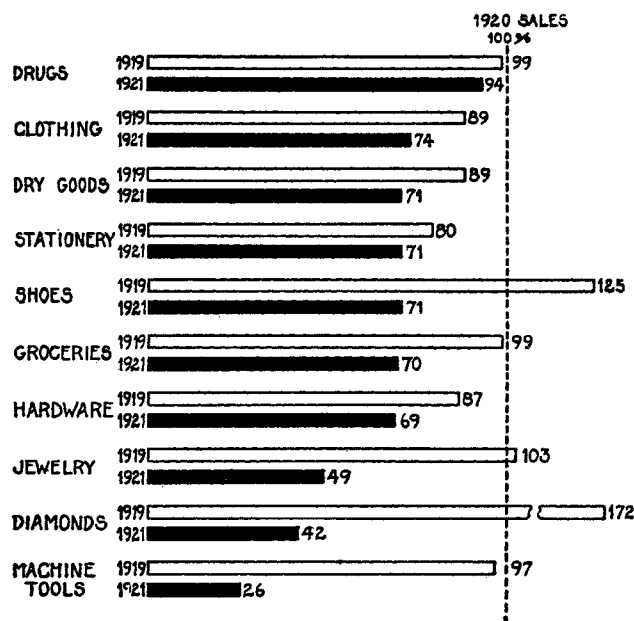
Sales by representative wholesale concerns in this district in December, 1921, were in general closer to sales in the corresponding month of 1920 than were the November sales reported last month. Gains in one or two lines were less striking, but on the other hand there were fewer lines in which sales were greatly retarded. In only two lines were sales less than 80 per cent. as large as in December, 1920. When price changes are taken into consideration, it is probable that in only two lines, machine tools and jewelry, and a possible third, stationery, was the actual volume of transactions smaller than in December, 1920. Jewelry sales in particular show a sharp recovery from those reported last month and machine tools sales show a considerable increase. In each of the lines reported the dollar value of sales in 1921 was smaller than in 1919, due largely to the fact that December, 1919, figures were exceptionally large.

The following table shows the sales in December in each line for the past three years. For purposes of comparison, sales in December, 1919, and December, 1921, are expressed as percentages of the sales in December, 1920. The decline in prices has been estimated.

	TOTAL NET SALES			Per Cent. Decline in Price Dec., 1920 to Dec., 1921	Nov., 1921* Sales
	Dec., 1919	Dec., 1920	Dec., 1921		
Clothing.....	213	100	127	20	121
Drugs.....	124	100	109	15	110
Shoes.....	200	100	101	20	146
Dry goods.....	182	100	98	10	112
Groceries.....	157	100	87	25	76
Hardware.....	136	100	86	25	73
Diamonds.....	214	100	83	25	133
Jewelry.....	195	100	81	10	66
Stationery.....	102	100	74	20	70
Machine tools....	218	100	29	20	18

*Expressed in percentages of sales of November, 1920.

For the year 1921 as a whole, sales in all lines reported were smaller than in either 1920 or 1919. The exact comparisons are shown in the accompanying diagram in which 1919 and 1921 sales are shown as percentages of the totals for the year 1920. No attempt has been made to adjust these figures to make allowance for changes in prices, although it is clear that if price changes were taken into consideration the actual volume of sales in a number of lines in 1921 would be approximately equal to the volume in 1920. In general, the sales of immediate necessities compare more favorably with figures for the previous year than do those of such commodities as jewelry, diamonds, and machine tools.



Total Sales of Representative Wholesale Houses in the Second District in the Years 1919 and 1921 Compared with Sales in the Year 1920

Retail Trade

Net sales by 49 concerns operating 62 representative department and apparel stores in this district were 4 per cent. less in the year 1921 than in 1920, but 11 per cent. greater than the sales of 1919. The 1921 figures submitted by these stores have consistently compared more favorably with the figures of previous years than have reports of production or trade in practically any other line.

Department store sales showed losses in nine of the twelve months of 1921, as compared with the corresponding months of 1920, but these decreases were small, ranging from $\frac{1}{2}$ of one per cent. in April to 12 per cent. in July. In three months—February, October and December—sales were larger than in the same months of the previous year.

