

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

May 1, 1923

Business Conditions in the United States

FURTHER increases in the production of basic commodities, in wholesale prices, employment, wage rates, and wholesale and retail trade, took place in March.

PRODUCTION

Production in basic industries, according to the Federal Reserve Board's index, increased 4 per cent. in March to a level 8 per cent. higher than at the 1920 peak and 67 per cent. above the low point of 1921. The output of pig iron, steel ingots, automobiles, and crude petroleum, and the mill consumption of cotton exceeded all previously reported monthly totals. Building operations showed a further large expansion and the value of contracts let for residences in March was the highest on record. Railroad freight shipments have been larger every week this year than in the corresponding weeks of the past four years. Car shortage has been reduced to the lowest point since September as a result chiefly of the addition of new equipment, a decrease in the number of bad order locomotives and cars, and a concerted effort to increase the average loadings.

Employment in the building trades and in many lines of manufacturing continued to increase in the eastern States. The surplus of unskilled labor in the West reported in earlier months is being gradually absorbed by the seasonal increase in farm work. A number of lead-

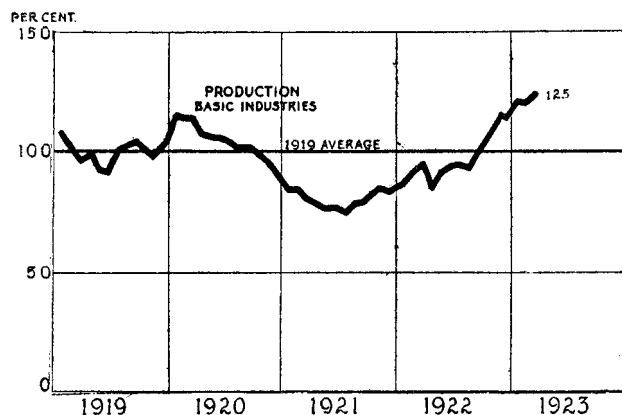
ing textile mills, steel mills, and packing plants announced general wage advances ranging between 11 and 12½ per cent., and numerous wage advances in other industries also were reported.

TRADE

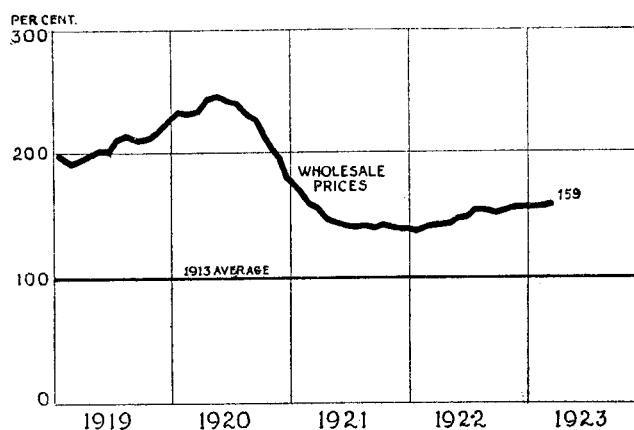
March sales by department stores reporting to Federal Reserve Banks were 22 per cent. above those of March a year ago, partly because Easter purchases were made in March this year, whereas last year such purchases were largely deferred until April. Stocks of goods held by department stores were 6 per cent. larger than those held a year ago but this increase was not so large as the increase in sales and hence the rate of stock turnover has been somewhat more rapid. Sales by mail order houses were larger than for any month since November 1920, and 35 per cent. larger than in March 1922. Wholesale trade in all reporting lines was larger than in March a year ago.

WHOLESALE PRICES

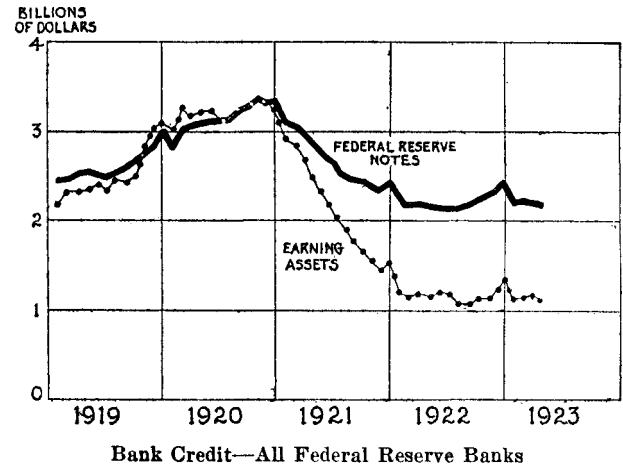
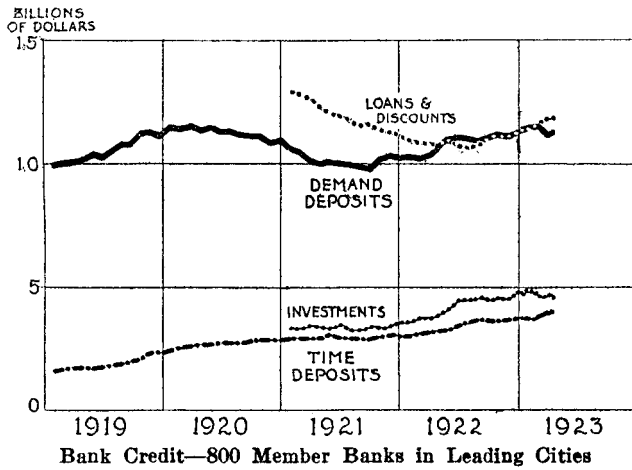
Wholesale prices as measured by the Bureau of Labor Statistics index advanced 1.2 per cent. during March, and were 15 per cent. above the low point of January 1922. As in recent months the prices of metals and building materials showed the greatest increases, while fuel prices showed a further decline from recent high levels. Compared with a year ago, metals were 37 per



