

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

February 1, 1923

Business Conditions in the United States

PRODUCTION and prices remained relatively constant in December while trade and credit showed the usual increases in the holiday season followed by declines in January.

PRODUCTION

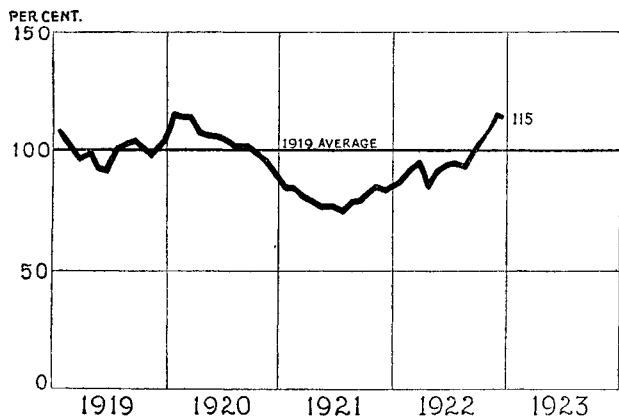
The index of production in basic industries, after rising rapidly since last August, showed a slight recession in December, though production was maintained at a level near the peak of 1920. The output of pig iron and coal continued to increase, but the production of certain other commodities, particularly of cotton textiles and flour, showed declines. In southern districts the building industry continued active and in all parts of the country much new construction was projected.

Railroad traffic continued heavier than a year ago, though the seasonal decline in car loadings and the reduction in bad order cars partially relieved freight congestion.

Employment at industrial establishments made a further advance in December, accompanied by wage increases in certain industries. Some shortage of labor in the eastern districts was still reported, but in the Pacific States a substantial surplus of unskilled labor was indicated.

WHOLESALE PRICES

The general level of wholesale prices remained un-



Index of Production in Basic Industries—Combination of 22 Individual Series, Corrected for Seasonal Variation (1919 Average = 100 Per cent.)

changed in December. Among various groups of commodities the price tendencies of recent months were continued. Prices of farm products, cloth, chemicals and house furnishings registered further increases, while fuel and metal prices continued to decline.

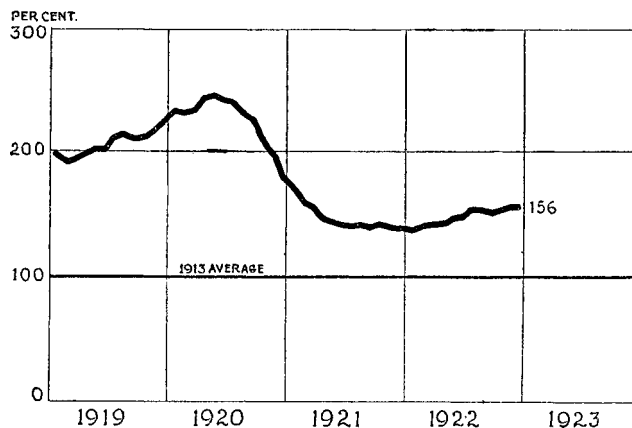
During January a number of basic commodities advanced in price and cotton, rubber and lead rose to the highest points since 1920.

TRADE

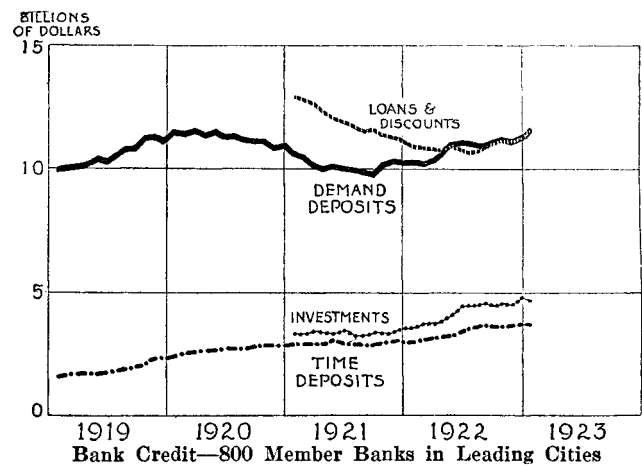
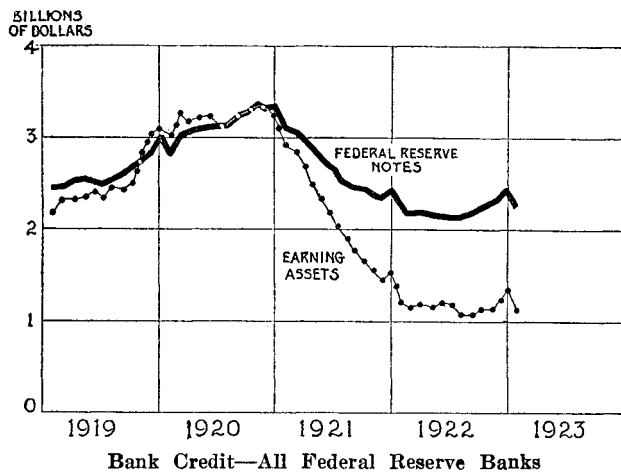
Wholesale trade in most reporting lines showed a seasonal decline in December, but was considerably larger than a year ago. Farm implement dealers, however, reported larger sales than in November, and more than doubled their December 1921 business. Retail sales of reporting stores during December reached the largest volume in the last four years.