The decline in the dollar value of sales has been much less than the decline in average prices, furnishing evidence of the increase in the volume of merchandise sold over the counters. Additional evidence of such an increase is found in the fact that the number of individual transactions, as reported by stores that keep such records,

was consistently about 10 to 20 per cent. larger than in the corresponding months of 1920.

The 1921 sales of all chain stores that report to this bank were 4 per cent. less than in 1920, due largely to a decline of 15 per cent. in sales by chain grocery stores, reflecting lower food prices. The 1921 sales by cigar stores and drug stores were about the same as those of 1920. Ten cent stores report an increase of 5 per cent. and chain dry goods stores a gain of 12 per cent. Sales by mail order houses the major part of whose trade comes from agricultural communities were 30 per cent. below those of 1920.

A preliminary estimate of December sales by department stores in New York City, published in this report last month, indicated these were 3 per cent. greater than in December, 1920. Complete figures show that the increase was actually 3.6 per cent. In the district as a whole increases in sales by department stores in New York and Newark, and by apparel stores, more than offset declines in sales in Buffalo, Rochester, Syracuse, Bridgeport, Utica and other cities in the district.

The number of individual transactions during December was 15 per cent. greater than during December, 1920. The average amount of each transaction declined 8 per cent. from \$2.88 in December, 1920, to \$2.65 in December, 1921.

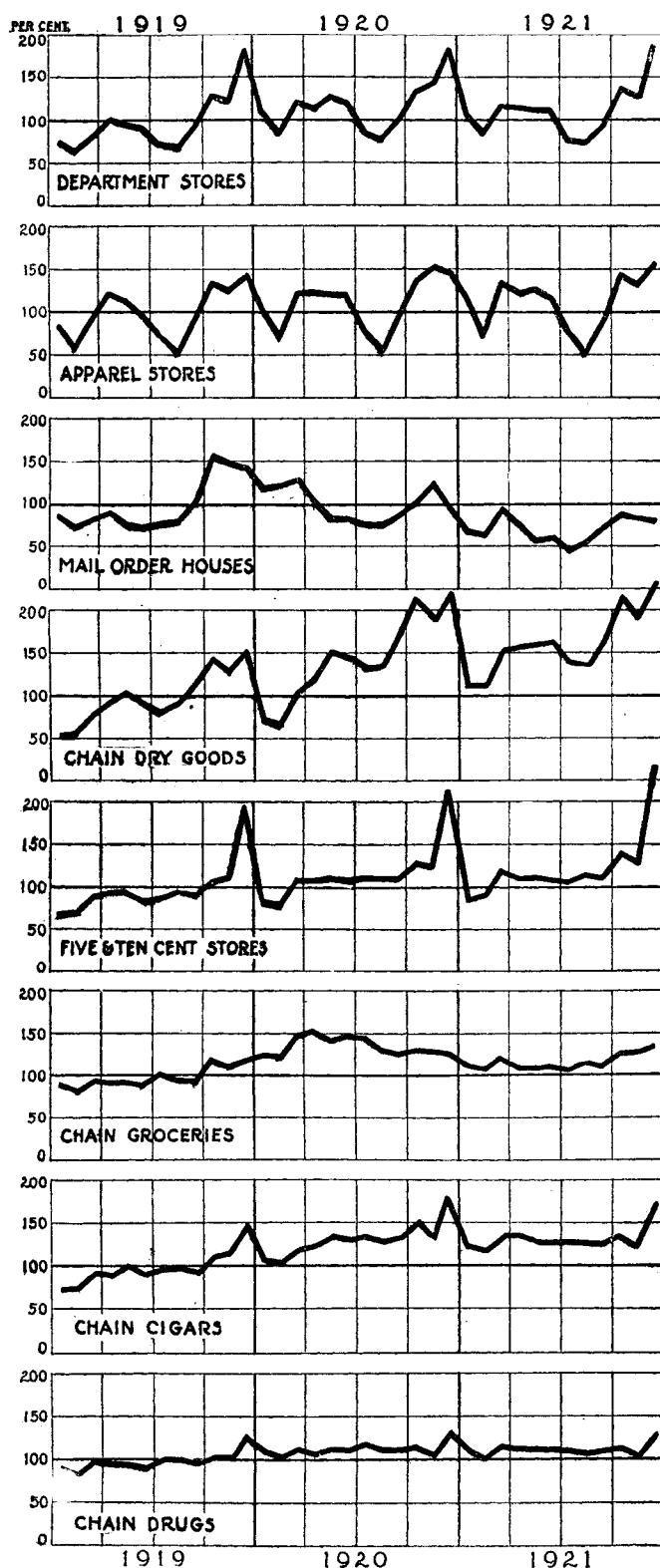
The following table compares December sales for the past three years, taking sales in December, 1920, as 100 per cent.; and also compares the total annual sales, taking figures for the year 1920 as a base of 100 per cent.