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



Index of Wholesale Prices, U. S. Bureau of Labor Statistics (1913 average = 100 per cent.)



cent. and building materials 28 per cent. higher. The cost of living increased slightly more than 1 per cent. during March to a level of 3 per cent. higher than a year ago.

BANK CREDIT

During the month prior to April 11 a more moderate growth in the demand for credit from member banks in leading cities resulted in an increase of about \$48,000,000 in their loans made largely for commercial purposes, as compared with an increase of \$235,000,000 in the preceding month. Through withdrawal of funds from investments and a further inflow of gold, member banks have been able to meet demands of their customers for increased credit and currency independently of the Reserve Banks.

Consequently, the total volume of Federal Reserve Bank credit, measured by total earning assets, has remained relatively constant during the past month, and in fact since the seasonal liquidation at the turn of the year. The volume of Federal Reserve notes in circulation has also changed but little as the larger demand for hand to hand money has been met chiefly by an increase in other forms of money in circulation.

There has been little change in money rates from those prevailing in March.

Banking Conditions

The more moderate rate of expansion of commercial borrowing noted for the country as a whole between March 14 and April 11 was paralleled in this district by an advance of only \$19,000,000 in member bank loans largely for commercial purposes, between March 14 and April 11, compared with an advance of \$123,000,000 between February 14 and March 14. There was, however, a slight increase in security holdings and loans on stocks and bonds, so that total loans and investments of all classes increased moderately, compared with a slight decline the previous month.

Notwithstanding these further slight increases in member bank loans, rediscounts and advances of the Federal Reserve Bank of New York declined \$55,000,000 between March 14 and April 25 to \$154,000,000, or within \$19,000,000 of the lowest reached this year. A

slight increase in holdings of bills bought in the open market was more than offset by a decrease in Government issues purchased, and total earning assets declined to \$210,000,000, the lowest since January, a year ago.

The article on the last page of this month's REVIEW deals with the relation between credit capacity and productive capacity.

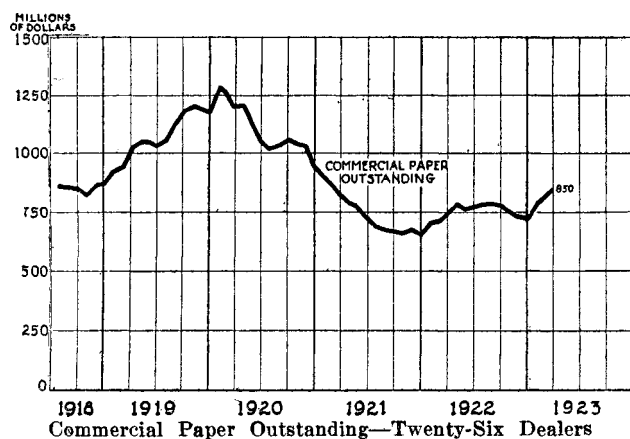
Money Rates

After the first of April there was a pause in the upward movement of money rates, and in some quarters evidence of a slight easing developed. This easing accompanied a decline in stock market requirements and a lessened commercial demand for funds usual in April when early spring agricultural needs have been filled, spring goods have been delivered to merchants, and many commercial accounts are settled.

Commercial paper rates remained unchanged during April at 5 to 5¼ per cent. in a quiet market confined mostly to the smaller banks and limited by light supplies of paper. The market for Treasury short-term issues, however, was slightly easier, and there was a distinct relaxation in the collateral loan market. Stock Exchange call money ruled at 5 per cent. or lower, as compared with frequent advances above that level in March, while time money on stock market collateral eased to 5 to 5¼ per cent. for maturities up to 90 days and to 5¼ to 5½ per cent. thereafter, compared with a range of 5½ to 5¾ per cent. for a short period at the first of the month.

In the bill market where rates had remained practically unchanged since last fall, dealers' buying rates for bills maturing within 90 days advanced from 4½ to a range of 4¼ to 4¾ per cent., according to maturities, and their offering rates advanced from 4 to 4½ and 4¼ per cent. At these rates a good demand developed which, coupled with a light supply of bills, caused bills to tend to react slightly.

Following is the usual diagram carrying forward to March 31 the record of outstanding commercial paper of the dealers who report to this bank. A continued rise in the volume of paper outstanding during March accompanied gradual expansion in the volume of commercial borrowing at banks.



Security Markets

In both stock and bond markets April was a month of somewhat less definite price tendencies than March. Stock trading diminished to moderate proportions, and prices fluctuated irregularly several points below the high levels reached in March.