BANK CREDIT

Dividend and interest payments and the disbursement of Government funds in connection with the redemption of Victory notes and War Savings certificates, together with the usual decline in the demand for currency after the holiday season, were attended by a large increase in the volume of new security issues and by somewhat easier money conditions. Open market commercial paper rates in financial centers which were $4\frac{1}{2}$ to $4\frac{3}{4}$ per cent. in December declined to $4\frac{1}{4}$ to $4\frac{1}{2}$ per cent. in January.



Prices—Index Numbers of Wholesale Prices, U. S. Bureau of Labor Statistics (1913 Average = 100 Per cent.)



Member banks in leading cities reported an increase in demand deposits, an important factor in which was the usual seasonal flow of funds from country districts to financial centers. While the volume of loans on stocks and bonds decreased in the first two weeks of January there was a somewhat larger increase in the investments owned by the banks.

At the Federal Reserve Banks the principal change between December 20 and January 24 was a reduction of \$230,000,000 in Federal Reserve note circulation caused by the seasonal decline in currency requirements. Reserves increased \$65,000,000 while earning assets declined \$171,000,000. These changes are similar to developments during the same period a year ago, although the decline in earning assets was less than last year.

Banking Situation

In the early weeks of the year, when holiday and year-end needs for currency and credit have passed, and money has become freer throughout the country through the disbursement of interest and dividends, it has been customary for funds to flow to New York for investment. The early weeks of this year offered no exception to this rule, and in the first three weeks the gain to this district on ordinary transactions between Federal Reserve districts settled through the Reserve system's gold settlement fund, has amounted to over \$100,000,000. Figures by weeks have been as follows:

Week ended January 3.....	\$12,000,000
Week ended January 10.....	69,000,000
Week ended January 17.....	17,000,000
Week ended January 24.....	5,000,000
Total.....	\$103,000,000

An unusual feature of the situation this year, however, has been the transfer out of the district by the Treasury Department of sums large enough to more than offset the receipts shown above.

The occasion for these transfers out of the district is found in a relatively heavier recent redemption of Victory notes and War Savings certificates in other parts of the country than in New York City, and a consequent

transfer of Government balances from New York to make those redemptions. This is a reversal of the usual experience in the redemption of Government issues, and arose from the very wide distribution of Victory notes and War Saving certificates among private holders throughout the country, and also from the earlier redemption or exchange of large holdings in New York City. Frequently the amount of Government securities redeemed at this center is in excess of Government receipts, and transfers of funds to New York are then made to provide for that excess.

Government transfers during January have thus offset any tendency to easier money attributable to receipts from the interior, and changes during the month in the banking situation are to be explained largely by other movements.

The major influence making for easier money conditions in this district as well as in the country as a whole has been the usual lowered demand for currency and credit on the part of business following the completion of holiday and year-end transactions. A second and more temporary factor has been the creation of credit through Treasury overdraft at the Reserve Bank for a considerable period during which Treasury transfers out of the district and redemptions here of Victory notes and War Savings certificates from day to day were in excess of Treasury credits.

After the middle of January the overdraft at the New York Reserve Bank was gradually reduced and finally extinguished. The result was to withdraw funds from the market and the banks in turn borrowed at the Reserve Bank in substantially equivalent amounts.

Money Market

While dealers' offering rates for prime bills remained unchanged at 4 per cent., a broad demand developed in January from all quarters. Sales to outside banks were more than double those in the last week of December, and there was a substantial increase in the volume of business with New York City banks and savings banks. The volume of new bills offered, on the other hand, continued only moderately large, as low rates for Stock

Exchange call money encouraged accepting banks to hold their bills rather than to discount them in the open market. Of new bills offered, those drawn against cotton, grain and silk in foreign trade preponderated.

During recent months the estimated amount of acceptances outstanding has gradually increased from \$480,000,000 in April to \$600,000,000 at the close of the year, which was substantially the amount outstanding at the close of 1921. This advance has accompanied an increase in the value of the country's foreign trade.

Commercial paper rates, which had been easing from $4\frac{3}{4}$ to $4\frac{1}{2}$ per cent. in the latter part of December, became generally established at the lower level in January and a considerable amount of the best grade of paper was sold at $4\frac{1}{4}$ per cent., chiefly in the interior. Distribution likewise increased from the small volume of December. As in the case of bills, however, dealers found their most active market with outside banks. While New York City institutions bought only sparingly at the current rates, a large demand was reported through the Middle West and on the Pacific Coast. Supplies of paper were larger in January, partly due to lower rates and partly in accordance with a seasonal tendency.

The volume of commercial paper outstanding for 27 dealers, reflecting the small distribution during December, declined from \$734,000,000 on November 30 to \$712,000,000 on December 31.

