

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

July 1, 1923

Business Conditions in the United States

PRODUCTION and shipment of goods continued in heavy volume during May; the volume of employment was sustained and many wage advances were reported. Wholesale commodity prices declined during May and the early weeks of June.

PRODUCTION

Production of iron and steel, cement, and petroleum was larger in May than in any previous month, and mill consumption of cotton was close to maximum. The high level of production in these industries, together with increases in practically all other reporting lines, is reflected in an advance of 2 per cent. in May in the Federal Reserve Board's index of production in basic industries. In the building industry there was a further decline in principal cities in the value of permits granted which represent prospective building operations. Contract awards, however, which represent actual current undertakings, continued to increase, though declines are reported in the New York and Chicago districts.

This industrial activity has been accompanied by a slight increase of employment at industrial establishments. The demand for labor was also reflected in a larger number of wage advances during the 30-day period ended May 15, than in any earlier month this year, and average weekly earnings in all reporting industries increased by 3.8 per cent. The advances were

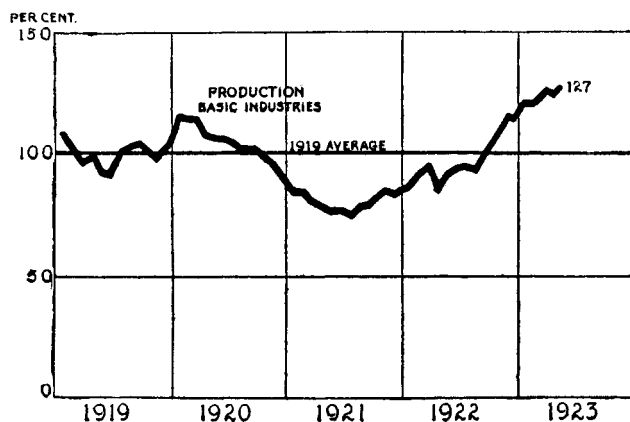
most general in the cotton, steel, meat packing, and sugar refining industries.

In agriculture the condition of both winter and spring wheat is reported less favorable than a year ago, while the condition of the cotton crop is slightly better than last year, owing entirely to more favorable growing conditions in Texas. A shortage of farm labor is reported from most sections of the country.

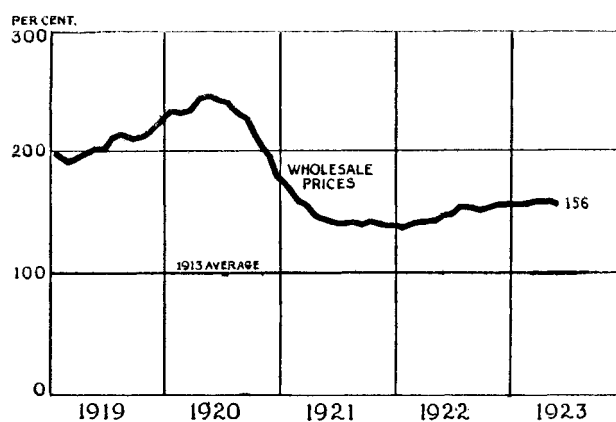
TRADE

Active distribution of commodities is indicated by heavy movement of merchandise and miscellaneous freight, and car loadings continued to exceed all previous records for this season. In certain lines of trade a decline in the volume of manufacturers' orders for future delivery is reported.

