(The article on the last page describes the operations of Federal Reserve Banks as Banking Agents for the Government)

MONTHLY REVIEW

Of Credit and Business Conditions

In the Second Federal Reserve District

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

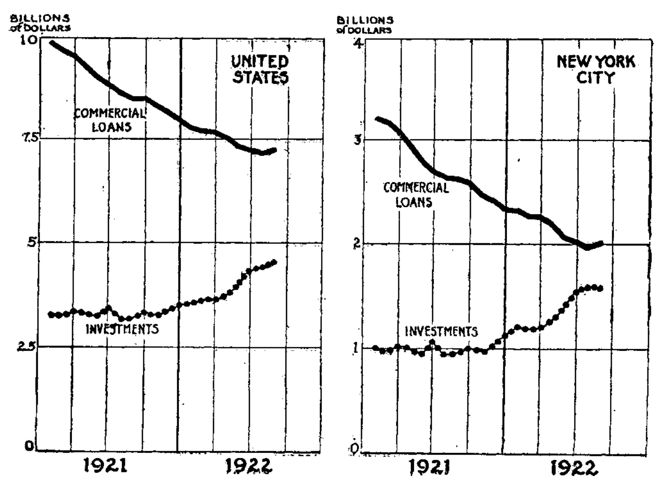
New York, September 1, 1922

Credit Conditions

THE coal and railroad strikes have apparently been without effect upon the credit situation, which seems to have been influenced by more fundamental conditions. For many months past increasing commodity prices and a general increase in trade and industrial activity have facilitated the liquidation of many commercial bank loans of long standing. At the same time the investments of the banks in Government and other bonds have steadily increased. These tendencies were discussed at some length in the last number of the REVIEW.

During the past month, however, the downward movement in the volume of commercial loans has ceased; but the volume of bond investments in banks outside of New York City has continued to increase, presumably as a cumulative effect of the liquidation of the past year and of the continuing imports of gold. The volume of bills discounted by the Federal Reserve banks is at almost the lowest point of the year.

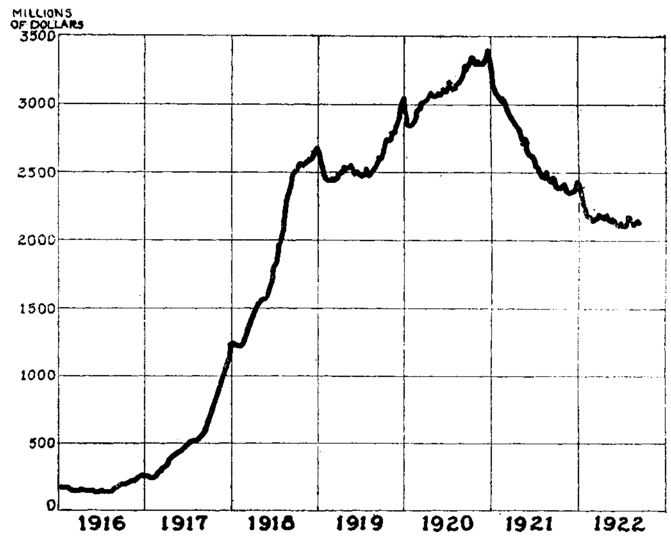
The following diagram illustrates the tendencies in



Changes in Commercial Loans and Total Investments of Reporting Member Banks in the United States and in New York City

commercial loans and investments, above referred to, for reporting member banks in New York City and in the United States.

Accompanying the pause in the decline in the commercial loans of the banks there has recently been a slight increase in the note circulation of the Federal Reserve banks, as shown in the diagram below. In



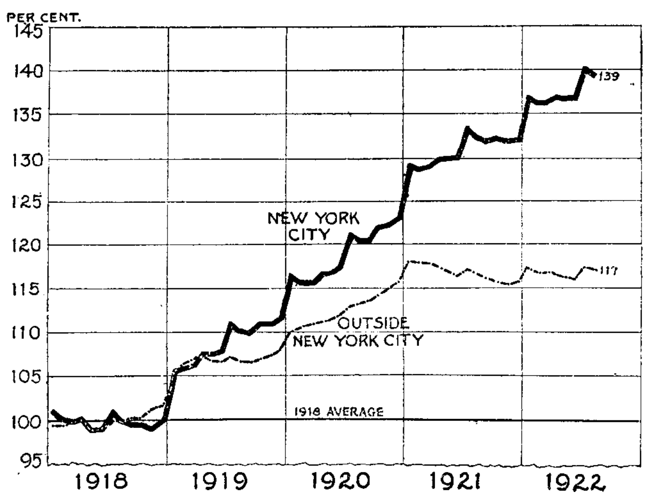
Federal Reserve Notes in Circulation

almost every year since the Federal Reserve system began there was a more or less marked increase in circulation in the late summer and autumn when funds were needed for moving the crops. Before the establishment of the Federal Reserve system this demand for funds was often the cause of strained credit or currency conditions and an increase in interest rates in this season of the year. Since the establishment of the Reserve system, however, the power of the Reserve banks to supply additional funds when required has eliminated the autumn currency scarcity and greatly lessened the autumn credit strain. During 1921 the decline in prices and the liquidation of loans offset the seasonal requirements for currency and there was no increase in the autumn. Thus far in 1922 note issues have been in much closer correspondence with the experience of the years prior to 1921.

The volume of funds made available for investment purposes in the past few months has doubtless been a factor in the continued rise of prices in the security markets at a time when the coal and railroad strikes might have been expected to be influences in the other direction. A further result has been the gradual lowering of interest rates. During the past month, however, the only indications of lower rates were a slight reduction in the yield of certain groups of bonds and a slight lowering of rates charged by banks on their customers' commercial paper. The open market rate for commercial paper has remained at 4 per cent. and the rate on bankers acceptances at 3 per cent.

Savings Bank Deposits

Reporting savings banks in the Second Federal Reserve District showed a slight decline in aggregate deposits between July 10 and August 10. Such a decline usually occurs following the crediting of interest at the mid-year. The trend of deposits in recent months is shown in the accompanying diagram.



Deposits of 15 Savings Banks in New York City and 15 Savings Banks in the Second District Outside New York City. (Average Deposits in 1918=100 per cent.)

Bill Market

Offering rates for bankers acceptances were maintained during August at the 3 per cent. level which has ruled since June, although some dealers raised bid rates temporarily on several occasions from $3\frac{1}{8}$ per cent. to $3\frac{1}{4}$ per cent. because of firmer money conditions.

New York City banks were practically out of the market for their own account, but there was a fair demand from banks in the interior, and total sales by dealers were about the same as in the month previous.