Offering rates on outstanding issues of Treasury certificates and notes were practically unchanged during the month.

Rates for Stock Exchange call loans declined from a range of 5 to 6 per cent. at the end of December to 4 per cent. for renewals and to $3\frac{1}{2}$ per cent. on some days for new loans. Stock market time loans declined from $4\frac{3}{4}$ to $4\frac{1}{2}$ per cent., and some loans for short maturities were made as low as $4\frac{1}{4}$ per cent.

Security Markets

Easier money conditions in January resulted in exceptionally heavy issues of new securities of all descriptions. The total in the first three weeks of the month reached approximately \$726,000,000. New issues were widely diversified, and included some of the largest individual pieces of financing since the sale of \$230,000,000 Northern Pacific—Great Northern railway refunding bonds early in 1921. The following tabulation shows by classes the leading issues between January 1 and January 20.

Industrial.....	\$331,400,000
Public Utility.....	125,800,000
Railroad.....	62,000,000
State and Municipal.....	45,600,000
Farm Loan.....	93,000,000
Foreign.....	68,200,000
Total.....	\$726,000,000

Despite the large amount of new business the majority of offerings was quickly oversubscribed. Dealers reported that the process of distributing issues to investors also made good progress. Figures available from the reporting member banks do not indicate that commercial banks were heavy purchasers. Evidence of a broad demand from the general public may be found in the

receipt of 60,000 applications totaling \$50,000,000 for an offering of \$15,000,000 made to employees and customers by a public utility concern in New York City.

Outstanding bonds were generally quiet and somewhat lower in January after a temporary upward movement over the end of the year. A price average of 40 corporation bonds lost about a point after the first week of the month, and Liberty bonds likewise declined slightly. Treasury $4\frac{1}{4}$ s, after temporarily exceeding par around January 10, declined to a slight discount. The only real weakness, however, appeared in the foreign list, where French, Belgian, and Central European issues broke sharply following the French entrance into the Ruhr. Some South American issues were also heavy.

Stocks were steady and only moderately active in January. Averages of industrial issues declined slightly from the high points reached late in December and early in January, while those of railroad issues held practically unchanged at December levels.

Foreign Exchange

Sterling continued strong in January, despite the unsettling developments in the reparations situation. At \$4.68 on January 12, the rate was within a cent of the December maximum. Bearing upon this strength are British foreign trade figures for 1922, which show large increases in the exports of the more important British products as compared with figures for 1921. There was a decrease in the value of imports of foods and other products ready for consumption, and an increase in the value of raw materials imported for use in manufacture. December figures show a continued decline in British commodity prices.

French and Belgian francs, in contrast with sterling, lost about a cent compared with the highest levels of December, and German marks fell precipitately to over 20,000 to the dollar. Except for Swedish kronor, which continued to be quoted at a premium, most other European exchanges ranged somewhat under the highest points touched in December.

A feature of the market was a continuation of the steady rise in Indian exchange that has been in progress for over a year. Since last January rupees have advanced from around \$0.27 $\frac{3}{4}$ to \$0.32. The movement reflects the turning of the merchandise trade balance in favor of India during the past year, and has been accompanied also by a resumption of the movement of gold and silver to India.

Chinese exchanges, which weakened in November and December, tended to be somewhat firmer after the first of the year. This movement accompanied a recovery in foreign bar silver at New York to around 65 $\frac{1}{2}$ cents, compared with last year's low point of 62 $\frac{3}{8}$ cents reached about December 15. London silver prices rose above 32 $\frac{1}{2}$ pence, after having touched 30 $\frac{3}{8}$ pence in December, the lowest since 1916.

Argentine and Brazilian exchanges averaged somewhat lower in January than in December. The following table arranges the various countries according to the depreciation of their exchange from par, and shows the changes in rates compared with a month ago and a year ago.

Country	Jan. 20, 1923 Last	Change from Dec. 20, 1922	Change from Jan. 20, 1922	Per cent. Change from par
Sweden (Stockholm).....	.2684	- .0007	+ .0191	+0.1
Canada.....	.0894	- .0019	+ .0425	-1.1
Holland.....	.3953	- .0017	+ .0311	-1.7
Japan (Yokohama).....	.4875	- .0020	+ .0112	-2.2
Switzerland.....	.1867	- .0019	- .0073	-3.3
England.....	4.6600	+ .0350	+ 4500	-4.2
Argentina.....	.3704	- .0054	+ .0356	-12.7
Spain.....	.1560	- .0011	+ .0070	-19.2
Denmark.....	.1932	- .0121	- .0063	-27.9
Norway.....	.1867	- .0034	+ .0297	-30.3
India.....	.3206	+ .0118	+ .0518	-34.1
Brazil.....	.1129	- .0043	- .0110	-65.2
France.....	.0650	- .0093	- .0161	-66.3
Belgium.....	.0589	- .0090	- .0188	-69.5
Italy.....	.0475	- .0030	+ .0038	-75.4
Germany.....	.00004	- .00006	- .00496	-99.98
China (Hong Kong).....	.5383	+ .0075	- .0100	*
China (Shanghai).....	.7288	+ .0150	- .0100	*
Bar Silver in N. Y.....	.6588	- .0313	+ .0088	.....