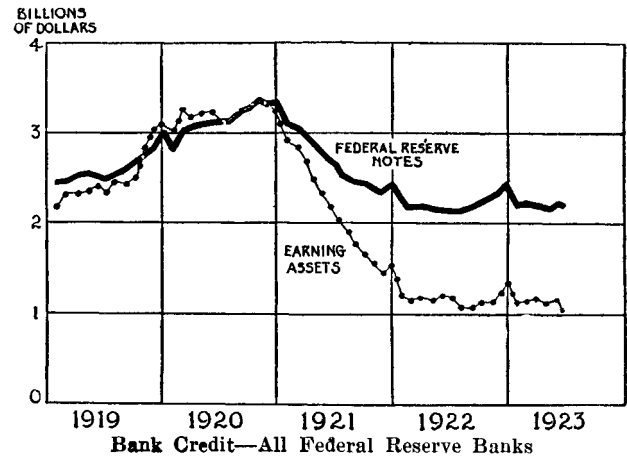
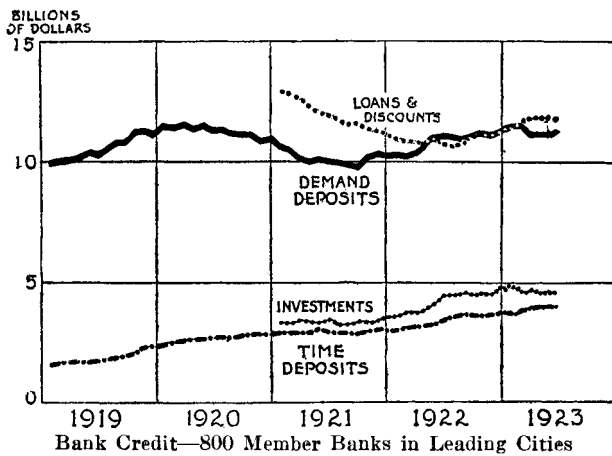
The volume of both wholesale and retail trade was larger in May than in April. Among the wholesale lines, sales of meat, hardware, and shoes showed particularly large increases, while sales of clothing and dry goods decreased. The Federal Reserve Board's index of wholesale trade, which makes no allowance for seasonal changes, was 5 per cent. higher than in April and 14 per cent. higher than a year ago. Sales of department stores increased about 8 per cent. in May, and all reporting lines of chain store business reported increases. Mail order sales were 6 per cent. less than in April, but were larger than in any previous May.



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.)



WHOLESALE PRICES

Price declines were reported during May and the first three weeks of June for a large number of commodities. All of the nine groups in the Bureau of Labor Statistics index, except food and house furnishings, show decreases for May and the average for all commodities declined by 2 per cent.

BANK CREDIT

Loans of reporting member banks in principal cities, which had been increasing since the early part of the year, declined by \$115,000,000 between May 16 and June 13. Bank holdings of Government securities, which increased by over \$100,000,000 in connection with the Treasury transactions of May 15, later declined as the securities were distributed by the banks.

These decreases in loans of member banks and the receipt during May of \$45,000,000 of gold from abroad were accompanied by a decrease in the earning assets of Federal Reserve Banks by \$120,000,000 for the four weeks ended June 20. At that time the volume of Federal Reserve Bank credit in use reached the lowest point since the opening of the year and approached the low point reached in August 1922. Reserve Bank holdings of bankers acceptances and Government obligations are now lower than at any time since early in 1922.

The total volume of money in circulation increased by \$38,000,000 between May 1 and June 1, the increase being chiefly in gold and silver certificates rather than in Federal Reserve notes.

Money rates continued to show a slightly easier tendency. The June 15 issue of \$150,000,000 6-months Treasury certificates carried a rate of interest of 4 per cent. compared with $4\frac{1}{4}$ per cent. on a similar issue sold in March.

Banking Conditions in the Second District

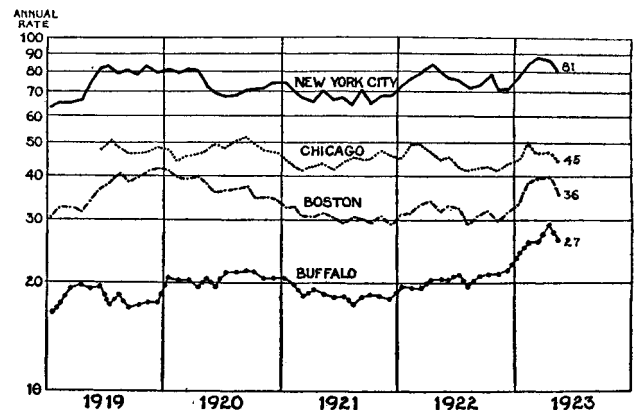
In the Second Federal Reserve district the decline in bank loans in recent weeks has been more marked than in other centers. Declines in loans on stocks and bonds and loans made largely for commercial purposes began several weeks earlier than in other centers and the declines have been relatively larger.