In the bond market, somewhat easier money rates contributed to a firmer tone during the early part of the month. Corporation and United States Government issues recovered about a point in a dull market, but later in the month showed some tendency to ease off from the higher prices.

Foreign bonds were more conspicuously strong than other types of issues, reflecting steadier exchange rates and a more hopeful attitude towards European conditions. French, Belgian, and certain of the Central European issues which were sharply depressed earlier in the year, reached new high prices since 1922, in some cases 12 to 15 points above the recent low points.

Dulness in outstanding bonds tended to keep new financing within moderate proportions. One important issue of the period was \$75,000,000 Federal Land Bank 4½s, offered at 100½, partly to provide funds to redeem \$55,000,000 5 per cent. bonds called for prepayment May 1. In general, however, there was a tendency to withhold new offerings.

Victory Note Redemption

On May 20 approximately \$775,000,000 of Victory notes, bearing the distinguishing letters G, H, I, J, K, or L, fall due and will be paid as they are presented for redemption at the Treasury or through the Federal Reserve Banks. The Secretary of the Treasury has, however, authorized the immediate payment of these notes if the holder desires it, and redemptions under this authority have been proceeding at the rate of about \$1,000,000 a day in recent weeks. After May 20 all interest upon the Victory loan will cease.

The redemption of these notes will mark the final retirement of the Victory issue, which amounted originally to \$4,500,000,000. The greater part of the redemption of the issue has occurred since May 1921, when the Treasury announced its comprehensive program for debt redemption and refunding. The Treasury called

for prepayment on June 15 last the entire amount of the 3¾ per cent. Victory notes then outstanding, amounting to \$255,000,000, and on December 15 that portion of the 4¾ per cent. series bearing the designating letters A through F, amounting to \$700,000,000. The following table, showing the volume of Victory notes outstanding on each March 31 since the date of issue, indicates the progress of retirement each year.

Year	Amount Outstanding
1920	\$4,422,781,000
1921	4,100,438,000
1922	2,621,413,000
1923	801,259,000

Foreign Exchange

Further reaction in sterling exchange in April carried the rate down to \$4.63, or 9 cents below the high point reached last February. This reversal of the previous trend accompanies a more marked upward tendency in British prices as well as approach of the period when first payments by the British Government under the new debt reduction plan fall due. French and Belgian exchanges were firmer at approximately 6¾ and 5¾ cents respectively.

Principal changes in other rates included a sudden break in German marks from about 21,000 to the dollar to 30,000, after having held close to the higher figure for two months in the face of continued expansion in the note circulation. Brazilian exchange declined early in April to a new low point while Canadian exchange again fell below 98 cents for the second time this year.

Gold Movement

During March imports of gold amounted to \$15,951,000, of which nearly \$14,000,000 was received from The Netherlands, Canada, and France. Exports of gold totaled \$10,392,000, nearly \$7,000,000 of which went to India and about \$2,500,000 to France. The following table shows imports and exports by quarters since January 1922.

	Imports	Exports	Net Imports
1922			
1st quarter	\$88,798,547	\$3,558,190	\$85,240,357
2nd quarter	34,214,148	6,586,279	27,627,869
3rd quarter	86,543,170	2,998,174	83,544,996
4th quarter	65,613,920	23,732,251	41,881,669
1923			
1st quarter	57,154,256	20,263,387	36,890,869

Foreign Trade

Exports during March were valued at \$350,000,000, as compared with \$307,106,000 in February and with \$330,000,000 in March a year ago. This increase in value is probably due to advances in price of both basic and manufactured products.

January imports recently announced were valued at \$319,000,000, leaving an excess of exports of only about \$17,000,000, the smallest excess since the early months of the war with the single exception of last September.

Production in Basic Industries

During the month of March production of pig iron, steel ingots, cotton goods, petroleum, and automobiles reached new high figures exceeding any month in the past. The following table shows the March production figures in these five commodities compared with the highest previous months.

Commodity	Unit	March Output	Previous High Figure	Date of Prev. High
Pig iron	Thous. gr. tons	3,521	3,509	Oct. 1916
Steel ingots	Thous. gr. tons	3,402	3,352	Oct. 1918
Cotton consumption	Thous. bales	623	615	May 1917
Automobiles	Thousands	353	289	June 1922
Petroleum	Thous. bbls.	56,132	51,467	Jan. 1923

The output of automobiles was at a rate indicating a productive capacity of 4,000,000 cars and trucks a year, compared with an actual output of 2,600,000 in 1922, heretofore the year of largest production.

Reflecting the exceptional output of these commodities and increased production in certain others also, the production index prepared by the Federal Reserve Board reached a new high figure at 125 (1919 average being taken as 100 per cent.). This compares with a revised index of 120 for February, and is 67 per cent. above the lowest point of production in the midsummer of 1921.

The following table shows the index numbers computed by this bank for production in different industries. In each case production for the current month is compared with an estimated normal production taking into consideration the usual seasonal fluctuations and year to year growth.

(Estimated normal = 100 per cent.)