* Silver exchange basis.

Gold Shipments

Shipments of gold amounting to \$26,440,000 were received in this country during December. Gold exports were \$2,710,000 and the excess of imports was \$23,730,000. The excess of imports over exports during 1922 was \$238,295,000 as compared with \$667,357,000 in 1921. The total excess of imports during the past three years has amounted to \$1,000,000,000 and since 1914 to \$1,700,000,000. Figures for 1922 as compared with 1921 are shown by countries in the following table.

(000 omitted)

Country	Imports		Exports	
	1921	1922	1921	1922
Denmark.....	\$5,432	\$17,770	.....	.....
France.....	190,666	27,043	.....	.....
Netherlands.....	19,893	9,958	.....	.....
Norway.....	1,535	8,424	.....	.....
Sweden.....	66,356	32,886	\$2,643	\$78
England.....	202,091	121,732	.....	21
Canada.....	36,856	10,378	2,914	22,162
Mexico.....	5,589	5,913	7,090	4,304
Columbia.....	11,942	6,848	.....	500
China and Hong Kong.....	23,574	8,953	9,622	3,933
British India.....	32,010	.....	1,179	4,445
All Other.....	95,304	25,265	443	1,432
Total.....	\$691,248	\$275,170	\$23,891	\$36,875

Gold exported from the port of New York from January 1, 1923, up to the close of business on January 23, amounted to \$3,593,000, the bulk of which, \$2,168,000, went to India. Gold imports during the same period at New York amounted to \$22,860,000, of which \$11,500,000 came from Canada.

Commodity Prices

The price index numbers prepared by the Department of Labor, Dun's, and Bradstreet's, were all in agreement in showing no advance during December in the movement of wholesale commodity prices which had been generally upward for about a year. The cost of living index number of the National Industrial Confer-

ence Board was also practically at a standstill, with an advance of three-tenths of one per cent. In the early weeks of January this bank's index of prices of 20 basic commodities which is computed weekly again turned upward, as cotton, rubber, and lead reached new high levels since 1920.

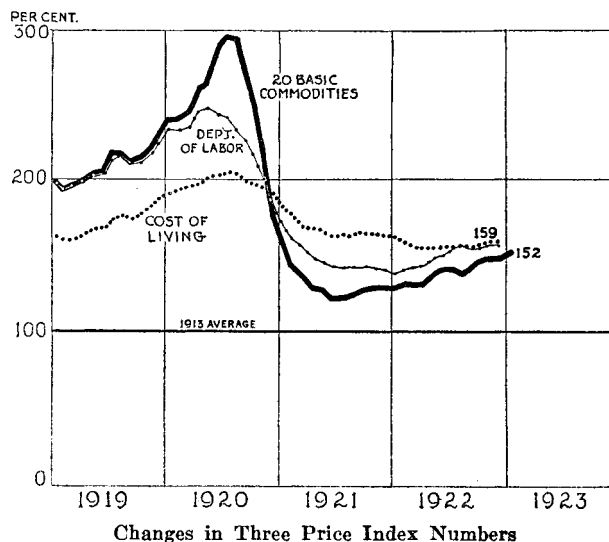
Since a year ago there has been a striking difference between various index numbers in the extent to which they have reflected the rising price tendency. The index of 20 basic commodities and Bradstreet's index, which are influenced by the prices of raw materials rather than manufactured goods, began to rise a year and a half ago and have made large increases. The Department of Labor index, which includes the prices of about 400 different articles, a considerable number of which are manufactured, was much slower to rise and the extent of the increase has been much smaller. Retail prices in turn have been slow to reflect increases in wholesale prices. The tendencies are illustrated in the accompanying chart and the percentages of increase for different indices are given below.

(1913 = 100)

Index	Date of Low	Low Quotation	Present Level	Per cent. Increase
20 basic commodities	June 1, 1921	121	152	26
Bradstreet's.....	June 1, 1921	115	149	30
Dun's.....	July 1, 1921	132	154	17
Dept. of Labor.....	Jan. av. 1922	138	156	13
Cost of living*	Aug. 15, 1922	155	159	3

*—July 1914 = 100.

The latest levels of the various indices are much nearer together in relation to the 1913 base than they have been for many months.

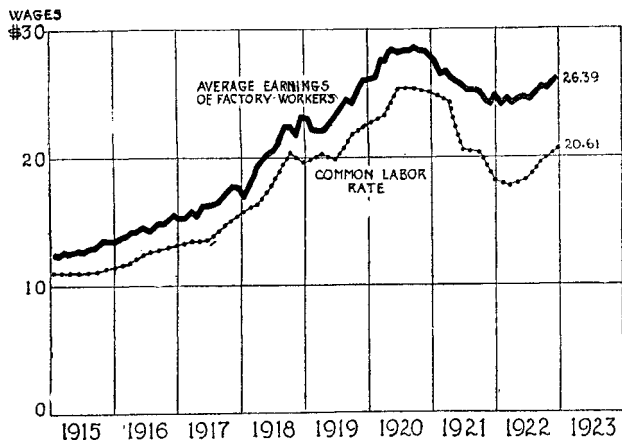


Wages

Unskilled labor wage rates rose 5 per cent. from 40 cents an hour in October to 42 cents in January, according to reports received from a selected group of em-

ployers in this district. The advance occurred during a period when the demand for unskilled labor usually diminishes somewhat because of the curtailment of road-building, construction work, and other outdoor activities.