On June 16, accompanying a flow of funds to New York and the easing in money conditions which custom-

arily follows quarterly tax dates, loans by the Federal Reserve Bank of New York to member banks fell to \$126,000,000, the lowest figure this year, and total earning assets to \$184,000,000, the lowest since 1917.

Later in June, following the collection of income tax checks, and in connection with payments in this district on heavy new financing and a return movement of funds to the interior, loans to member banks increased to the levels previously prevailing. Holdings of bankers acceptances and Government securities remained close to the low figure of June 16.

Accompanying reduced activity in the security markets and somewhat diminished forward ordering by manufacturers and others there was a decline in the rate of turnover of bank deposits in New York City and certain other centers as well. The velocity or rate of turnover of bank deposits is shown in the following diagram for four cities. Allowance has been made for seasonal variations.



Rate of Turnover of Bank Deposits. Allowance Is Made for Usual Seasonal Changes

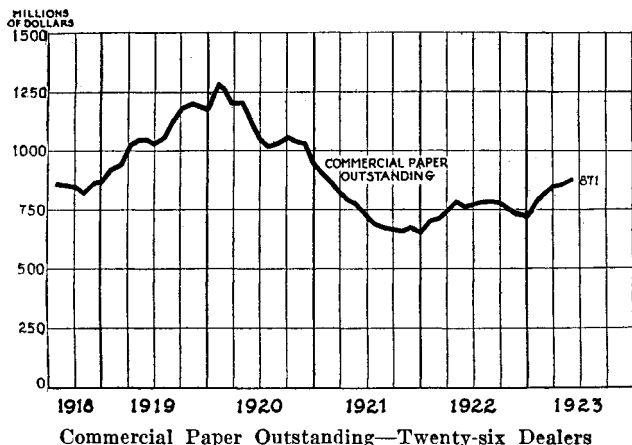
Money Market

The money market continued quiet and relatively easy during the greater part of June, reflecting diminished stock market and commercial demands, and in keeping with the usual tendency for funds to be cheaper during the early summer before the development of crop moving demands.

Commercial paper continued to be 5 per cent. for most prime paper, and in a few exceptional cases $4\frac{3}{4}$ per cent. Dealers' reports for the end of May indicated a further increase in the amount of paper outstanding. In the bill market, dealers continued to bid $4\frac{1}{4}$ per cent. for bills which they offered at $4\frac{1}{8}$ per cent.

The new issue of six months Treasury certificates dated June 15 carried 4 per cent. interest compared with $4\frac{1}{4}$ per cent. on a similar issue three months ago and was heavily oversubscribed.

Stock market call money rates for the first part of the month continued to rule around $4\frac{1}{2}$ to $4\frac{3}{4}$ per cent., with occasional advances to 5 per cent., and time money rates of stock market collateral touched $4\frac{3}{4}$ -5 per cent., the lowest since last February. Towards July 1 there were advances in both call and time money rates.

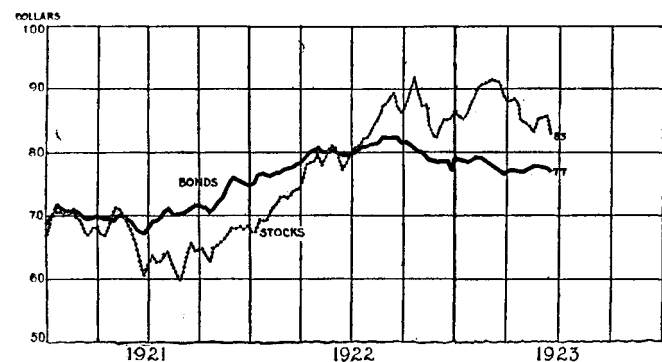


Security Markets

Following a rally late in May, stock prices declined about the middle of June and averages of industrial issues touched new low points for the year. Railroad stocks declined less than industrial issues, due partly to favorable earnings reports, and remained slightly above previous low levels.

As shown by the accompanying diagram comparing movements of 40 bonds and of 50 stocks, both railway and industrial, stock prices have tended downward since March and show losses of about 10 points.

Accompanying weakness in stocks, high grade corporation bonds lost about a point after June 15 compared



Average Weekly Prices of 40 Bonds and 50 Stocks on the New York Stock Exchange

with the highest prices touched in May. Liberty bonds, on the other hand, were comparatively steady. Dutch East Indies and certain of the French, Belgian, and Central European issues touched new high prices for the year early in June, but reacted in the latter weeks.