	Low 1921-22	1922		1923		
		Nov.	Dec.	Jan.	Feb.	Mar.
Anthracite coal	74†	99	103	108	112	112p
Bituminous coal	56†	81	85	83	81	80p
Pig iron r	30	92	101	103	105	110
Zinc*	29	75	80	81	74	85
Tin deliveries	25	110	95	128	109	110
Copper, U. S. mine	15	86	85	94	89p	91p
Wheat flour	75	111	93	93	109	...
Sugar meltings, U. S. Ports	55	147	136	115	121	...
Meat slaughtered	77	98	94	104
Wood pulp	67	91	93	100	103	...
Paper, total*	64	108	103	109	101	...
Cotton consumption	64	106	95	103	108	107
Wool consumption* e	55	140	129	138	126	...
Tobacco consumption	77	94	87	96	88	...
Cement r	86	136	135	158	160	146
Leather, sole	73	100	94	101	100r	...
Steel ingots r	26	87	85	97	95	99

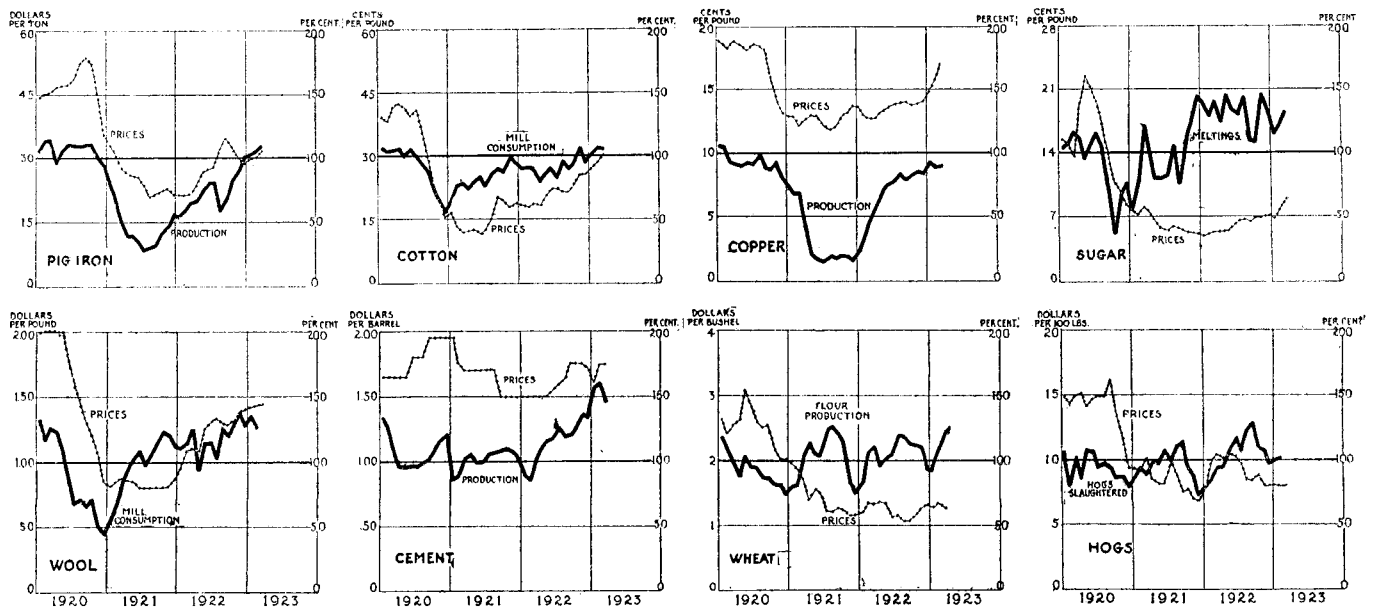
* Seasonal variation not allowed for. † Strike period not included.
e Estimated. p Preliminary. r Revised.

Production indices for eight different commodities are illustrated in the diagrams at the foot of this page.

Commodity Prices

During the past few weeks prices of certain of the basic commodities continued to increase, and cotton, corn, silk, lumber, copper, lead, and sugar reached the highest levels since late 1920. Pig iron prices advanced to the highest point since October. The manner in which price advances in basic commodities have accompanied increased production is illustrated in the diagrams at the foot of this page. As far as it is possible to do so, price figures are compared with production figures for the same commodities. With a few exceptions, movements of prices and production have been similar.

The Department of Labor index number of wholesale prices rose 1.2 per cent. in March—the first considerable increase since last November. There were advances in



Monthly Changes in Production and Prices of Basic Commodities. Production Figures are shown as Percentages of the Output Normally to be Expected when Seasonal Variations and Year to Year Growth are taken into Consideration

all of the groups making up the index with the exception of fuel and lighting, which is now at the lowest point since April 1922. The following table shows recent changes in the price groups making up the Department of Labor index.