Detailed figures for department stores are shown in the table at the foot of the page.

	MONTHLY SALES			ANNUAL SALES		
	Dec., 1919	Dec., 1920	Dec., 1921	Year 1919	Year 1920	Year 1921
Department stores...	99	100	102	84	100	96
Mail order houses...	148	100	82	98	100	70
All chain stores....	89	100	107	78	100	96
Ten cent stores...	91	100	112	85	100	105
Dry goods stores...	68	100	104	69	100	112
Grocery stores...	94	100	106	73	100	85
Drug stores.....	96	100	97	87	100	99
Cigar stores.....	83	100	96	76	100	99

Business of Department Stores

	MONTHLY SALES			ANNUAL SALES			STOCK ON HAND (Selling Price)			ANNUAL RATE OF STOCK TURNOVER		
	Dec., 1919	Dec., 1920	Dec., 1921	Year 1919	Year 1920	Year 1921	Jan. 1, 1920	Jan. 1, 1921	Jan. 1, 1922	1919	1920	1921
All department stores.....	98.9	100	101.6	84.4	100	95.6	100.8	100	94.5	3.6	3.2	3.7
New York.....	102.4	100	103.6	84.9	100	94.3	101.1	100	97.0	3.8	3.3	3.8
Buffalo.....	88.8	100	93.2	82.5	100	98.6	102.2	100	99.9	3.0	2.8	3.1
Newark.....	94.7	100	103.5	81.1	100	96.9	104.9	100	89.1	3.4	3.0	3.7
Rochester.....	88.8	100	95.5	79.3	100	101.6	98.7	100	78.0	2.8	2.5	3.3
Syracuse.....	91.6	100	91.8	82.6	100	92.9	94.8	100	74.9	2.9	2.6	3.1
Elsewhere in Second District.....	95.1	100	94.8	82.9	100	93.2	99.4	100	104.0	2.6	2.5	2.5
Apparel stores.....	98.0	100	105.1	89.3	100	101.0	98.2	100	87.6	5.7	4.7	5.7



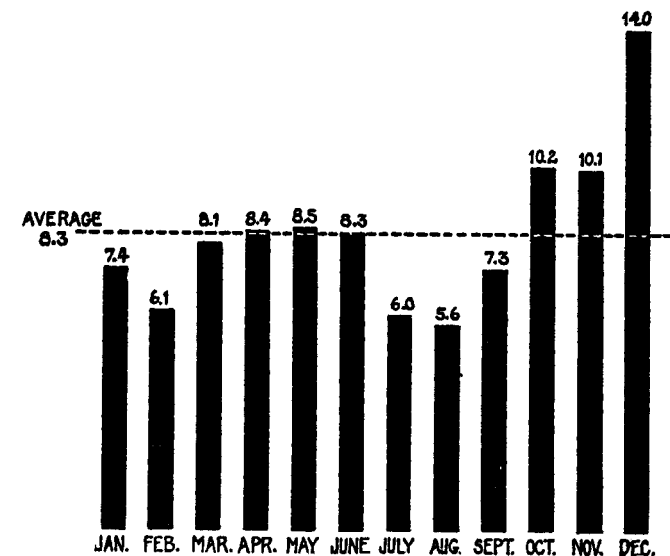
Monthly Sales of Department and Apparel Stores in the Second Federal Reserve District and of Mail Order Houses and Chain Stores Doing a Country-wide Business (1919 Average = 100 per cent.)