Offering of the \$25,000,000 7 per cent. guaranteed loan of the Austrian Government constituted the most important new issue of the period. The bonds were guaranteed by eight other European governments including Great Britain, France, and Italy, and were offered at a price to yield over 8 per cent. The issue was heavily oversubscribed and received wide distribution. There were also several large offerings of domestic corporation and State securities and total new issues reached the largest amount since January.

Government Debt

Outstanding developments during June in connection with the Government debt were the semi-annual payment on June 15 by the British Government of approximately \$69,000,000 of interest at 3 per cent. per annum on the British war debt of \$4,600,000,000 to this Government, and the growing assurance that the Treasury would close the current fiscal year with a surplus of revenue over expenditures amounting to about \$200,000,000.

The British Government availed itself of the clause of the debt funding agreement permitting it to make payments in Liberty bonds purchased in the open market at current prices, the result of which was to reduce automatically by an equivalent amount the outstanding public debt of the United States. Further operations on June 15 involving the debt included payment by the Treasury of interest on various issues and the redemption of \$200,000,000 Treasury certificates. The Treasury sold \$190,000,000 new six months 4 per cent. certificates and collected about \$350,000,000 in income taxes. The resultant balance is expected to provide for Treasury requirements through the summer, so that the new offering of certificates not only completes the refinancing of the short-dated debt begun early in 1921, but according to a statement by the Secretary is expected to be the last Treasury offering until September.

Foreign Exchange

Movements of exchange during June continued generally in favor of the dollar, despite the reversal in recent months of this country's trade balance from an excess of exports to an excess of imports. Swiss, Spanish, Danish, and Italian exchanges fell to further new low points for the year, while German, Polish, and Hungarian rates reached the lowest figures ever quoted. At 167,000 to the dollar on June 18, German marks showed a depreciation within a month's time of about 70 per cent.

Sterling in the vicinity of \$4.62 remained little changed, but French and Belgian francs, which had held comparatively steady during April and May, declined somewhat less than half a cent to around $6\frac{1}{4}$ and $5\frac{1}{4}$ cents, respectively. In the case of Belgian exchange this was close to the low point reached in February.

Of the Far Eastern exchanges, Japanese yen reacted moderately from the high point reached in May, while Shanghai taels were likewise lower, accompanying lower prices for silver which followed the discontinuance of United States Treasury Pittman Act purchases of domestic silver. Indian rupees, on the other hand, were steady, and resumption of the gold movement to India was reported. Argentine and Brazilian rates touched new low points for the year late in May or early in June, but recovered slightly during the latter part of June.

Gold Movement

May imports of gold were \$45,357,000 and exports were \$824,000. For the first five months of the year imports totaled \$111,700,000 against exports of \$21,743,000, leaving an excess of imports of nearly \$90,000,000, or about \$11,000,000 less than during the corresponding period last year.

Of the May imports \$26,806,000 were from England and \$14,189,000 from Germany. Additional shipments were received from Germany during June. The source of these shipments is indicated by a decline in the total gold holdings of the Reichsbank from 919,909,000 gold marks on April 30 to 756,914,000 gold marks on June 7.

The only important exports of gold from the United States during May went to Mexico, and were smaller than amounts received from that country.

Foreign Trade

Merchandise exports from the United States during May were valued at \$319,000,000 and imports at \$370,000,000, resulting in an excess of imports amounting to \$51,000,000. May was the third successive month in which imports exceeded exports. The excess in March amounted to \$56,827,000 and in April to \$38,780,000, according to revised figures announced by the Department of Commerce. In both January and February exports exceeded imports by small margins and for the first five months of the calendar year the excess of imports has been \$137,582,000.

In any comparison of the balance of trade between the United States and foreign countries the items precisely ascertainable are the movement of merchandise, the movement of gold and silver, and the sale of foreign securities here. The reversal of the merchandise balance

in recent months has accompanied a reduction in the amount of foreign securities sold here. Hence the net result of recent movements has been the creation of a visible balance here in favor of European countries which is slightly larger than was created in the early months of 1922. Foreign financing was particularly heavy early in 1922, however, and if the whole year is taken into consideration the balance created thus far this year is almost equal to the balance for the full year 1922.