Unskilled labor wage rates are now about 90 per cent. above the level which prevailed prior to the war and about 15 per cent. above the low point touched in January a year ago. They are, however, nearly 20 per cent. below the highest rate, which was reached in the fall of 1920.



Average Weekly Wages of Male Unskilled Labor and Average Earnings of Factory Workers in New York State

The diagram on this page shows the recent fluctuations in unskilled labor wage rates, together with the average weekly earnings of employees in New York State factories, as reported by the State Department of Labor. Skilled and semi-skilled workers and women workers are included in the factory workers whose wages are shown in the diagram, and the inclusion of these two classes is largely responsible for the different course of the two curves shown.

A tendency for employers to use women workers more largely in the past two years was reflected in a smaller reduction in women's wages in 1921, and recently women's wages have been somewhat higher in relation to the 1914 level than the wages of men. The changes in wages since 1914 are shown by the following table prepared from compilations by the National Industrial Conference Board for typical factories.

	June 1914	June 1920	June 1921	Oct. 1922
Men.....	100	238	184	200
Women.....	100	240	204	208
Total.....	100	240	186	201

Employment

The New York State Department of Labor, in its monthly survey, found an increase of 15,000 workers, or 1 per cent., in factory employment between November and December. The increase since December a year

ago amounts to 15 per cent., or about 225,000 workers. There are, however, about 200,000 fewer workers in factories than there were in the spring of 1920 when employment was largest. A considerable proportion of these workers is probably now employed in the building trades, garages and service stations, or some of the occupations from which the factories had drawn many workers during the war and post-war industrial expansion.

Recent gains in employment have been quite general among various industries. Among the chief increases are those in the metal and machinery trades, and in car building and locomotive shops. More active business is reflected in a larger demand for typewriters, cash registers, and other office and store supplies and furniture, and in consequent increases in employment in plants producing such goods. Employment agencies recently report an increased demand for clerical workers.

Production

Production in basic industries continued during December at about the same rate as during the previous month. The chief gain has been in the production of pig iron, the domestic output of which is now 5 per cent. above normal as computed by this bank.

There have been three primary factors causing the rapid recovery in iron and steel production during the past year; first, the unprecedented amount of new construction work undertaken, necessitating the use of large quantities of structural steel; second, the record output of automobiles; and third, heavy buying of equipment by the railroads. These three industries, the building, automobile, and railway equipment industries, used during 1922 roughly one-half of the country's iron and steel output. The *Iron Age* publishes the following estimates of the percentages of the year's output used in different industries.

	Per cent.
Railroads.....	22
Building.....	15
Automobiles.....	10
Oil, Water, Gas, and Mining.....	10
Agriculture.....	4
Tin Plate.....	4
Exports.....	7
All other.....	28
Total.....	100

December production of bituminous coal was 46,450,000 net tons or 1,180,000 tons greater than in November and with the exception of March, the largest for any month since December 1920. Total production in 1922 was only 8,000,000 tons below the 1921 figure and moderate amounts of coal have been going into storage. Exports and bunker sales have been smaller than in 1921. Anthracite production during December was slightly larger than in November.

The following table shows the production of basic commodities during the past six months expressed as percentages of the estimated normal production.

(Estimated normal production = 100 per cent.)

Commodity	July	Aug.	Sept.	Oct.	Nov.	Dec.
Anthracite coal.....	1.4	1.9	61	95	99	96 _p
Bituminous coal.....	32	46	72	75	81 _p	85 _p
Pig iron.....	82	61	68	83	92	105
Steel ingots.....	79	70	74	85	88	89
Copper, U. S. mine.....	77	86	80	84	87	84
Tin deliveries.....	75	77	92	103	110	95
Zinc*.....	60	59	62	75	75	80
Crude petroleum.....	110	112	111	114 _r	119 _p	...
Portland cement.....	128	121	123	126	127	127
Wheat flour.....	142	117	112	109	102	93
Meat slaughtered.....	99	109	105	97	98	...
Sugar meltings, U. S. Ports...	131	144	110	108	147	136
Cotton consumption.....	84	97	92	95	106	95
Wood pulp.....	105	105	102	92	91	...
Tobacco consumption.....	90	103	99	88	94	...
Paper (total)*.....	93	107	105	109	108	...
Gasoline.....	109	103	104	105	111	...
Wool consumption* _e	103	126	121	131	140	...