The accompanying diagrams show the monthly fluctuations in sales by department stores, apparel stores, mail order houses and five types of chain stores during 1919, 1920 and 1921. In each case the average monthly sales during 1919 were taken as 100 per cent.

Stocks held by department stores, reported at the retail price, were 16 per cent. less on January 1, 1922, than on December 1, 1921, as a result of large Christmas sales. The average amount of stock carried by department stores during 1921 was from 15 to 20 per cent. below the stocks carried during the preceding year. As sales were almost as large as those of last year the turnover of stocks was more rapid. The annual rate of stock turnover among all department stores in this district in 1921 was 3.7 times; 3.2 times in 1920; and 3.6 times in 1919.

Retail merchants placed few orders during January except for the purpose of filling in depleted stocks in preparation for the annual clearance sales and these orders were for immediate delivery. Orders outstanding on December 31 were 4 per cent. of the total purchases of the previous calendar year.

This bank has now collected sales figures from department stores for three years. The seasonal movement which the figures show is so strongly marked that the data for three years are sufficient to give a closely accurate indication of the normal variations from month to month. The accompanying diagram shows the average percentages which sales in each month were of total annual sales. December sales have been about 14 per cent. of the total for each year and August sales have been smallest at slightly under 6 per cent.



Average Percentage of Total Annual Sales Occurring in the Different Months in the Years 1919 to 1921. The Figures Show the Typical Seasonal Variation in Sales

Volume of Building

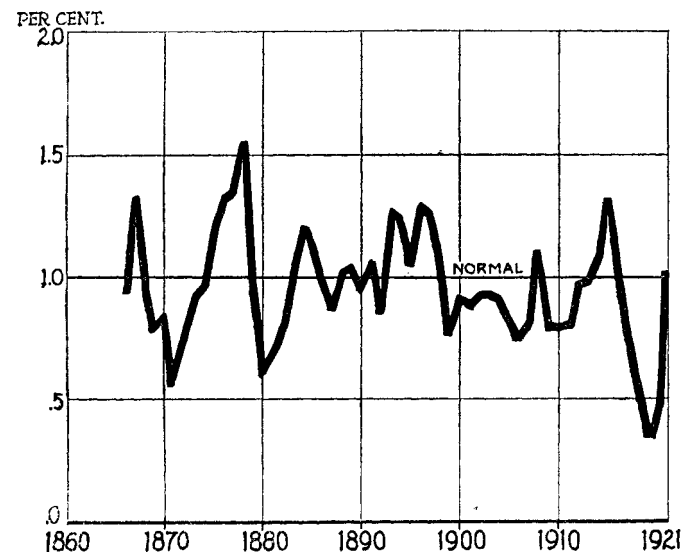
Building construction continued at a high rate during December although normally the figures for that month reflect a considerable decrease in activity. Contract awards in New York State and Northern New Jersey

reported by the F. W. Dodge Company, were 6 per cent. greater than in November and nearly four times the total for December, 1920. Awards reported for the 27 northeastern States were 3 per cent. greater than in November. The greatest gains were in the New England States where the increase over November figures was 44 per cent.

Aggregate awards for 1921 in New York State and Northern New Jersey were about 7 per cent. greater than in 1920, and were the largest of any year for which figures are available. In the 27 northeastern States the total amount of contracts awarded was 8 per cent. under the 1920 total. Residential construction was more than 50 per cent. greater than in 1920, but there was little construction of industrial buildings. When price changes are taken into consideration it appears to be true that both in this district and in the 27 northeastern States the volume of construction was larger than for some years past.

Business Failures

Commercial failures in the United States as reported by Dun's were larger in December both in number and in proportion to the total number of firms in business than in any month since the first half of 1915. The aggregate liabilities were the highest ever reported by Dun's for a single month. A number of large failures among brokers and agents in New York City brought the liabilities of failures in this district to a high figure. December failures included many concerns which had been in a precarious financial condition for many months and the final liquidation of these concerns does not reflect new adverse conditions.