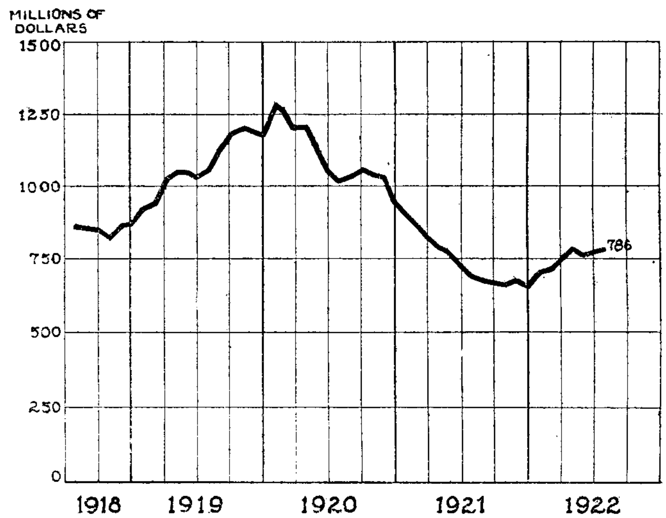
Of the month's offerings of new bills, those drawn to finance the importation of raw sugar and the exportation of cotton were the most numerous. Dealers' purchases were mainly to meet day-to-day requirements and the total amount of bills in their portfolios remained practically unchanged.

Commercial Paper

The prevailing rate for prime commercial paper remained unchanged during August at 4 per cent. The market, however, was slightly firmer, particularly in New York City, in that the proportion of sales at $4\frac{1}{4}$ per cent. increased somewhat and $3\frac{3}{4}$ per cent. paper was scarcely in evidence.

The market among the larger banks of New York City was dull, and confined to only a few institutions, due apparently in part to seasonal causes, partly to a somewhat less satisfactory supply of paper, and partly to the continued competition of other forms of investment, particularly tax exempt securities. The demand from country banks and institutions in a number of the larger interior cities continued in good volume, and dealers reported substantial buying in and about Richmond, St. Louis, and Chicago, and on the Pacific coast. Banks are buying freely of the longer maturities at current rates, which in the opinion of dealers seems to indicate a belief in the continuance of low money rates.

The following diagram carries forward through July this bank's tabulation of the reported outstanding paper of 27 leading commercial paper dealers. A further increase in outstanding paper is shown.



Commercial Paper Outstanding—Twenty-Seven Dealers

Stock Market Money Rates

During August, call loan rates fluctuated between 3 and 5 per cent., a slightly narrower range than in July and June, when $2\frac{3}{4}$ and $5\frac{1}{2}$ per cent. were touched occasionally. The usual period of relative firmness around the first of the month was prolonged somewhat, accompanying loss by this district in the inter-district financial settlements, but in the third week money again was offered plentifully around 3 per cent., or slightly higher. Demand from the stock market appeared to be largely for replacement purposes.

Fluctuations in call money during the first part of the month were accompanied by slower trading in time money and a rate of about 1/4 of one per cent. higher for most maturities. At the end of the second week rates again declined to those previously prevailing, which were 3¾ to 4½ per cent. for maturities from 60 days to six months. Some loans were made for maturities before the first of September at 3½ per cent.

Stock Market

Stock trading was in small volume in late July and most of August, but prices continued upward to new high levels for the year despite domestic labor troubles and uncertain foreign political conditions. The advance in railroad stocks was larger than in industrials, and in both groups became more marked during the third week following a partial settlement of the coal strike. The month marks the completion of precisely one year of almost continuously rising prices, during which the advance in railroad stocks has averaged about eighteen points and in industrial stocks about thirty-six points. At present levels, industrials show a recovery of approximately half the decline that took place between November 1919, and August 1921, while railroad stocks have approached or exceeded the highest 1919 prices.

Total stock transactions during July were 15,000,000 shares, or about 600,000 shares daily. Trading continued at approximately this rate during early August, but about August 21, increased somewhat in response to encouraging reports concerning the railroad and coal strikes.

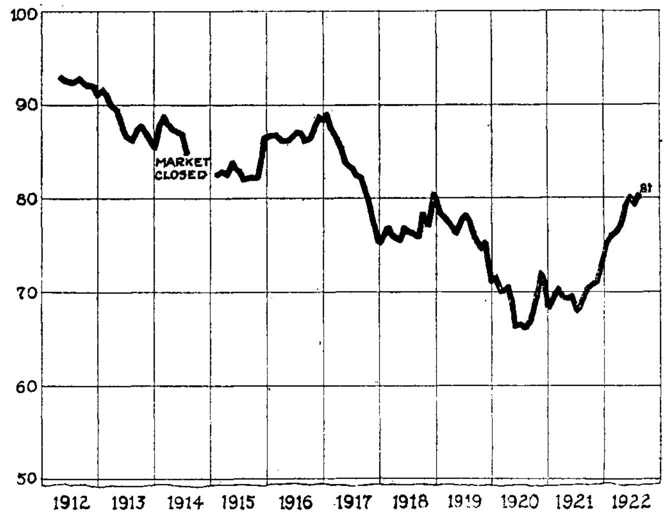
Bond Market

Prices of corporation bonds continued upward during the first three weeks of August to levels about one point above the previous high point touched in July and the highest since 1918. High-grade railroad bonds, which led the advance during the preceding month, were hesitant, and gains in combined price averages were due to an evening up of prices in other groups. Demand broadened to include even semi-speculative issues, some of which reached new high prices. Prime municipal bonds were slightly firmer in company with corporation bonds.

The changes in several different bond groups, as shown by Wall Street Journal averages, were as follows:

	Price July 20	Price Aug. 21	Change
10 Highest grade rails	91.24	91.24	0
10 Second grade rails	87.06	89.22	+2.16
10 Public utilities	88.12	89.05	+0.93
10 Industrials	95.40	96.66	+1.26
Combined average	90.45	91.54	+1.09

The following diagram shows average monthly bond prices for a period of ten years, as computed by the Annalist.



Average Monthly Price of 40 Bonds

Foreign issues continued heavy, due to uncertainties abroad and the heavy volume of new offerings in recent months. Several issues broke sharply when support was removed through the dissolution of distributing syndicates.

July transactions in bonds other than United States Government securities on the New York Stock Exchange totaled $192,000,000, somewhat under the June total and 33 per cent. less than the high level of $287,000,000 established in April. Compared with transactions in July last year, however, there was an increase of 81 per cent.

United States Government Securities

In the latter part of July continued demand for Liberty bonds carried all active issues to new high prices for the year at or above 101. Thereafter, prices reacted and by August 22, active issues declined from one-half to three-fourths of a point from July high levels. Factors of some influence in this decline appeared to be the renewed discussion of a soldiers' bonus, as well as a tendency for funds to flow into higher yielding issues. The volume of trading reflected mid-summer dulness, and July transactions on the New York Stock Exchange totaled only $111,000,000, the smallest amount since August 1921.

Offering rates for Treasury certificates and notes averaged slightly lower during the first three weeks of August. The call of approximately half the outstanding Victory 4¾ per cent. notes for redemption December 15, this year, resulted in an active demand and higher prices for uncalled notes.

The new issue of 4¼ per cent. four-year Treasury notes, offered concurrently with the call for Victory notes, was more than four times oversubscribed. Of total allotments of $345,000,000, allotments to this district were $117,000,000. The issue is now quoted in the open market to yield 4.14. In addition to cash sales, $142,000,000 new notes were issued in exchange for Victories, of which $80,000,000 were issued in the Second District.

New Financing

August new financing reflected the usual seasonal slackening, and weekly totals of new issues decreased to the smallest for the year. Of securities offered, refunding of issues previously placed at higher rates continued in evidence, but there has been also an increasing amount of borrowing for financing business expansion.