Commodity groups	March Index	Per cent. change during		Per cent. increase from recent low
		February	March	
Metals.....	149	+4.5	+7.2	36.7
Building materials.....	198	+2.1	+3.1	27.7
Farm products.....	143	-0.7	+0.7	25.4
Cloths and clothing.....	201	+1.5	+1.0	17.5
Fuel and lighting.....	206	-2.8	-2.8	13.8
Chemicals.....	135	+0.8	+2.3	11.6
Foods.....	143	0.0	+1.4	9.2
House furnishings.....	185	0.0	+0.5	6.9
Miscellaneous.....	127	+1.6	+0.8	11.4
All groups.....	159	+0.6	+1.2	15.2

After showing little net change for many months, the National Industrial Conference Board's estimate of the cost of living advanced 1.1 per cent. in March, the largest increase in any one month since September 1921. The increase was caused by advancing prices of clothing, shelter, and sundries. The total index is now 59 per cent. above the 1914 level and 22 per cent. below the high point recorded in the summer of 1920.

Wages

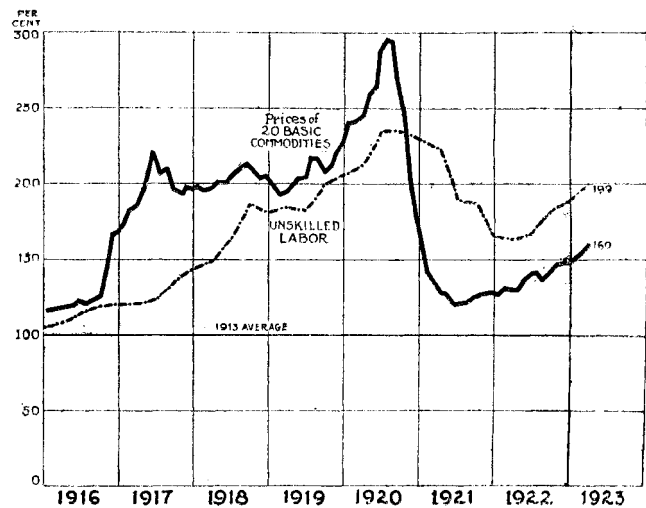
Increased industrial production during March was accompanied by an exceptionally large number of wage increases. A report by the National Industrial Conference Board showed more wage increases between March 15 and April 14 than in the preceding six months combined, with no single instance of a wage reduction reported. The following table shows the wage increases and reductions reported by the National Industrial Conference Board for each month in the past year and indicates the change which has taken place from a downward to an upward tendency in wages.

Month Beginning	Reductions	Increases	Total Changes	Month Beginning	Reductions	Increases	Total Changes
April 15	54	9	63	Oct. 15	1	36	37
May 15	23	26	49	Nov. 15	1	12	13
June 15	25	21	46	Dec. 15	1	23	24
July 15	7	8	15	Jan. 15	0	42	42
Aug. 15	4	119	123	Feb. 15	1	37	38
Sept. 15	4	65	69	Mar. 15	0	229	229

The index number for wages of unskilled labor, prepared by this bank, shows an increase since January from 42 to 44 cents per hour. This index is now 22 per cent. above the low point of April 1922, but is still 15 per cent. below the maximum wage rates reached in 1920. The wages of unskilled labor, being subject to highly competitive conditions in the open markets, are among the first to reflect changes in business conditions. Average weekly earnings of employees in representative industrial establishments in New York State were \$26.92 in March, and were \$1.05 higher than in February. The March figure is 11 per cent. higher than the low point which was reached in April 1922.

In the following diagram this bank's index of wages of unskilled labor is compared with an index of prices of

20 basic commodities, also compiled by this bank. These two indices show the changes which have taken place in recent years in the major costs of many industrial operations.



Wages of Unskilled Labor compared with Prices of Basic Commodities (1913 average = 100 per cent.)

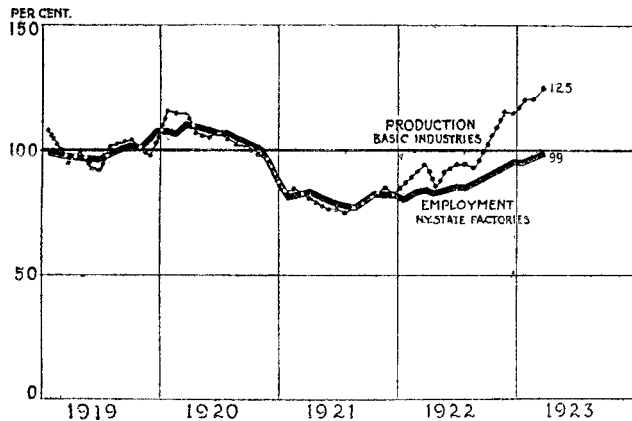
Employment

An increase of more than 2 per cent. during March in the number of workers employed in factories was reported by the New York State Department of Labor for New York State, and by the United States Bureau of Labor Statistics for the United States as a whole. In New York State it was reported that over 35,000 workers were added to factory payrolls during the month. Present employment figures show a gain of 28 per cent. over the low point of August 1921.

In spite of recent increases in employment, the number of workers in representative factories both in New York State and throughout the United States is still between 10 and 15 per cent. less than the number on the payrolls in the early part of 1920, while, in marked contrast, factory output appears to be greater than the output early in 1920. This relationship is illustrated in the accompanying diagram. The index used for production is the index compiled by the Federal Reserve Board from reports for 22 basic industries, and that for employment is the compilation by the New York State Department of Labor. While these two indices do not cover the same establishments, it is probable that they are fairly representative of the general course of production and factory employment in the United States.