The foreign credit or debit balance created through the movement of merchandise and gold and silver and through sale of foreign securities is shown in the following table for each year since 1920. The foreign balances created in 1922 and 1923 have been available, among other purposes, for the payment of debts and interest and for investment in this country.

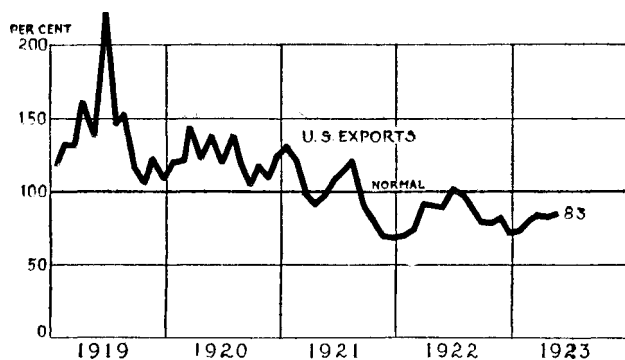
(In millions of dollars)

	1920	1921	1922	First 5 mos. 1922	First 5 mos. 1923
Foreign financing in U. S.	596	695	876	560	158
Net imports gold and silver	69	679	246	104	91
Excess of merchandise imports	138
Total foreign credits	665	1,374	1,122	664	387
Excess of merchandise exports	2,950	1,976	719	327	...
Foreign balances (U. S.)	-2,285	-602	403	337	387

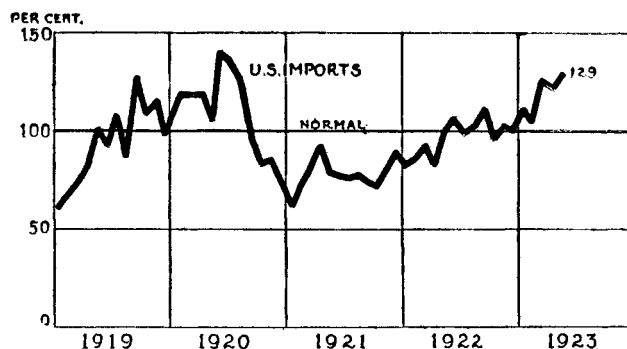
Indexes of Foreign Trade

In order to secure a comparison between the current volume of exports and imports and the volume which might normally be expected from the tendencies of the past this bank has computed index numbers of exports and imports as percentages of estimated normal. The estimates for normal are computed on the assumption of a continuation in recent years of the trends of exports and imports for the past forty years. In comparing current figures with estimated normal, allowance has been made for price changes and for seasonal variation. The index figures computed from the dollar value of exports and imports have been checked by a comparison with the tonnage of exports and imports reported by the Shipping Board.

The index figures show that exports have been running for the past few months in the neighborhood



Exports of Merchandise from the United States Compared with Estimated Normal. Allowance Is Made for Price Changes, Seasonal Variation and Year to Year Growth.



Imports of Merchandise in the United States Compared with Estimated Normal. Allowance Is Made for Price Changes, Seasonal Variation and Year to Year Growth

of 20 per cent. below estimated normal, while imports have been about 25 per cent. above estimated normal. Imports have been rising steadily since early in 1921, but the tendency of exports has been downward since the middle of 1919. The index figures are shown in the diagrams at the foot of page 4.

Commodity Prices

The Department of Labor's wholesale price index declined nearly 2 per cent. in May to a point 56 per cent. above the 1913 average. This is the first decline in this index since September 1922. The decline was due largely to lower prices of farm products, cloths and clothing, and fuel and lighting. Of the nine groups of commodities that comprise this index seven showed price recessions and two were unchanged.

The decline in prices of basic commodities has been more marked than has the decline in manufactured and semi-manufactured articles. The price index of 20 basic materials, maintained by this bank, has declined 5 per cent. since the beginning of April. The index computed weekly by Prof. Irving Fisher from prices of about 200 commodities has declined 6 per cent. from 168 on April 6 to 158 on June 22.

Wholesale prices declined in England, France, and Canada also.