A noteworthy development of the month's corporation financing was the sale of stock issues by large retail and mail order merchandising establishments, in some cases at least for financing expansion. The prompt subscription afforded these issues gave testimony of the change that has occurred both in merchandising and investment market conditions during the past year.

Offering of domestic State, county, and municipal securities was slow in August, but a substantial volume of issues is reported in prospect for early fall. There was practically an entire absence of new foreign issues in this market up to August 24.

Foreign Exchange

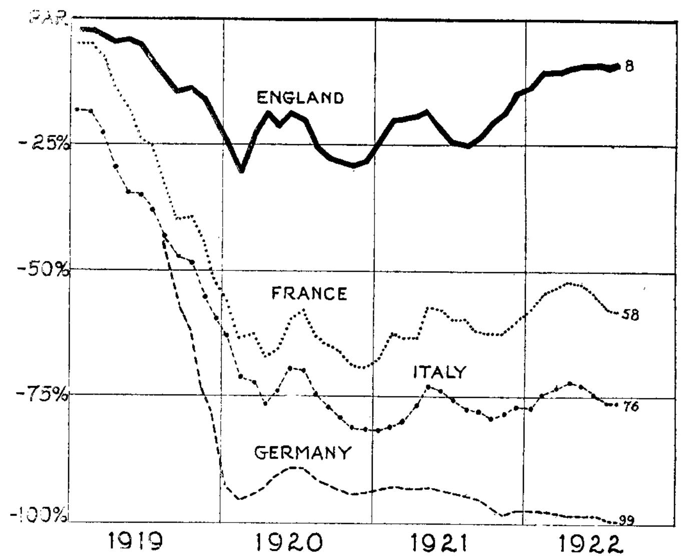
The foreign exchange market reflected the usual midsummer inactivity during August. Trading, which was confined largely to ordinary commercial transactions, was featured by firmness in the sterling rate in the face of considerable weakness in the principal continental exchanges. Marks continued the sharp decline of recent months, reaching a value of 1/20 of a cent on August 24, at a depreciation from gold parity of 99.8 per cent.

Canadian exchange reached par on August 15, selling at this point for the first time since 1915. Far Eastern and South American exchanges in general held firm during the month.

The following table shows the changes of the month in the principal exchanges.

Country	Aug. 19 Last	Change from July 20	Per Cent. Depreciation from Par
England	$4.4775	+.0256	8.0
France	.0796	−.0043	58.8
Italy	.0453	−.0006	76.5
Germany	.0008	−.0012	99.7
Belgium	.0756	−.0038	60.8
Holland	.3890	+.0008	3.2
Switzerland	.1907	−.0011	1.2
Spain	.1562	+.0007	19.1
Sweden (Stockholm)	.2647	+.0052	1.2
Argentina	.3619	+.0024	14.7
Brazil	.1326	−.0022	59.1
Japan (Yokohama)	.4780	+.0002	4.1
China (Hong Kong)	.5813	0	*
China (Shanghai)	.7763	+.0025	*
India	.2925	+.0019	39.9
Canada	.9988	+.0085	0.1
Bar Silver in New York	.6950	−.0050	....

* Silver Exchange Basis.



Depreciation of Foreign Exchange Rates from Par Value

Foreign Trade

Exports from the United States during July were $30,000,000 less than in June and imports were $9,000,000 less. The surplus of outgoing merchandise declined to $54,000,000, the smallest export surplus for any month since February.

The followng table compares totals of exports and imports, and surplus of exports, for the first seven months of this year with corresponding totals for previous years. Since 1919 there has been a steady tendency toward the reestablishment of a closer correspondence between exports and imports.

(000,000 Omitted)

Year	Exports	Imports	Excess Exports
1914	$1,200	$1,141	$ 60
1915	1,970	1,009	962
1916	2,925	1,468	1,458
1917	3,661	1,779	1,882
1918	3,483	1,787	1,695
1919	4,626	1,954	2,671
1920	4,897	3,482	1,416
1921	2,860	1,499	1,361
1922	2,126	1,670	455

The decrease in the July export total may be accounted for in part by a decrease in cotton shipments from 491,079 bales to 373,742 bales. This total was the smallest since February and 29 per cent. less than shipments in July last year. For the crop year just completed, however, exports were considerably larger than for the preceding crop year both in amount and in relation to the total crop. Figures for the past eleven years are shown in the following table.

Year Ending July 31	PRODUCTION (Including Linters) No. of Bales	EXPORTS (Including Linters) No. of Bales
1912	16,250,000	10,719,000
1913	14,313,000	8,746,000
1914	14,795,000	9,151,000
1915	16,992,000	8,545,000
1916	12,123,000	6,191,000
1917	12,781,000	5,739,000
1918	12,428,000	4,476,000
1919	12,970,000	5,664,000
1920	12,029,000	6,598,000
1921	13,880,000	5,725,000
1922	8,352,000	6,404,000
1923	11,449,000x	....

Production figures cover crop grown during preceding calendar year.
x—Estimated, exclusive of linters.

A further possible factor in lower July export totals was a continued light demand for iron and steel and copper. June iron and steel shipments were 8 per cent. less than those of May, though they were otherwise the largest since early last year. Copper demand is relatively dull from all countries, including Germany, which was the largest buyer of American production during the past year.

Contrasting with quietness in these lines there developed around the first of August heavy export business in wheat and a steady demand for corn and rye. The upward trend of the past seven months in cotton cloth exports continued through June, and, while a period of quietness accompanied uncertainty over cotton prices early in August, the renewed strength in cotton prices in the third week of the month again brought additional inquiries for goods.

Factors in the lower import total for July were decreases in imports of silk and sugar. Coffee imports, on the other hand, increased, and rubber imports rose nearly 10,000 long tons to 25,245 tons, the largest total since February.

Current Balance of Trade

The accompanying table, bringing up through July a tabulation printed in the REVIEW of May 1, shows that in recent months credits created in this country through sales of foreign securities and net imports of gold and silver have continued to offset this country's monthly export balance in merchandise. The figures for July, however, indicate an important alteration in the proportion of credits established here by these two means. A marked reduction in the volume of foreign issues sold here was accompanied by a rise in imports of gold and silver to the highest levels since the close of last year.

(Millions of Dollars)

1921	Foreign Financing in United States	Net Imports of Gold and Silver	Total of Foreign Financing and Net Imports of Gold and Silver	United States Export Balance (Merchandise)
January	62	29	91	445
February	47	41	88	272
March	30	88	117	135
April	6	81	87	86
May	139*	62	200	125
June	8	45	53	151
July	42	60	102	147
August	51	88	139	172
September	121	63	185	146
October	53	42	95	155
November	63	52	115	83
December	74†	28	102	59
1922				
January	93	28	121	62
February	58	25	82	35
March	163	35	198	74
April	207	10	217	101
May	39	5	44	55
June	119	12	131	74
July	55	43	98	54

* Refunding May $50,000,000.
† Hawaiian Issue sold during year, included.

Gold Movement

Gold imports during July amounted to about $43,000,000, the largest receipts since November 1921. The large total was due entirely to British shipments of $38,000,000.