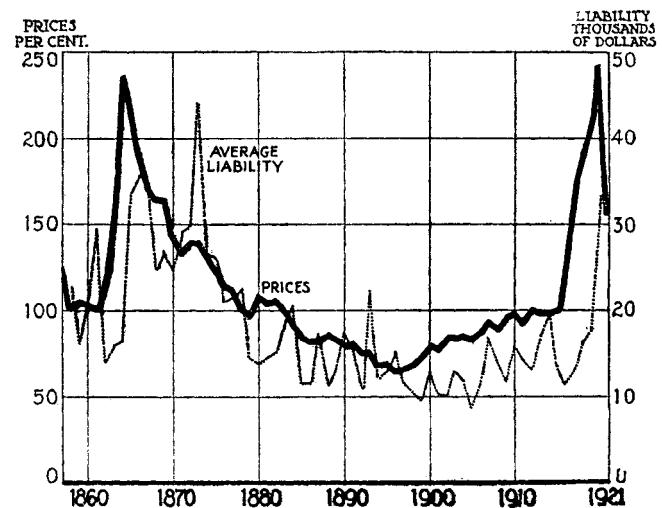


Percentage of the Concerns Failing Each Year in the United States to the Total Number of Concerns in Business

The total figures for 1921 show that failures in that year were larger in proportion to the number of firms in business than in 1920, but were only slightly more than 1 per cent. of the concerns in business, which has been on the average the normal proportion of failures. These facts are illustrated by the diagram on this page showing

the percentage of firms failing to the number in business each year since 1866, as reported by Dun's.

In the second diagram on this page the average liability for each failure is brought into comparison with the movement of commodity prices. It is clear that there has been a close relationship between the average liability of firms failing and the general level of prices. The heavy liabilities of the years 1920 and 1921 are a reflection of the high prices at which goods were purchased in recent years. The average liability in 1921 was slightly under that for 1920. Aside from changes in the general level of prices, the average size of concerns doing business throughout the country, as judged from the average liability of failures, appears to have undergone little change since 1857.



Average Liability of Failures in the United States Each Year Compared with Changes in Wholesale Commodity Prices. (Department of Labor Index)

Railroad Traffic in 1921

Total loadings of freight cars in the year 1921 were nearly 6,000,000 less than in 1920, a decrease of 13 per cent. The principal decreases were in loadings of coal, forest products, ore and miscellaneous groups. Shipments of grain and grain products and of merchandise in less than car load lots, were larger in 1921 than in 1920. Detailed figures are shown in the following table, which is compiled from the weekly reports of the American Railway Association.

(Thousands of cars loaded)

	1921	1920
Grain and grain products.....	2,326	1,880
Live stock.....	1,530	1,586
Coal.....	8,151	10,281
Coke.....	327	659
Forest products.....	2,533	3,105
Ore.....	917	2,423
Merchandise, less than car load lots...	11,045	9,143
Miscellaneous.....	13,085	16,788
Total.....	39,913	45,864

New York Reserve Bank Operations During 1921

THE principal functions of the Federal Reserve Bank are prescribed by law and further services to member banks and through them to the whole business, agricultural and industrial community, are implied in legally prescribed functions. About one-third of all the banking resources of the country are within this Federal Reserve district, and the New York Reserve Bank conducts about one-third of the business of the entire Federal Reserve system. At the close of business on December 31, the total personnel of the New York Reserve Bank, including the Buffalo Branch, numbered 2,907 persons.

The expenses for carrying on the work of the bank, divided according to function, and with miscellaneous items of overhead apportioned among the various functions, were as follows:

1. MAINTAINING THE ACCOUNTS OF THE BANK.

This work includes making about 12,500,000 entries a year in the accounts maintained with member and other banks, and the current determination of reserve balances, which are required by law. \$260,111

2. SUPPLYING CURRENCY AND COIN.

PAYING OUT, RECEIVING AND REDEEMING CURRENCY, involving the count of about 687,000,000 individual notes during the year. \$1,247,912

PAYING OUT AND RECEIVING COIN. This service was formerly performed largely by the Sub-Treasury, and is now entirely in the hands of the Federal Reserve Bank. Receipts and issues amounted to \$164,000,000 for the year. 193,572

CURRENCY AND COIN SHIPMENTS to and from out-of-town banks. There were 175,000 such shipments in and out during the year. 209,826