Cost of Living

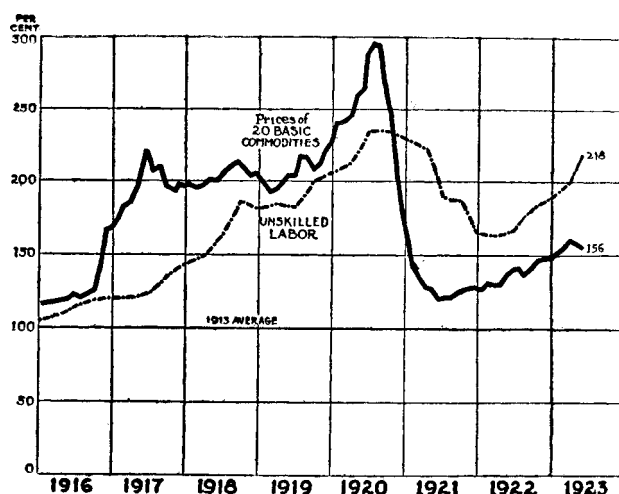
The cost of living of a wage earner's family rose slightly less than 1 per cent. during May, according to the index of the National Industrial Conference Board. The retail cost of clothing rose 4.2 per cent., the largest increase in any one month since early in 1920. Detailed changes in the index were as follows.

(July 1914 = 100 per cent.)

Item	Index May 15	Per cent. change from April 15	Per cent. change from May 1922
Food.....	143	0	+ 2.9
Clothing.....	174	+ 4.2	+11.5
Shelter.....	172	+ 1.2	+ 4.2
Fuel and Light.....	178	- 1.1	+ 2.3
Sundries.....	173	0	- 0.6
All Items.....	160	+ 0.8	+ 3.5

Wages

The index number for the hiring rate of wages for unskilled male labor, prepared by this bank, shows a 10 per cent. increase since April, from 44 to 48.4 cents per hour. This index is now 34 per cent. above the low point of April 1922 and only 7 per cent. below the maximum reached in 1920. In the accompanying diagram, this index is compared with an index of prices of 20 basic commodities, also prepared by this bank. These two indices show the changes which have occurred in recent years in the major costs of many industrial operations. The sharp rise in the wage rates of unskilled labor since April is in contrast with the decline in prices of basic commodities.



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

Average weekly earnings in representative factories in New York State, reported by the New York State Department of Labor, were \$27.63 in May, or 63 cents higher than in April. Higher wage scales and increased working time have raised average earnings \$3.04 or 12 per cent. since May 1922, and brought them within 5 per cent. of the maximum of October 1920.

A total of 287 wage increases in industrial establishments throughout the United States during the month ended June 14 was reported by the National Industrial Conference Board. Approximately two-thirds of the increases were in the building and clothing industries.

Production

The production during May of 3,867,694 gross tons of pig iron and of 4,205,000 tons of steel ingots exceeded figures for any previous months in the history of the iron and steel industry, and the output of 12,910,000 barrels of cement was also larger than ever before. The production index maintained by the Federal Reserve Board advanced nearly 2 per cent. to a point 27 per cent. above the 1919 average, and higher than in any previous month.

Mill consumption of cotton amounted to 621,000 bales, or 8 per cent. more than the estimated normal for the month, despite curtailment of operations by certain of the New England mills. The high figure reflected heavy production by southern mills which are relatively larger consumers of cotton because they manufacture a heavier type of goods using more cotton. The woolen industry was also exceptionally active, but production of silk goods continued curtailed.

Production of petroleum continued far in excess of the estimated normal and there was a further increase in stocks of crude and refined products on hand. The following table shows the index numbers computed by this bank for production in various industries.

(Estimated Normal Production = 100 Per cent.)