(000 omitted)

	(Monthly Average)				
	1921	Jan.–Mar. 1922	Apr.–June 1922	July 1922	Total 1922
England	$16,841	$6,266	$1,954	$38,000	$62,663
Sweden	5,530	9,345	1,174	245	31,804
Canada	3,071	1,765	816	580	8,321
China and Hong Kong	1,964	170	1,040	342	3,972
France	15,891	3,317	791	1,688	14,011
Denmark	453	3,437	2,115	....	16,655
Norway	128	1,601	1,026	....	7,880
All Other	13,728	3,686	2,486	2,131	20,647
Total	$57,606	$29,587	$11,402	$42,986	$165,953

World's Sea-Going Shipping

The amounts of sea-going steel and iron steam vessels owned by principal countries in June 1922 have recently been announced by Lloyd's Register of Shipping. Figures are shown in the following table in thousands of gross tons, together with the change since 1921 and since 1914 in the amounts owned by different countries. The total increase in the year amounts to about 2,600,000 gross tons. The country showing the largest increase is

Germany, which increased her merchant marine by more than one million tons, largely through purchases from Great Britain and other countries. Holland shows the second largest increase, with 400,000 tons. In spite of heavy shipbuilding operations the United Kingdom shows a small net loss for the year due to the sale of ships.

(In thousands of gross tons)

Country	June 1914	June 1921	June 1922	Difference between 1921 and 1922	Difference between 1914 and 1922
United Kingdom	18,877	19,288	19,053	− 235	+ 176
British Dominions	1,407	1,950	2,201	+ 251	+ 794
United States	1,837	12,314	12,506	+ 192	+10,669
Austria-Hungary	1,052	......	......	....	....
Denmark	768	866	944	+ 78	+ 176
France	1,918	3,046	3,303	+ 257	+ 1,385
Germany	5,098	654	1,783	+1,129	− 3,315
Greece	820	576	653	+ 77	− 167
Holland	1,471	2,207	2,613	+ 406	+ 1,142
Italy	1,428	2,378	2,600	+ 222	+ 1,172
Japan	1,642	3,063	3,325	+ 262	+ 1,683
Norway	1,923	2,285	2,337	+ 52	+ 414
Spain	883	1,094	1,187	+ 93	+ 304
Sweden	992	1,037	996	− 41	+ 4
Other countries	2,398	3,459	3,301	− 158	+ 903
World's total	42,514	54,217	56,802	+2,585	+14,288

World Prices

The movement of world commodity prices at wholesale was in general slightly upward during July, although this movement was not pronounced except in the case of Germany, where a continued heavy volume of new currency issues was accompanied by an increase of more than 50 per cent. in wholesale commodity prices. In the first three weeks of August prices of basic commodities in England reacted downward following a similar movement which began a few weeks earlier in the United States.

(1913 average=100 per cent. unless otherwise noted)

Country	Latest Quotation	Per Cent. Change During		
		May	June	July
United States:				
20 basic commodities[1]	138 (Aug. 19)	+ 5.4	+ 1.8	+ 0.1
Dept. of Labor	155 (July 15)	+ 3.5	+ 1.4	+ 3.3
Dun's	144 (Aug. 1)	+ 1.1	+ 2.2	− 0.1
Bradstreet's	131 (Aug. 1)	+ 1.7	+ 1.7	− 0.3
Great Britain:				
Economist	163 (Aug. 1)	+ 1.9	+ 0.4	+ 0.1
Statist	157 (Aug. 1)	+ 0.5	+ 0.1	− 1.7
20 basic commodities[1]	138 (Aug. 19)	+ 3.3	+ 1.4	+ 2.8
France	325 (Aug. 1)	+ 1.0	+ 2.6	0.0
Italy	537 (July 1)	− 0.6	+ 2.6	......
Japan	201 (July av.)	− 1.6	+ 1.5	+ 1.9
Canada	166 (July 15)	+ 0.5	− 0.8	+ 0.5
Australia[2]	156 (June 15)	+ 4.7	+ 0.6	......
Norway[3]	232 (Aug. 1)	− 2.1	− 0.4	+ 0.9
Germany[4]	13935 (Aug. 1)	+ 6.3r	+16.6r	+52.5
Denmark[5]	180 (Aug. 1)	+ 1.1	+ 0.6	0.0

[1]Computed by this bank. [2]July 1914=100. [3]December 31, 1913-June 30, 1914=100. [4]Middle of 1914=100. [5]July 1912-June 1914=100. r=Revised.

Domestic Prices

A large increase in the price of fuel resulting from the coal strike, together with some increase in prices of farm products early in the month, brought the Department of Labor index of wholesale prices for July to 155, a figure more than 3 per cent. higher than the June level. The changes in the index by commodity groups are shown in the following table.

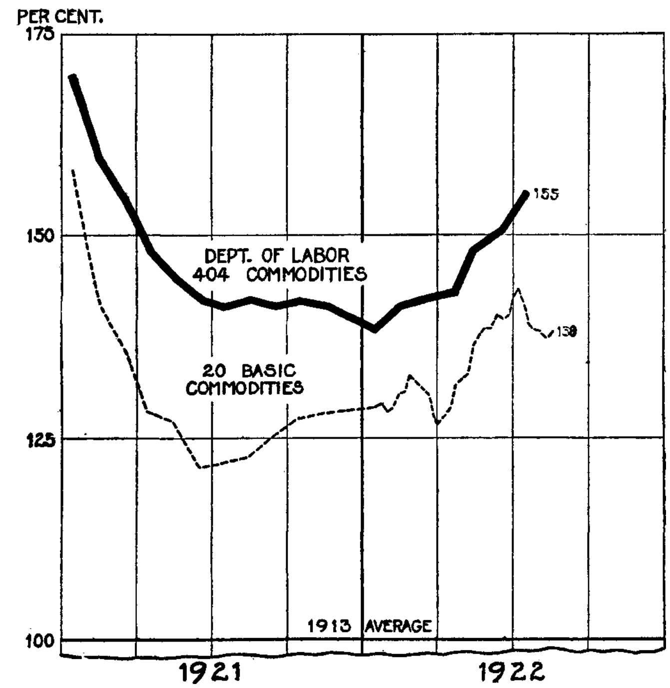
(1913 average=100 per cent.)

Commodity Group	Value of Index		Per Cent. Change
	June 1922	July 1922	June to July
Farm products	131	135	+ 3.1
Foods	140	142	+ 1.4
Cloths and clothing	179	180	+ 0.6
Fuel and lighting	225	254	+12.9
Metals	120	121	+ 0.8
Building materials	167	170	+ 1.8
Chemicals and drugs	122	121	− 0.8
House furnishing goods	176	173	− 1.7
Miscellaneous	114	114	0.0
All groups	150	155	+ 3.3

Toward the latter part of July and early in August, the price of wheat broke sharply and there were losses in a number of other basic commodities; so that this bank's index of 20 basic commodities was 3.8 per cent. lower on August 21 than on July 10. The recent downward movement corresponds closely with a similar movement which took place in the spring of the year.

The following diagram makes a comparison between the course of the Department of Labor index and the index of 20 basic commodities maintained by this bank. The Department of Labor index is computed each month and is an average of prices for the entire month, while the index of 20 basic commodities is computed on Monday of each week and both by reason of the commodities included and the method of computation, reacts more rapidly to changed price conditions than does the Department of Labor index.