The spread between the two lines in this diagram in 1922 and 1923 appears to indicate a considerably higher rate of output per man employed, and gives support to reports of greater efficiency by many individual concerns. In the year 1920 labor shortages and high wages were accompanied by reports of relatively low efficiency. On the other hand, during the past year a much higher rate of labor efficiency has been achieved by better management, labor saving devices, and greater efforts toward efficiency on the part of the individual worker.

A partial explanation for the present shortage of labor in view of the fact that the number of factory employees is still considerably below the 1920 high point, may be found in the extraordinarily large demands for workers on building construction. Further explanation may perhaps be found in social factors such as the continuance of young people in school for a longer period, a result of which might be expected to follow a period of unemployment.

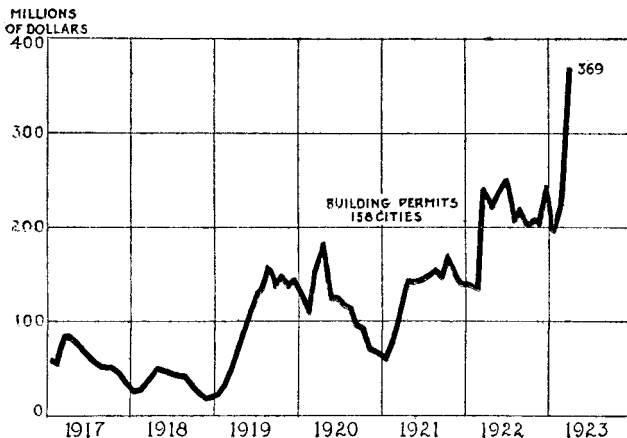


Volume of Production in 22 Basic Industries compared with the Number of Employees in New York State Factories—(1919 average = 100 per cent). In both Lines Allowance has been made for the usual Seasonal Changes

An Index of Building Activity

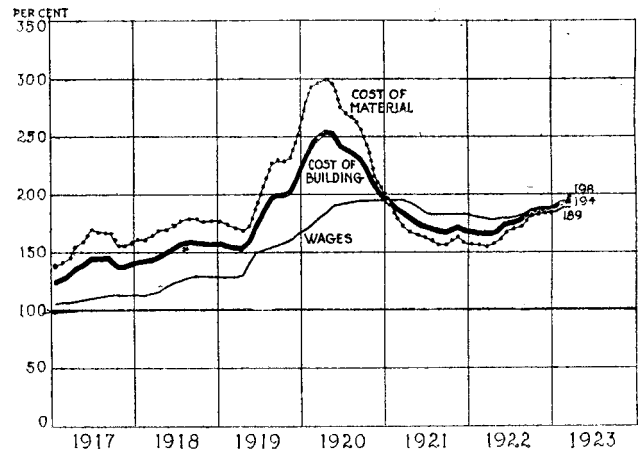
During the month of March the value of permits granted for building construction in representative cities throughout the United States was larger than in any previous month. For 158 cities the total value of such permits was \$369,414,000. This high value of construction reflects in part the present high prices of building material and high wages.

In order to secure some measure of the actual volume of building, this bank has prepared an index of the volume of construction making allowance for price changes and also for seasonal variations and the usual year to year increase, which may be ascribed largely to the growth of population.



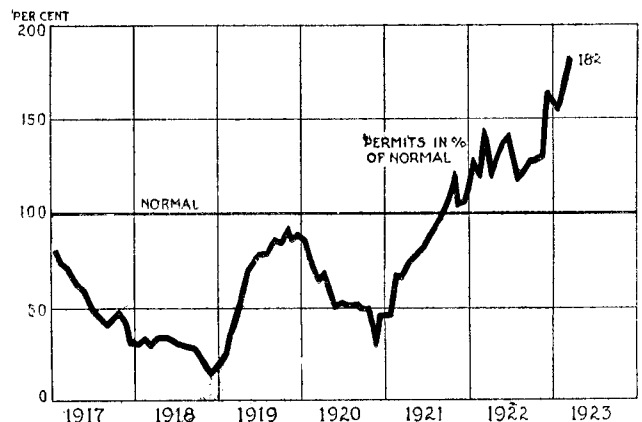
Value of Building Permits granted each Month in 158 Cities

For the construction of this index it was first necessary to arrive at a current quotation for building costs. This was done by combining the Department of Labor index of the cost of building materials and an index of wages in the building trades. These two indices, together with a computation for the total cost of building, are shown in the following diagram. The cost of building is now at a point just less than twice the 1913 cost and has risen about 18 per cent. since a year ago. These figures take no account of extra costs which may be due to the payment of special bonuses to labor or payments for material above the market price.



Changes in Wages of Building Workers, the Cost of Building Material, and the Total Cost of Building. (1913 average = 100 per cent.)

The diagram to the left at the foot of this page shows the actual value of the building permits granted in 158 cities for each month during the past six years. The diagram at the right shows the same figures after they have been adjusted to make allowance for price changes, for seasonal fluctuation, and for year to year growth. The figure for each month is expressed as a percentage of normal, normal being taken to mean the amount of building which might be anticipated if building construction kept pace with the growth of population without fluctuations from year to year, or from month to month.