	1920	1921	1922	1923			
	May	May	May	Feb.	Mar.	Apr.	May
Anthracite coal.....	94	88	4	112	112	102	98
Bituminous coal.....	102	86	52	104	105	117	114
Pig iron.....	104	41	76	105	110	114	124
Steel ingots.....	97	41	84	95	99	99	105
Tin deliveries.....	73	25	92	109	110	132	114
Zinc*.....	97	36	51	74	85	82	83
Petroleum.....	103	110	113	126	127	134	139
Copper, U. S. mine.....	91	19	70	89	90	89	95
Cement.....	96	99	117	160	146	134	133
Lumber r.....	101	88	102	116	136	119	...
Paper, total r.....	125	70	105	119	a	109	...
Wood pulp.....	121	71	108	103	100	102	...
Tobacco consumption.....	107	88	91	90	91	89	93
Cotton consumption.....	100	80	88	108	107	101	108
Wool mill activity*.....	108	92	82	108	118	120	...
Wheat flour.....	103	105	101	109	122	110	113
Sugar meltings, U. S. ports.....	96	81	146	121	132	122	118
Leather, sole.....	98	90	76	100	106	102p	...
Gasoline.....	95	97	98	120	121	115	...
Meat slaughtered.....	101	96	108	108	119	116	...

* Seasonal variation not allowed for. a Report not completed by Federal Trade Commission. p Preliminary. r Revised.

Automobile Production

Production of 393,000 motor vehicles in the United States during May set a new high mark for the industry, exceeding by 11,000 the previous high figure of April. An index of passenger car production, prepared by this bank, shows that May output was 50 per cent. higher than the output normally to be expected, after allowance is made for variations between seasons and the year to year growth which has characterized the industry in past years.

Over 1,600,000 cars and trucks were produced in the first 5 months of 1923, or double the output in the same period of 1922. If production during the remaining 7 months should be as large as in the last 7 months of 1922, output for the current year will be approximately 3,500,000 vehicles.

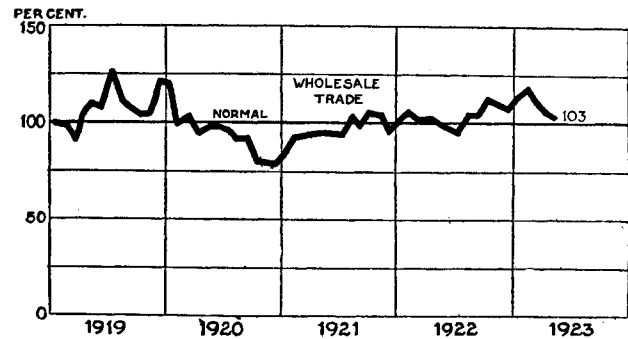
Wholesale Trade

May sales by wholesale dealers in this district, while well above those of May a year ago, were less than in March and April. This decrease was due in part to seasonal tendencies but not entirely, as the decline between April and May was larger this year than usual.

In order to reveal the changes in wholesale trade independent of the usual seasonal fluctuations, this bank has prepared an index of wholesale trade for this district in which the figure for each month is shown as a percentage of an estimated normal. Normal trade may be interpreted to mean the trade which might reasonably be anticipated in view of the usual seasonal fluctuations, and growth from year to year. Allowance has been made for price changes by dividing the dollar sales each month by a price index computed for the commodities included. Figures reported by 122 dealers in ten lines have been included in the index. Each commodity has been weighted in accordance with its relative importance in the trade of this district.

This index is shown in the accompanying diagram. In February the volume of goods sold was 19 per cent.

above the estimated normal, in March it was 11 per cent. above, in April 5 per cent. and in May 3 per cent.



Wholesale Trade in the Second Federal Reserve District Compared with Estimated Normal. Allowance Is Made for Price Changes, Seasonal Variation and Year to Year Growth

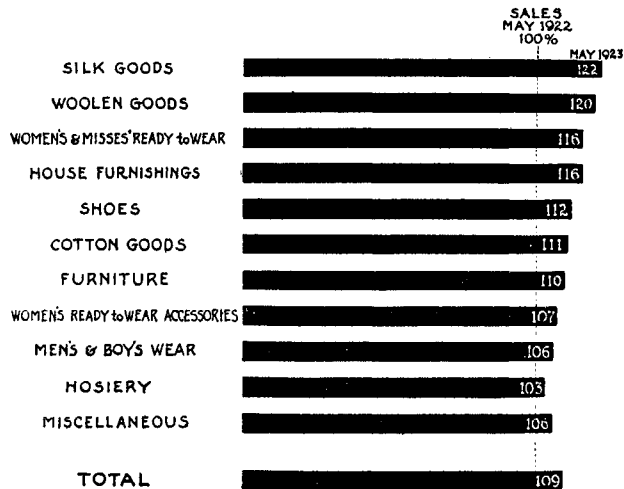
In May, as in several months previous, the largest increase in sales as compared with a year ago was reported by machine tool dealers. Sales of clothing, especially of women's clothing, were also large, as retailers who underestimated their spring requirements continued to place orders for immediate shipment. The smallest gain over sales for a year ago was made by dry goods dealers because of the unwillingness of buyers to make commitments for the future in view of the unsettled state of the raw cotton market. Detailed figures are shown in the following table.