The Cost of Living index number maintained by the National Industrial Conference Board shows substantially no change for July. The index now stands at 155.6 (July 1914, equals 100 per cent.).



Wholesale Prices in the United States According to Two Indices (1913 Average=100 per cent.)

Wages

The United States Steel Corporation announced on August 22 an increase of 20 per cent., from 30 to 36 cents an hour, in the wages of common or unskilled laborers, to become effective on September 1, and a corresponding adjustment in wages of other workers. A majority of the independent steel companies granted similar increases in wage rates at about the same time.

The new rate is 80 per cent. above that of 1915 and undoubtedly reflects the greater competition for unskilled labor, which has been evident in the steel and other industries during the summer months. This tendency was indicated last month by an increase in the index of common labor wage rates computed by this bank, and reported in the August 1 Review.

An increase averaging 47 per cent. and affecting between 30,000 and 40,000 non-union coal miners in Pennsylvania was announced August 22 by several coal companies owned by steel companies which use the entire production of these mines.

The tendency to increase wages has not been uniform among all types of workers. The continuation of a gradual downward wage readjustment particularly among clerical workers is reported by a number of employment agencies in the district. Employers frequently are attempting to replace at somewhat lower salaries employees who resign. This is especially true among clerical workers. The result is a greater difference than usual between the salaries offered by employers and those which the applicants expect. There is, for example, a demand for the highest grade of stenographers at $25 a week, while applicants for that type of position ask $30 and $35 a week.

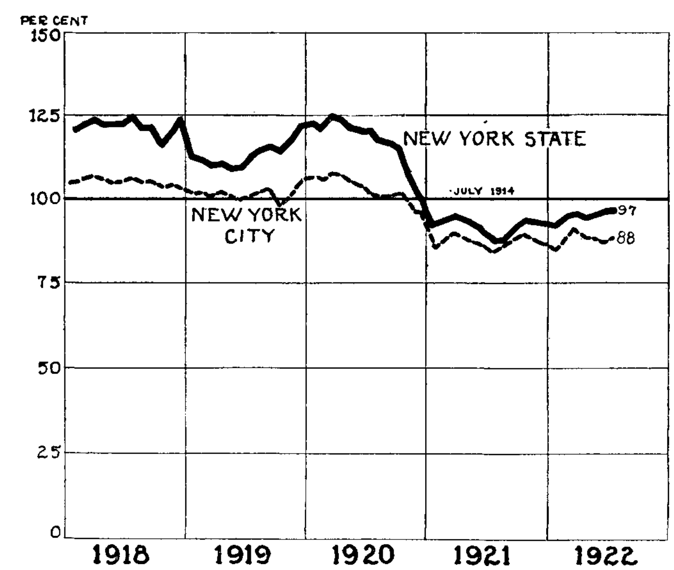
In a number of occupations the average wage payment has been reduced gradually through lowering the hiring rate for new employees and without any salary cuts.

Employment

The New York State Department of Labor reported for July a decline of 60 per cent. in the number employed in railroad repair shops in New York State on account of the strike. The effect of this decline upon the total number of persons employed in industries of the State was offset by increased employment in the miscellaneous metal and machinery industries, in iron and steel mills, automobile plants, clothing factories, and in the manufacture of building materials and food products.

The following diagram shows the increase in recent months in the number of factory workers both in New York City and throughout the State as reported by the New York State Department of Labor. The New York City index is much influenced by conditions in the apparel trades. That industry did not share largely in the general industrial expansion of 1918 and 1920, and in 1921 and 1922, has been hampered by labor disputes. In neither the city nor the State is the employment index yet back to the 1914 level.

Employment agencies in the State report a steadily increasing demand for workers of all types with a corresponding decline in the number of applicants for positions. The number of applicants, however, continues to exceed the number of positions except in the cases of common labor, the building trades, and a few specialized occupations.



Number of Workers Employed in Industrial Establishments in New York State and New York City. (Figures for July, 1914=100 per cent.)

Production in Basic Industries

Largely by reason of a shortage in the car supply, in which the railroad strike was a factor, the production of bituminous coal in July was about 25 per cent. less than in June. The weekly figures for July and the early weeks of August showed a gradual increase. The suspension of anthracite mining was practically complete in the period for which reports are available. The manufacture of coke has gone forward with little interruption.

Other indices of production for July show in general, some interruption of the upward movement which had been practically continuous for about a year. Steel output was slightly smaller in the face of some diminution in the demand, particularly the export demand, and current reports for August indicated a still further reduction of output in that month. Total pig iron production in July was larger than in June, but the furnaces in blast diminished during the month from 192 to 171, and production in August was at a lower rate.

A continued increase in cement production together with a decrease in the output of lumber may be partly explained by a recent decrease in contracts let for residential construction and an increase in contracts let for public works and industrial construction.

Representatives of the textile industry report that the decreased consumption of cotton in July was due mainly to a lighter demand rather than to the coal strike, except to the extent that the strike exercised an influence on the general business outlook.

The following table shows for successive months the production of a number of basic commodities expressed as percentages of estimated normal production. In the calculation of normal, allowance has been made for both year to year growth and seasonal variation.

(Normal Production=100 Per Cent.)

Commodity	Feb.	Mar.	Apr.	May	June	July
Anthracite coal mined	99	105	0.3*p*	0.4*p*	1.0*p*	1.4*p*
Bituminous coal mined	82	89	34*p*	41*p*	43*p*	32*p*
Pig iron production	57	65	67	73	79	82
Steel ingot production	58	71	74	81	82	79
Copper production, mine	33	46	59	68	74	68
Tin deliveries	58	103	100	92	90	75
Crude petroleum production	111	111	109	111	110*p*	...
Portland cement production	82	104	111	119	120	128
Wheat flour production	105	114	95	100	104	142
Meat slaughtered	98	112	96	108	112	...
Sugar meltings	129	142	124	146	135	131
Wool consumption*	115	128	95	...	...	...
Cotton consumption	92	91	80	88	92	84
Lumber production	83	93	75	96	82*r*	76
Wood pulp production	90	100	92	108	110	...
Tobacco consumption	77	83	79	91	...	...
Paper (total) production*	85	100	89	100	100	...
Gasoline production	89	97	95	96	101	...

p—Preliminary.
r—Revised.
* Seasonal variation not allowed for.

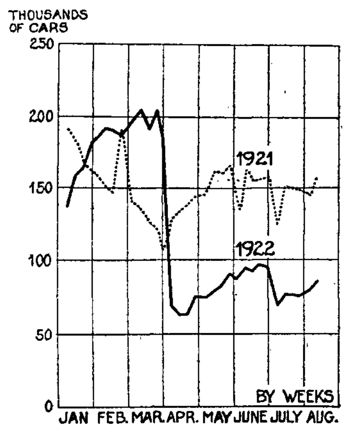
Volume of Building

Building contract awards reported by the F. W. Dodge Company for the twenty-seven northeastern States in July were about 2 per cent. larger than in June, but were still slightly under the exceptionally large totals of April and May. Residential construction was considerably under the June figure, but this loss was more than offset by large expenditures for public works and educational buildings. The July increase was mainly in the Central Western States, and most eastern States showed slight declines. Awards in New York and Northern New Jersey declined about 4 per cent., due to a further reduction in awards in New York City.