Value of Building Permits in 158 cities compared with the Value normally to be Expected each Month when Seasonal Variations and Year to Year Growth are taken into Consideration

This diagram shows that in 1920, when building costs approached a prohibitive level, the volume of construction was about 50 per cent. of what might normally be expected. As costs began to be reduced in 1921, construction picked up rapidly, crossed the estimated normal line in the early fall of 1921, and at present is more than 80 per cent. above normal.

During the years from 1917, through the early part of 1921, building construction was considerably less than the estimated amount required for business and for the comfortable housing of the population. A computation on the basis of the foregoing figures shows that the shortage of construction resulting from restricted building during these years amounted for 158 cities to approximately two billion dollars' worth of construction at 1913 prices. This shortage has been reduced about one-fourth by the heavy building of the past year and a half.

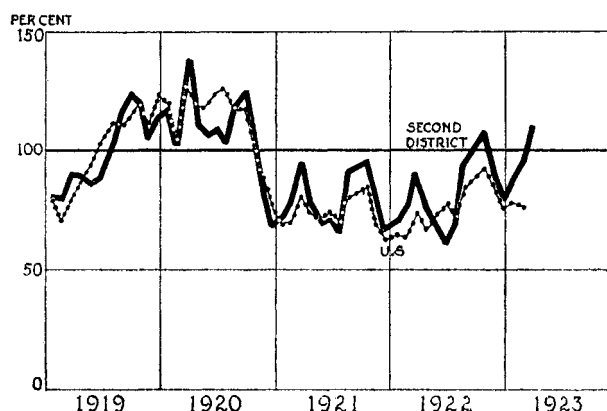
Wholesale Trade

March sales by representative wholesale dealers in this district maintained the high level of January and February and were 22 per cent. larger than sales in March 1922. For the entire first quarter sales by these dealers were also 22 per cent. larger than in the first quarter of 1922.

March sales of machine tools, which reflect activity in industrial plants, were three and a half times as large as those of March a year ago. Diamond and jewelry sales also showed very material advances. Detailed figures are shown in the following table.

Commodity	DOLLAR SALES DURING MARCH (In percentages)				
	1919	1920	1921	1922	1923
Machine tools.....	435	596	166	100	354
Jewelry.....	173	294	115	100	173
Diamonds.....	290	371	96	100	158
Dry Goods.....	71	157	112	100	129
Clothing.....	100	135	103	100	129
(a) Men's.....	87	143	93	100	152
(b) Women's.....	109	130	109	100	113
Hardware.....	114	147	102	100	120
Shoes.....	112	222	119	100	117
Drugs.....	87	118	90	100	116
Stationery.....	100	144	115	100	113
Groceries.....	108	151	100	100	109
Total (weighted).....	100	154	105	100	122

Sales by wholesale dealers in this district and the country as a whole have fluctuated in a closely similar manner during the past four years, but the recovery in trade in the past few months has been considerably more pronounced in this district. The Federal Reserve Board has compiled a weighted index of wholesale business of 700 dealers throughout the country similar to that maintained by this bank for 122 dealers in the Second District. The following diagram compares the fluctuations in these two indices. No allowance has been made for price changes or seasonal variations. Seasonal fluctuations are more pronounced in the New York district than in the country as a whole due largely to the importance of the clothing industry in New York. In this industry a large part of the year's sales is made in February and March and in August and September.



Sales of Representative Wholesale Dealers in the Second District and throughout the United States (1919 average = 100 per cent.)

Department Store Business

March sales by department stores in this district were 13 per cent. above those of a year ago and were larger than in any previous March. Increases occurred in all cities of the district and were especially large in Bridgeport.

Due to the early date of Easter this year, Easter purchases were made in March, whereas last year many such purchases were not made until April. The volume of Easter sales was particularly evident in apparel stores, which reported March sales 21 per cent. larger than in March a year ago.

Stocks of department stores computed at the selling price show an increase of only 2 per cent. over those held on the same date last year. As sales in the first quarter of 1923 have increased nearly 10 per cent., a more rapid turnover of stock has resulted. The following table shows the rate of stock turnover by quarters during the past four years.

Annual Rate of Stock Turnover (times per year)

	1919	1920	1921	1922	1923
First Quarter.....	3.4	3.1	3.7	3.3	3.6
Second Quarter.....	4.2	3.4	3.8	4.0	...
Third Quarter.....	2.9	2.5	2.7	3.0	...
Fourth Quarter.....	4.5	4.3	4.7	5.0	...
Entire Year.....	3.8	3.3	3.8	3.8	...

Mail order sales were 35 per cent. larger in March than a year ago, the same percentage of increase which was reported last month.

Detailed figures are shown in the following table.