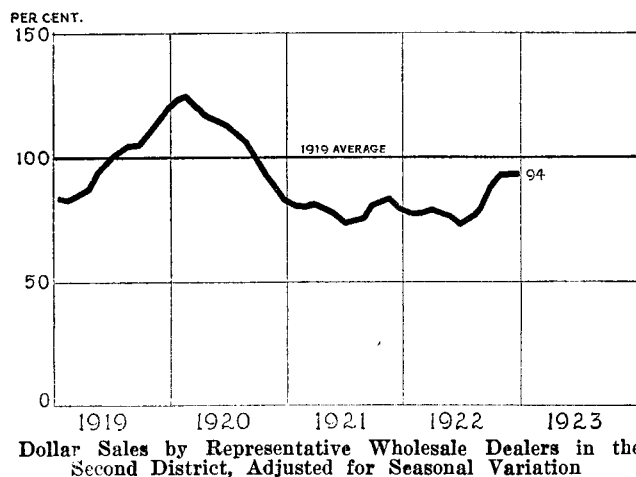
*—Seasonal variation not allowed for. _p—Preliminary.
_e—Estimated data. _r—Revised.

Railway Traffic and Earnings

Loadings of all classes of revenue freight during December were larger than in December of any previous year and about 25 per cent. above the December 1921 figure. Coal shipments were 47 per cent. above those of December a year ago.

Exclusive of coal the railroads of the country moved more freight during 1922 than in any previous year, exceeding 1921 figures by 16 per cent., and 1920 figures by 3½ per cent. Shipments of merchandise and miscellaneous freight showed the largest gain, but substantial increases were also made in shipments of grain, livestock, and other agricultural products. Coal shipments were 7 per cent. less than in 1921 and about 30 per cent. less than in 1920.

Increased freight traffic has been reflected in increased railroad earnings. November gross revenue of carriers operating 85 per cent. of the total mileage of the United States was, with the exception of October 1921 and October 1922, the largest since the fall of 1920. Net earnings for the 11 months' period ended November 30, 1922, were at an annual rate of 4 per cent. on the tentative property valuation, as compared with a rate of 3.3 per cent. for the year ended December 31, 1921.



Wholesale Trade

December sales by representative wholesale dealers in ten principal lines were 20.5 per cent. above those of December 1921, the largest gain over the corresponding month in the previous year since the spring months of 1920. The diagram on this page shows a combined index of wholesale trade in which the figures reported by the ten groups of dealers have been weighted in accordance with the relative importance of the commodities handled. Allowance has been made for usual seasonal fluctuations.

For the year 1922 as a whole the weighted index shows an increase of 4.2 per cent. over 1921. Gains in the latter part of the year were sufficient to offset the losses sustained in the early months. Due largely to the lower price level, however, 1922 sales were about 20 per cent. below those of 1919 and about 30 per cent. below those of 1920. Detailed figures for both December sales and annual sales are shown in the following table.

Commodity	DECEMBER SALES (In Percentages)				ANNUAL SALES (In Percentages)			
	1919	1920	1921	1922	1919	1920	1921	1922
Machine Tools.....	742	340	100	325	374	385	100	121
Jewelry.....	212	108	100	153	209	202	100	112
Clothing.....	200	122	100	151	114	127	100	111
(A) Men's.....	192	84	100	121	100	138	100	117
(B) Women's.....	205	147	100	171	124	119	100	107
Diamonds.....	249	104	100	139	384	223	100	149
Groceries.....	170	117	100	126	136	144	100	104
Drugs.....	114	94	100	123	105	106	100	112
Hardware.....	159	117	100	120	127	145	100	106
Stationery.....	139	136	100	120	124	141	100	98
Shoes.....	196	98	100	116	162	134	100	91
Dry Goods.....	167	76	100	93	112	124	100	97
Weighted Average.....	174	105	100	121	126	135	100	104

With the exception of dry goods all groups of dealers reported substantial increases in December sales. Sales of shoes, which have consistently lagged behind those of last year, gained 16 per cent.

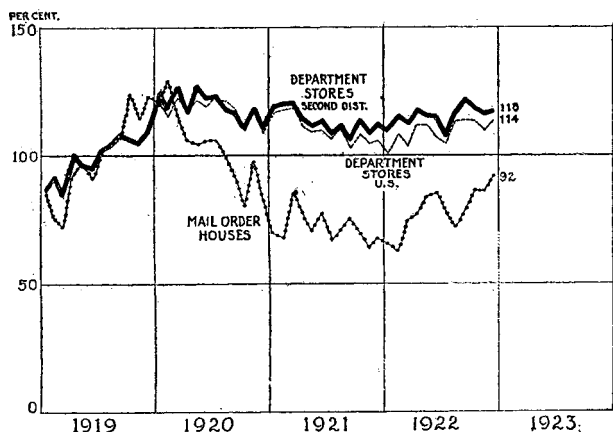
Department Store Business

Preliminary reports received from department stores indicate that during the first three weeks of January the dollar value of goods sold has continued large under the stimulus of special sales.

Final reports show that December sales were 5 per cent. above those of December a year ago and were larger than in any previous month. Detailed figures are shown in the following table.