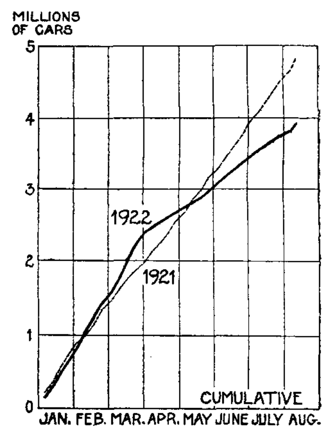
Railway Traffic

Freight car loadings on the railroads of the United States in recent weeks have been from 8 to 10 per cent. heavier than in the corresponding weeks of 1921, but have been about the same amount behind 1920. The increase over last year was due chiefly to a steady gain in the movement of merchandise and miscellaneous freight, and was in spite of lower coal loadings since April.

Coal traffic increased slightly during the latter part of July and early in August but was still slightly under the weekly totals before the railroad strike. The diagram below on the left shows coal loadings by weeks from January to August of 1921 and 1922, while that to the right shows for each week cumulative loadings, that is, total loadings since the first of the year.



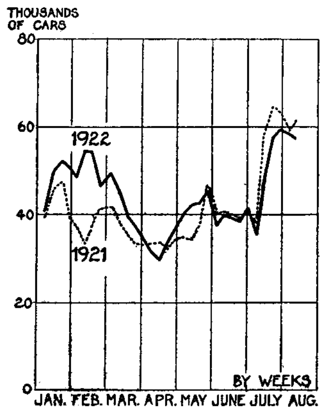
Coal Loadings Each Week



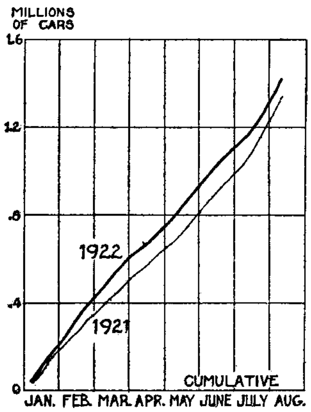
Total Coal Loadings from the First of the Year Through Each Week

Loadings of coal were much heavier in the first three months of 1922 than in the same period of 1921, largely in anticipation of the coal strike, and the total movement up to April had exceeded loadings in the same period of 1921 by two or three weeks' operations. Up to the second week of August loadings were about five weeks behind 1921 figures.

The movement of the new crops began in July 1922, at a somewhat slower rate than last year, but total grain traffic up to the end of the second week in August has been larger than in 1921 because of a heavier movement of grain early in the year. The diagram below to the left compares weekly totals while that to the right shows cumulative loadings since the first of the year.



Grain Loadings Each Week

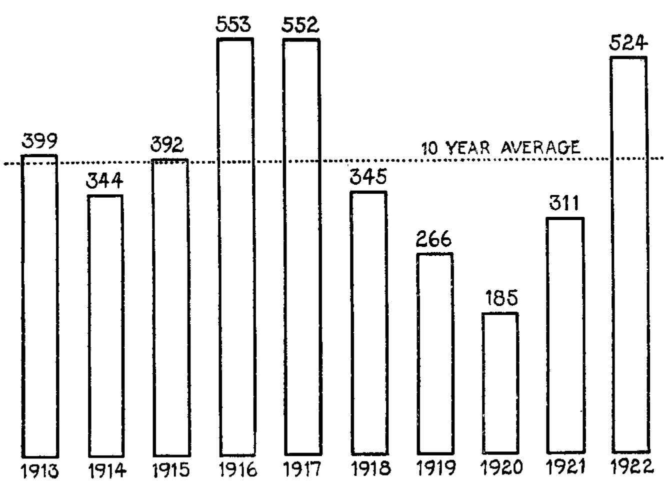


Total Grain Loadings from the First of the Year Through Each Week

Railway Earnings

Net earnings of 201 Class 1 railroads in the United States were higher for the first six months of 1922 than for the same period of any other year since 1917. Detailed figures on earnings and expenses, indicate that there has been little increase in gross income, and higher net earnings have been due largely to reduction in working forces and to smaller repair, renewal, and maintenance outlays.

The following diagram compares net earnings for the first half of each year since 1913 as tabulated by the Commercial and Financial Chronicle.



Net Earnings of Class 1 Railroads in the United States in the First 6 Months of Different Years (in Millions of Dollars)

Net railway operating income (after adjustment for joint facility and equipment rentals) of the Class 1 roads for the first half of 1922 was reported by the Bureau of Railway Economics at an annual rate of about 4.4 per cent. on the tentative property valuation of these roads as determined by the Interstate Commerce Commission. In March, the last month before the coal strike, earnings reached the 5¾ per cent. rate fixed as a fair return by the Interstate Commerce Commission, but in April, May, and June, they ranged from a rate of about 3½ per cent. to about 4¾ per cent.

Crop Conditions

Substantial improvement during July in the condition of most important crops was reported by the Department of Agriculture. The crop estimate for August 1, placed the average condition of all crops in the United States at 1 per cent. above the ten-year average for that date, as compared with 2 per cent. below the average on July 1. Crops in New York and New Jersey were in relatively better condition than those of other States except North Dakota and Montana.

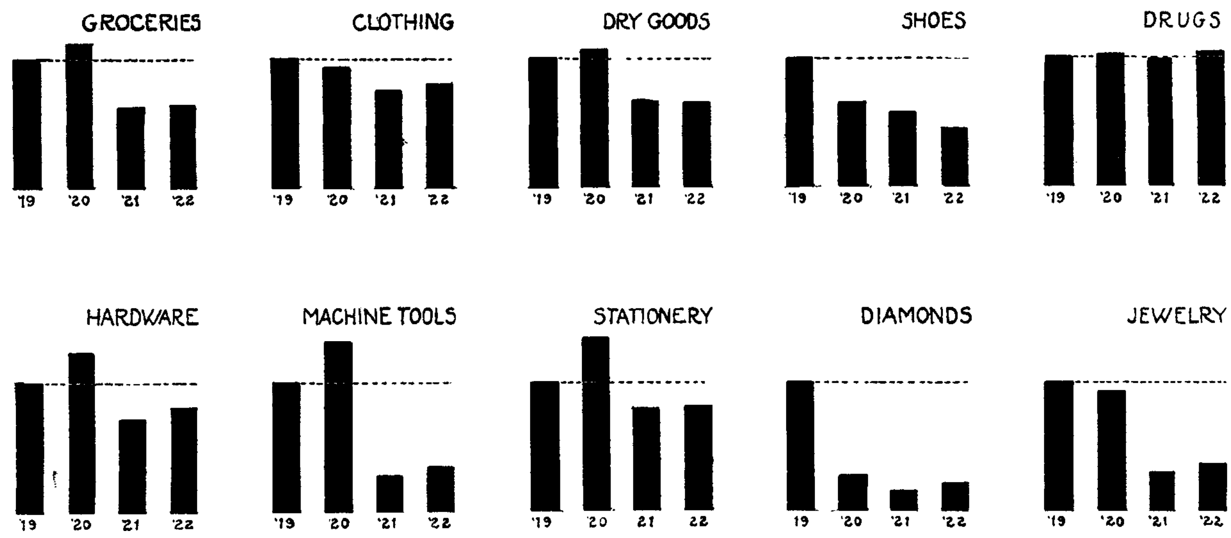
Probable yields of corn and wheat in view of August 1 crop conditions were estimated for 1922, at practically the same as in 1921. The cotton crop was estimated at 11,449,000 bales, 40 per cent. more than in 1921. The indicated cotton and corn crops are above the average of the past five years while that of wheat is about equal to the average.