	MARCH SALES (In Percentages)					STOCK ON HAND APR. 1 (In Percentages)				
	1919	1920	1921	1922	1923	1919	1920	1921	1922	1923
All Dept. Stores..	75	112	108	100	113	74	118	95	100	102
New York.....	77	116	107	100	111	74	118	94	100	100
Buffalo.....	85	118	116	100	117	84	124	111	100	103
Newark.....	64	96	96	100	109	74	131	95	100	106
Rochester.....	80	106	119	100	117	79	134	117	100	106
Syracuse.....	76	115	113	100	111	90	137	110	100	96
Bridgeport.....	89	135	129	100	132	80	119	95	100	99
Elsewhere in 2nd District.....	84	112	106	100	108	78	101	87	100	104
Apparel Stores...	69	99	114	100	121	59	97	85	100	106
Mail Order Houses	97	155	114	100	135	**	**	**	**	**

Relation of Credit to Business

THE following extract from the recent report of Secretary Hoover's Committee on Business Cycles and Unemployment will be of interest to anyone who is analyzing the present business and credit situation:

"Expansion of bank credit is a necessary condition of expansion of business operations. * * * But an overexpansion of credit may so increase the purchasing power of business men that it will merely result in enabling them to bid against one another for limited supplies of goods and materials so as to force prices above what consumers are willing and able to pay. Bank credit often expands so rapidly that it lifts the buying or investment power of business men out of line with the general buying power of the community. Because of their strategic position the banks have an unusual duty and an exceptional opportunity to give sound information and counsel to business men. * * *

"While the relationship between the volume of credit and the volume of business and the movement of prices is not always simple to interpret, it appears to be sufficiently close to make it a matter of first importance that the volume and the flow of credit should at all times be tested by the contribution which additions to the volume of credit make to the total of economic production. Additions to credits which can not be economically validated by a commensurate effect in actual production are speculative, and as such should be subjected to control, so that business and industry can be maintained in a healthy state."

The foregoing is a statement of principle by a committee of leading business men. Facts are presented below which relate to the three divisions referred to, viz.: the volume of business, prices, and the volume of credit.

THE VOLUME OF BUSINESS

In the following summary, comparisons are made between those months when low points were reached and the month of March 1923.

INDUSTRY—Production, measured by the index of output in 22 basic industries, has increased since July 1921.....67 per cent.

Employment, measured by the number of workers employed in New York State factories (fairly representative of industrial employment in the country as a whole), has increased since August 1921.....28 per cent.

TRADE—Wholesale trade, measured by the sales reported by about 700 firms representing practically all sections of the country (with allowance made for seasonal changes), has increased since July 1921.....23 per cent.

Retail trade, measured by the sales reported by about 300 department stores in principal cities throughout the country (with allowance made for seasonal changes), has increased since September 1921.....15 per cent.

The growth in the physical volume of production indicates a rate of industrial recovery almost without parallel in American business, and the volume of goods produced and passed into consumption during the first quarter of 1923 probably exceeds that of any similar period in the history of the country.

PRICES AND WAGES

Changes in prices and wages from the low points may be summarized as follows:

PRICES—The Bureau of Labor Statistics index of wholesale prices increased from January 1922 to March 1923.....15 per cent.

WAGES—The hiring rate of wages for unskilled labor in Eastern industrial centers increased from April 1922 to April 15, 1923.....22 per cent.

Average weekly earnings of workers in New York State factories (fairly representative of industrial earnings in the country as a whole) increased from April 1922 to March 15, 1923.....11 per cent.

THE VOLUME OF CREDIT

The high industrial activity has involved a great increase in the volume of bank credit in use. Comparisons are made below between those dates when low points were reached and April 11, 1923:

MEMBER BANKS IN LEADING CITIES—Total loans and investments have increased \$1,974,000,000 since March 8, 1922, or.....14 per cent.

Commercial loans have increased \$783,000,000 since August 30, 1922, or.....11 per cent.

Demand and time deposits have increased \$2,453,000,000 since September 21, 1921, or.....19 per cent.

Since the first of the year the growth of total loans and investments has been due entirely to the rapid increase in commercial loans; loans on stocks and bonds and the investment holdings of these banks have declined. This shift in the form of bank credit is in response to the increasing demand for credit for commercial and industrial purposes.

The use of Reserve Bank credit, particularly in the industrial sections of the country, has also increased from the low point of last summer, as follows:

ALL FEDERAL RESERVE BANKS—Earning assets have increased \$138,000,000 since August 9, 1922, or.....14 per cent.

Loans to member banks have increased \$263,000,000 since July 26, 1922, or.....69 per cent.

Included in earning assets are the Government securities and acceptances held by the Reserve Banks, as well as their loans to member banks. As the volume of securities and acceptances owned has decreased, the volume of loans to member banks has risen by somewhat larger amounts, and the earning assets consequently have risen. The lending power of the Reserve Banks remains very large, as is apparent in the high reserve ratio, the result mainly of the heavy inflow of gold.

RELATION OF CREDIT CAPACITY TO PRODUCTION CAPACITY

The relation of this great supply of credit, still held in reserve, to the productive capacity of the country, is referred to as follows in the current issue of the Federal Reserve Bulletin:

"The present lending capacity of the country's banking system in view of the great growth of the reserves at the Reserve Banks is now far in excess of the credit needs of the country's productive capacity. In such a situation it is the available supplies of labor and equipment and not the potential supply of credit that in the end must fix the limit which may be attained by aggregate national production. As these limits are approached credit policy must be increasingly influenced by careful consideration of the continued effectiveness of further additions to the total volume of credit in contributing to increased productivity."