COST OF PRINTING NEW FEDERAL RESERVE CURRENCY to replace worn notes in circulation and to build up supplies unissued and on hand, including cost of transportation. 1,091,592

TAX on Federal Reserve Bank note circulation, mostly of notes in the \$1 and \$2 denomination. (Federal Reserve note circulation is not taxed). 136,310

SUPPLYING CURRENCY AND COIN. \$2,879,212

3. MAKING LOANS.

MAKING DISCOUNTS AND ADVANCES TO MEMBER BANKS. The number of items handled during the year was 149,151, aggregating \$30,767,000,000. \$428,720

PURCHASING ACCEPTANCES AND TREASURY CERTIFICATES for the account of this bank and other Federal Reserve Banks. The items purchased during the year aggregated \$3,479,000,000. 87,682

MAKING LOANS. \$516,402

4. COLLECTING CHECKS, DRAFTS, NOTES AND COUPONS.

COLLECTION OF CASH ITEMS, mostly checks. The average number of checks handled was 346,100 a day, or 104,519,000 for the year, aggregating \$36,100,000,000. \$1,768,685

COLLECTION OF NON-CASH ITEMS, including drafts, notes and coupons, aggregating for the year \$1,580,000,000. 621,024

COLLECTING CHECKS, ETC. \$2,389,709

5. SUPPLEMENTARY SERVICES.

CUSTODY OF SECURITIES. This service involves holding in safekeeping on the average about \$800,000,000 of securities for the United States Government, \$300,000,000 for the War Finance Corporation and \$100,000,000 from other sources. \$121,309

PURCHASE AND SALE OF BANKERS ACCEPTANCES and other securities for member banks and foreign banks amounting to \$415,256,000 for the year, and receiving and delivering securities for the account of member banks, amounting for the year to about \$400,125,000. In addition the bank has acted for the Treasury Department in the purchase and sale of Government securities. \$137,207

TELEGRAPHIC TRANSFER OF FUNDS. This service is performed over the telegraph wires of the Federal Reserve system, and is used by the Treasury Department and member banks. It involves making an average of 969 transfers of funds to all parts of the country each day, amounting to about \$60,133,000 and aggregating for the year \$18,160,344,000. 94,034

SUPPLEMENTARY SERVICES. \$352,550

6. SERVICES IN CONNECTION WITH GOVERNMENT LOANS.

This work included during 1921 the receipt or delivery of 10,520,094 individual Liberty bonds and Victory notes, amounting to \$2,879,500,000, which were exchanged or converted or handled in connection with registration; and the payment of 26,125,000 individual coupons on Government bonds, notes and certificates. It also involved the sale and issue of \$1,480,000,000 of Treasury notes and certificates, and the redemption of \$1,461,000,000 of Treasury certificates. Prior to July 1 the cost of such operations, less miscellaneous items of overhead, was reimbursed to the bank by the Treasury Department. The cost to the bank from July 1 to December 31 was. \$572,748

(In addition to these operations for the Treasury, the bank performed other work for the Government connected with the currency, the collection of checks, the custody, purchase and sale of securities, the transfer of funds, etc., which have been referred to under their respective headings.)

7. GENERAL OR SUPERVISORY EXPENSES, not apportioned among the functions specified above:

EXECUTIVE SALARIES (Chairman, governor, four deputy governors and secretary of the bank, and manager and cashier of the Buffalo Branch). \$206,385

WORK OF THE FEDERAL RESERVE AGENT, including note issues, examination of member banks, visits to member banks, statistical and information services, such as the preparation of weekly bank statements and the publication of the MONTHLY REVIEW. 425,933

MAINTAINING THE GENERAL AUDIT. 329,828

DIRECTORS' FEES AND TRAVELING EXPENSES. 32,101

THIS BANK'S SHARE OF THE EXPENSES OF THE FEDERAL RESERVE BOARD. 202,801

GENERAL OR SUPERVISORY EXPENSES. \$1,197,048

TOTAL. \$8,167,780

NOTE: This summary is taken from the Annual Statement of the Bank for 1921, which gives also the comparative Statement of Condition, the Profit and Loss Account and other information. It will be mailed on request.