Wholesale Trade

The weighted index of wholesale trade in this district, computed by this bank from reports received from 122 dealers in ten important commodities, shows that the July sales were 2.3 per cent. greater than the sales of July a year ago. This is the largest gain over the same month in the preceding year that has been made since June 1920. The gain reflects greater confidence of retail merchants in placing fall orders and the somewhat higher prices which some of the commodities now command.

The diagrams at the top of page 10 compare the July sales of each of these ten commodities for the past four years. The columns represent only the dollar value of sales and no allowance has been made for fluctuations in prices.

Sales in July were larger than in July a year ago in eight of the ten commodities. Shoes and dry goods showed losses. Our index of shoe sales has been greatly reduced by the closing of a number of factories in Rochester for several months on account of labor troubles. The erratic fluctuations in the price of raw cotton have retarded sales of dry goods, as buyers are reluctant to order until prices become more stable.



Sales of Representative Wholesale Houses in July 1922, Compared with Sales in July of Previous Years. (Sales in July 1919=100 per cent.) No Allowance is Made for Price Changes

A 43 per cent. increase in sales of diamonds since a year ago was due to the fact that sales in July of last year were greatly reduced. Sales of diamonds are still only about one-fifth as large as in July 1919. The increase in machine tool sales reflects greater activity in industrial plants.

The figures in detail are shown in the following table.

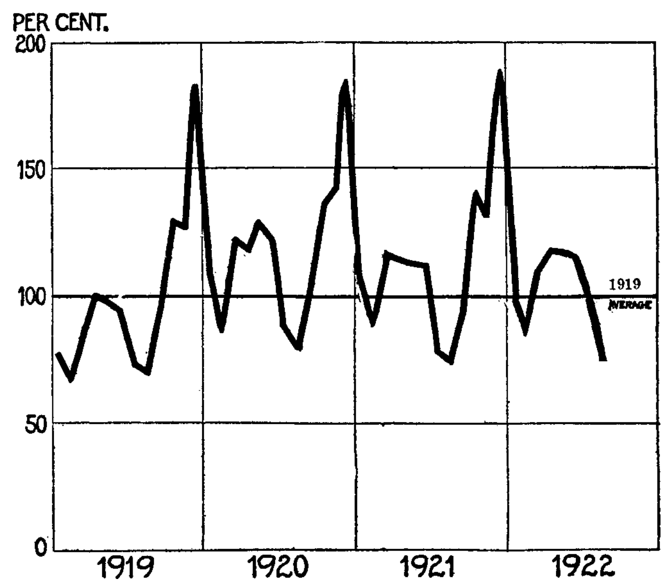
	Firms Reporting	Dollar Value of Sales				Per Cent. Change July 1921 to July 1922
		July 1919	July 1920	July 1921	July 1922	
Diamonds......	7	100	27	16	22	+42.7
Machine Tools..	4	100	132	27	34	+26.5
Jewelry.........	6	100	93	30	36	+22.7
Hardware.......	11	100	123	72	82	+13.7
Drugs..........	6	100	101	98	104	+ 6.3
Clothing (Total).	22	100	93	75	79	+ 5.4
(a) Men's.....	(8)	100	126	104	111	+ 6.6
(b) Women's..	(14)	100	66	51	53	+ 3.3
Groceries.......	42	100	112	62	65	+ 4.5
Stationery......	6	100	135	80	81	+ 0.9
Dry Goods......	8	100	107	67	65	− 2.7
Shoes..........	10	100	65	57	45	−21.3
Total (weighted)	122	100	100	64	66	+ 2.3

Department Store Trade

July sales of department stores in this district were about the same as those of last July, according to reports received by this bank from 50 firms operating 64 stores.

The largest decline, which amounted to 6 per cent., was reported by those stores that sell apparel exclusively and was due to somewhat lower prices, particularly in connection with special sales. In New York City the department stores reported an increase of 2.3 per cent., due mainly to larger sales of house furnishings, reflecting the completion of large numbers of new residential buildings. Sales in Buffalo, Newark, and Syracuse were about 4 per cent. below those of last July. Sales in Bridgeport increased 5 per cent. following greater activity in manufacturing plants in that city.

Mid-summer is normally the dullest period of the year in the business of department stores, as many people are away on vacations, and in New York City the stores are closed on Saturdays. July sales were about one-third below those of June, and in normal years August sales are slightly below those of July. They increase in September and the height of the fall buying



Sales of 64 Department Stores in the Second District (1919 Average=100 per cent.)

season occurs in October. The foregoing diagram of the sales by department stores in this district indicates how closely the sales of different years follow the same seasonal variations.

July sales by mail order houses were nearly 20 per cent. greater than those of last year and reflect the improvement in the financial position of agricultural districts where the bulk of mail order business originates. Mail order sales continued to be much below the levels reached in 1919 and 1920.

Detailed figures are shown in the table that follows.

	Net Sales (in percentages)				Stock on Hand Retail Price (in percentages)			
	July 1919	July 1920	July 1921	July 1922	Aug.1 1919	Aug.1 1920	Aug.1 1921	Aug.1 1922
All Dept. Stores..	95	113	100	100	87	125	100	99
New York....	99	115	100	102	86	124	100	101
Buffalo.......	91	110	100	96	93	122	100	101
Newark......	92	116	100	96	90	133	100	99
Rochester.....	74	106	100	100	87	143	100	93
Syracuse......	90	117	100	95	92	135	100	83
Bridgeport....	84	137	100	105	99	119	100	99
Elsewhere in 2nd District	79	109	100	102	78	104	100	89
Apparel Stores...	98	105	100	94	93	129	100	107
Mail Ord. Houses	153	160	100	119	*	*	*	*

Stocks held by department stores declined about 6 per cent. between July 1 and August 1, a normal decline during the summer months. The value of the stocks held is about the same as one year ago.

Some merchants have placed large orders for fall goods while others have delayed making extensive purchases. In general, those stores which are situated a long distance from New York and other markets have bought freely to avoid delays which might result from railway labor troubles. But the stores which are situated in the vicinity of primary markets have delayed placing the bulk of their fall orders.

Chain Store Sales

July sales by the chain store systems that report to this bank were 12.9 per cent. greater than those of July last year. With the exception of the five and ten cent stores, this increase has been due largely to the opening of new stores by the reporting systems.

Sales by shoe stores show a loss of 2 per cent., due to lower prices. The number of pairs of shoes sold by these stores was 5.5 per cent. greater in July of this year than last. The average price per pair declined 7.2 per cent. from $3.63 last July, to $3.37 in July of this year.