	DECEMBER NET SALES (In Percentages)				STOCK, JAN. 1 Selling Price (In Percentages)			
	1919	1920	1921	1922	1920	1921	1922	1923
All Department Stores.....	97	98	100	105	105	105	100	101
New York.....	100	97	100	104	104	103	100	101
Buffalo.....	95	107	100	101	102	100	100	94
Newark.....	92	97	100	111	118	112	100	110
Rochester.....	93	105	100	115	127	128	100	105
Syracuse.....	100	109	100	108	127	133	100	95
Bridgeport.....	113	110	100	105	110	102	100	103
Elsewhere in 2nd District.....	95	103	100	100	90	94	100	84
Apparel Stores.....	85	92	100	106	97	105	100	111
Mail Order Houses.....	181	122	100	135	.....	.....	.....	.....

Mail order sales in December were 35 per cent. larger than in the same month a year ago. They were larger than in December 1920, but less than in 1919. Spring prices fixed by one of the large mail order houses are on the average 10 per cent. above the prices which were in effect last spring.



Sales by Department Stores in the Second District and of Department Stores and Mail Order Houses Throughout the United States. Allowance is made for Seasonal Variation. (1919 Average = 100 Per Cent.)

Chain Store Sales

The final figures for holiday sales by chain store organizations confirm earlier estimates of an unusually large Christmas trade. The increases which December sales showed over the sales figures for December 1921 ranged from 31 per cent. in the case of concerns operating apparel stores to 3 per cent. in the case of the cigar stores. In three lines the sales per store were substantially ahead of those a year ago, and in all of the cases in which there was a decrease in sales per store there has been considerable expansion in the number of stores under operation. There is a tendency for the sales of new stores to be somewhat smaller than those of stores previously established. In the case of the shoe stores a further factor in the reduction of nearly 5 per cent. in the sales per store has been a decline of 8.6 per cent. in the average price per pair of shoes from \$3.36 in December 1921 to \$3.07 in December 1922. There was an increase in the number of pairs of shoes sold per store.

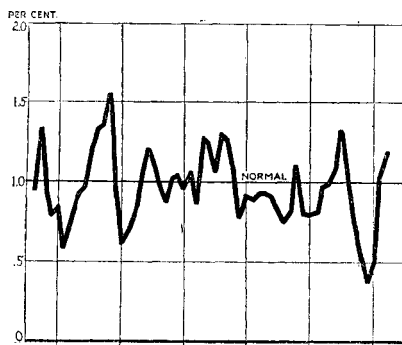
Type of Store	Number of Stores		December Sales				Per cent. Change in Sales per Store, Dec. 1921 to Dec. 1922
	Dec. 1921	Dec. 1922	1919	1920	1921	1922	
Apparel.....	370	435	66	97	100	131	+ 11.0
Ten Cent.....	1,627	1,665	81	89	100	116	+ 13.2
Shoe.....	201	228	92	103	100	108	- 4.6
Grocery.....	6,931	9,399	86	94	100	112	+ 17.4
Drug.....	282	282	98	103	100	107	+ 6.6
Cigar.....	2,241	2,767	86	104	100	103	- 16.2
Total.....	11,652	14,776	83	94	100	114	- 10.2

Business Failures

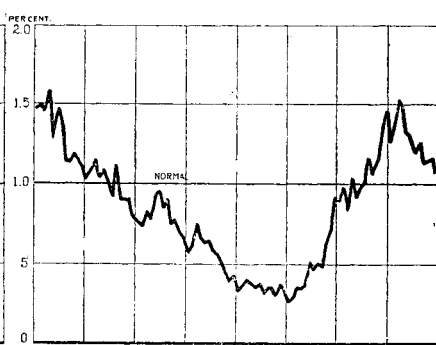
During the year 1922 there were 23,676 business failures reported by Dun's, with aggregate liabilities of \$624,000,000. While the number of failures was larger than in any previous year the percentage of failures to the number of concerns in business was smaller than in many other periods of business readjustment. Last year there were in the neighborhood of 2,000,000 business concerns operating in the United States and the number which failed during the year amounted to 1.2 per cent. of the number in business. This percentage was exceeded in 1915, 1896-7, 1893-4, 1884, 1875-8, and 1867. Complete figures are not available previous to 1866.

A diagram below shows the percentage of failures to concerns in business each year since 1866. Over this long term of years the number of failures has tended to average close to 1 per cent. of the concerns in business. In spite of extensive price and industrial changes, 1922 failures were only moderately above this average figure. As is shown in a second diagram the course of failures has been steadily downward during the year. For a few months early in the year failures were at an annual rate of about 1.5 per cent. of the firms in business. By December the rate was reduced practically to the average normal line of 1 per cent.