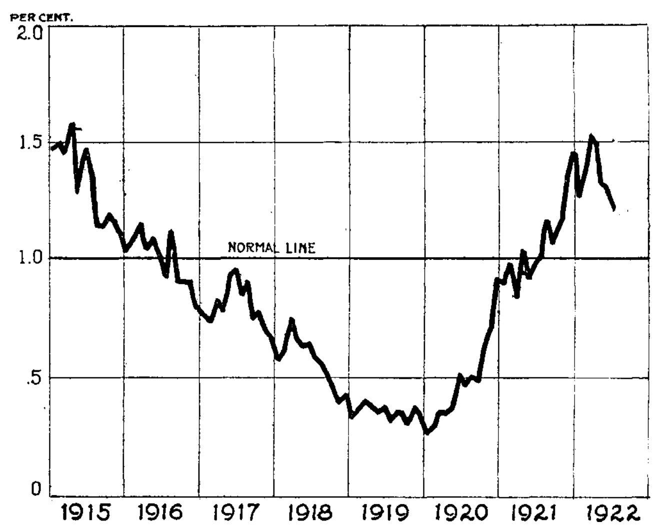
Detailed figures are shown in the table that follows.

Type of Store	Number of Stores		Total Net Sales (in percentages)				% Change in Sales per Store, July 1921 to July 1922
	July 1921	July 1922	July 1919	July 1920	July 1921	July 1922	
Grocery..	6,001	8,006	93	138	100	120	− 9.7
Ten Cent.	1,602	1,665	81	104	100	117	+12.6
Drug....	255	251	89	108	100	101	+ 2.9
Cigar....	2,246	2,549	76	107	100	99	−12.7
Apparel..	369	373	60	95	100	98	− 2.8
Shoe.....	186	210	85	119	100	98	−13.1
Total..	10,659	13,054	84	117	100	113	− 7.8

Business Failures

The number and aggregate liabilities of commercial failures in the United States reported by Dun's for July were practically the same as in June, though normally the July total shows an increase. Failures were reported for the first three weeks of August at about the same rate as in July.

This bank's index, which is based upon the number of failures each month in proportion to the number of firms in business and which makes allowance for seasonal change, was lower for July than for any month since October 1921. The following diagram shows the decline in recent months.



Percentage of Firms Failing to the Number in Business, in Terms of Annual Rate. Seasonal Variation Allowed For

Federal Reserve Banks as Banking Agents for the Government

THE largest business organization in this country is the United States Government. To meet its annual expenditures it collects in revenue, or borrows through sale of securities, sums vastly greater than any ever approached by a private corporation. Until recently, however, there has been no country-wide organization to handle these operations.

The Independent Treasury

The first and second United States Banks, which represented an attempt to handle Government funds through one central Federal bank, succumbed to opposition of the State banks and a belief that they were undemocratic. So insecure, however, were Government deposits in the then badly managed State banks that the Government in 1846 created the Subtreasury System, or the so-called Independent Treasury, which was designed to carry on all Government financial operations completely independent of the banks of the country.

During the Civil War, and afterwards, the Government found increasing need for closer cooperation with the banks for distributing its securities and other purposes. Moreover the custom of locking up funds in the Treasury vaults for indefinite periods often resulted in a serious shortage of funds for the conduct of the country's business. Certain funds were allowed to accumulate in depository banks but there was no satisfactory system of distributing the funds among the banks.

Bankers for the Government

One of the objects of the Federal Reserve Act was to provide the Government with a suitable banking agent. Under the terms of the Act, on November 23, 1915, the Federal Reserve Banks were officially appointed fiscal agents of the Government by the Secretary of the Treasury, and were empowered to accept Government receipts, carry Government deposits, and pay checks and warrants drawn by the Treasurer of the United States, as well as coupons on the Government debt.

To these types of service the Reserve banks are by the nature of their organization peculiarly adapted. Any Government check, no matter where drawn, will be paid at any of the 12 Reserve banks or their 23 branches, thus providing a convenient and prompt means of payment. The breadth of the Reserve bank facilities are similarly convenient for the handling of Treasury notes and certificates of indebtedness, which may be redeemed at any Reserve bank regardless of where they were sold. The private telegraph system maintained by the Reserve banks by which funds can be transferred instantly to and from different sections of the country has also proved absolutely essential to the Government's immense operations during and since the World War.

Meeting Government War Needs

The outbreak of the war resulted not only in a vast expansion in the operations of the Reserve banks as bankers to the Government, but in the assumption of responsibilities, unprecedented in both character and volume, in effecting the flotation and distribution of Government war securities. As administrative centers of the Liberty Loan committees, they were the heart of the greatest bond selling organizations ever created. They advertised the bonds, handled the subscriptions and payments, distributed the bonds, and kept the accounts of five bond issues aggregating $21,000,000,000 with more than 63,000,000 subscriptions. Just as currency requires changing from one denomination to another, so these issues of Liberty bonds and Victory notes require changing not only from one denomination to another, but also from one issue to another, from registered to unregistered or vice versa, from temporary to permanent. These operations were undertaken by the Reserve banks and are still being carried forward. Interest payments are made through the Reserve banks and Victory notes as they mature are being redeemed.

The Reserve banks have also assumed charge of the sale and redemption in their respective districts of the successive issues of Treasury certificates of indebtedness by means of which the Government supplied its current needs in intervals between the flotation of Liberty Loans and now maintains its floating indebtedness. In all, from the first certificate issue in 1917 to the most recent certificate and short note issues in the refunding program of the Treasury, the Reserve banks acted as agents for the distribution of $36,000,000,000 short term Government issues, and for the redemption of $32,000,000,000. To avoid disturbance to the money market, funds obtained by the Government from sales of all such issues are permitted to remain in the banks as Government deposits until required, secured by collateral pledged with the Reserve banks.

Size of Operations

Some idea of the size of these operations may be gathered from the following figures for the year 1921 for the Federal Reserve Bank of New York alone:

Government checks handled	$1,638,000,000
Government funds transferred by telegraph	$1,220,000,000
Government bonds and notes handled for conversion or exchange	$5,639,000,000
Certificates of indebtedness and short term notes sold	$1,481,000,000
Number of employees in fiscal agency departments	264

The cost of fiscal agency operations of the Reserve banks up to July 1, 1921, was reimbursed by the Government, but since that date, all expenses, except a few incidentals, have been borne by the Reserve banks. From July 1 to December 31, 1921, the services performed for the Government by the Federal Reserve Bank of New York, solely in connection with the handling of Government loans cost $572,748.

With the continuous enlargement of the fiscal agency operations of the Reserve banks, the necessity for maintaining the Subtreasuries was reduced correspondingly. By Act of Congress, approved May 29, 1920, their discontinuance was authorized, and early in the ensuing year the Reserve banks formally took over all their functions except the keeping of the metallic reserve behind gold and silver certificates and United States notes, which was transferred to the Treasury at Washington.

The closing of the Subtreasuries marks the final passing of the Independent Treasury and its replacement by the Reserve banks. In place of an expensive, cumbersome, inelastic system for handling public funds almost entirely unrelated to the business life of the country, the Reserve banks provide practically without cost to the Government, a flexible organization immediately related to the banking and business life of the entire country.