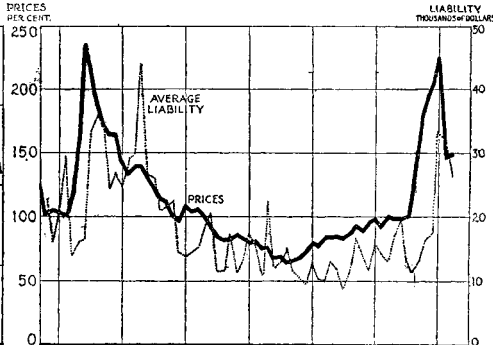
The liabilities incurred in failures are quite largely a matter of the price level, which determines the value of the goods purchased and sold, and inventories maintained. The average liability in 1920 was the highest in recent years and in 1921 and 1922 the average was smaller.



Percentage of Failures Each Year to the Number of Concerns in Business



Percentage of Failures Each Month to the Number of Concerns in Business, in Terms of Annual Rate, Seasonal Variation Allowed For



Average Liability of Failures Each Year Compared with Wholesale Commodity Prices

New York Reserve Bank Operations in 1922

THE principal expenses of the Federal Reserve Bank are incurred in carrying out functions prescribed by law, or in performing services to member banks and through them to the whole business, agricultural and industrial community, which the legally prescribed functions imply. 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 3,043 persons.

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

1.	MAINTAINING THE ACCOUNTS OF THE BANK This work included making about 9,420,000 entries a year in the accounts maintained with member and other banks, and the current determination of reserve balances which are required by law...	\$219,034		
2.	SUPPLYING CURRENCY AND COIN PAYING OUT, RECEIVING, AND REDEMING CURRENCY, involving the count of about 696,000,000 individual notes during the year.....	\$855,913		
	PAYING OUT AND RECEIVING COIN. This service was formerly performed largely by the Subtreasury, and is now entirely in the hands of the Federal Reserve Bank. Receipts and issues amounted to \$186,500,000 for the year	173,601		
	CURRENCY AND COIN SHIPMENTS to and from out-of-town banks. There were 215,000 such shipments in and out during the year.....	336,961		
	COST OF PRINTING NEW FEDERAL RESERVE CURRENCY to replace worn notes in circulation and to maintain supplies unissued and on hand, including cost of transportation.....	553,125		
	TAX on Federal Reserve Bank note circulation, mostly of notes in the \$1 and \$2 denominations. (Federal Reserve note circulation is not taxed.).	69,374		
	SUPPLYING CURRENCY AND COIN....	\$1,988,974		
3.	MAKING LOANS MAKING DISCOUNTS AND ADVANCES TO MEMBER BANKS. The number of items handled during the year was 60,715, aggregating \$9,206,000,000.....	\$307,250		
	PURCHASING ACCEPTANCES AND GOVERNMENT OBLIGATIONS for the account of this bank and other Federal Reserve Banks. The items purchased during the year aggregated \$3,750,000,000.....	115,377		
	MAKING LOANS	\$422,627		
4.	COLLECTING CHECKS, DRAFTS, NOTES, AND COUPONS COLLECTION OF CASH ITEMS, mostly checks. The average number collected was 392,715 a day, or 118,600,000 for the year, aggregating \$62,300,000,000	\$1,537,067		
	COLLECTION OF NON-CASH ITEMS, including drafts, notes, and coupons. The number of items handled during the year was about 1,740,000, aggregating \$1,520,000,000	512,585		
	COLLECTING CHECKS, ETC.....	\$2,049,652		
5.	SUPPLEMENTARY SERVICES CUSTODY OF SECURITIES. This service involved holding in safekeeping on the average about \$700,000,000 of securities for the United States Government, \$100,000,000 for the War Finance Corporation and \$200,000,000 from other sources....	\$185,019		
	PURCHASE AND SALE OF BANKERS ACCEPTANCES and other securities for member banks and foreign			
	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 783 transfers of funds to all parts of the country each day, amounting to about \$83,000,000 and aggregating for the year \$25,126,000,000		183,645	
	SUPPLEMENTARY SERVICES.....		\$418,906	
6.	SERVICES IN CONNECTION WITH GOVERNMENT LOANS This work included during 1922 the receipt or delivery of 6,387,000 individual Government bonds, notes, and certificates, amounting to \$4,633,000,000, which were exchanged or converted or handled in connection with registration; and the payment of 22,685,000 individual coupons on Government bonds, notes, and certificates. It also involved the sale and issue of \$20,000 pieces amounting to \$1,922,000,000, and the redemption of 646,000 pieces amounting to \$1,451,000,000, of Government bonds, notes, and certificates. Aside from amounts received from the Treasury in partial reimbursement, the cost of such operations to the bank was			\$616,859
	(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)....			\$209,330
	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			365,219
	MAINTAINING THE GENERAL AUDIT			264,971
	DIRECTORS' FEES AND TRAVELING EXPENSES.....			23,075
	THIS BANK'S SHARE OF THE EXPENSES OF THE FEDERAL RESERVE BOARD.....			197,882
	GENERAL OR SUPERVISORY EXPENSES..			\$1,060,477
	TOTAL			\$6,776,529

NOTE: This summary is taken from the Annual Statement of the Bank for 1922, which gives also the comparative Statement of Condition, the Profit and Loss Account, and other information. The statement will be mailed on request.