Commodity	Dollar Sales During May (In percentages)				
	1919	1920	1921	1922	1923
Machine tools.....	363	584	107	100	321
Jewelry.....	240	247	109	100	158
Clothing.....	123	133	90	100	139
(a) Men's.....	77	158	88	100	124
(b) Women's.....	153	116	91	100	149
Diamonds.....	370	116	64	100	137
Shoes.....	182	185	110	100	125
Hardware.....	108	138	88	100	119
Stationery.....	107	149	94	100	116
Groceries.....	138	175	101	100	111
Drugs.....	95	97	93	100	111
Dry goods.....	101	134	114	100	107
Total (weighted).....	123	152	100	100	118

Department Store Business

Largely because of increases in sales of women's ready-to-wear clothing, silk and woolen goods, and house furnishings, May sales by department stores in this district were 9.4 per cent. above those of May a year ago. This gain is somewhat larger than the average for the past few months. For the first five months of the current year sales were 7.5 per cent. above those of the corresponding period a year ago.

Sixteen of the largest stores reported sales during May by groups of departments for the first time. The per cent. change in sales from May 1922 to May 1923 is shown in the following diagram for 11 major classifications.



Sales of Department Stores by Major Classifications

The total gain in sales has been computed from data furnished by stores which reported only total sales as well as by those which supplied the more detailed information.

The gain in sales as compared with May 1922 was due in part to higher prices. The average sales check increased from \$2.61 last May to \$2.85 this year or 9 per cent. Probably not all of this increase has been due to higher prices, as merchants report that the people are buying a somewhat better quality of merchandise this year.

Stocks held by department stores on June 1 were 7.3 per cent. larger, measured by selling price, than those held a year ago. As sales have increased more than stocks the rate of stock turnover is more rapid. Between May 1 and June 1 there was a small decline in stocks, a change which usually occurs at this season.

Sales by mail order houses in May were 39 per cent. above those of May a year ago, a somewhat larger increase than that reported in March and April.

Detailed figures are shown in the following table.

	NET SALES DURING MAY (In percentages)					STOCK ON HAND JUNE 1 (In percentages)				
	1919	1920	1921	1922	1923	1919	1920	1921	1922	1923
All dept. stores...	84	110	96	100	109	76	118	99	100	107
New York.....	83	116	95	100	108	75	117	98	100	105
Buffalo.....	85	98	98	100	109	82	115	104	100	107
Newark.....	86	111	101	100	121	79	134	101	100	117
Rochester.....	78	104	102	100	114	83	144	102	100	118
Syracuse.....	89	108	103	100	113	98	152	120	100	108
Bridgeport.....	102	119	107	100	109	81	118	96	100	102
Elsewhere in 2nd District.....	85	107	97	100	108	82	106	101	100	111
Apparel stores...	83	91	96	100	108	58	98	90	100	107
Mail order houses.	116	125	84	100	139	**	**	**	**	**

Chain Store Sales

A continued large volume of business is indicated by reports of chain store systems for May. Sales by all types of stores were larger than in May 1922, and the percentages of increase were somewhat larger than in April.

Detailed figures follow.

TYPE OF STORE	NUMBER OF STORES		DOLLAR SALES DURING MAY (In percentages)					Per cent. change in sales per store May 1922 to May 1923
	May 1922	May 1923	1919	1920	1921	1922	1923	
Apparel.....	373	438	60	88	92	100	127	+ 8.3
Grocery.....	11,323	13,885	69	110	87	100	128	+ 4.7
Ten Cent.....	1,747	1,827	75	89	87	100	119	+14.2
Drug.....	278	309	83	100	102	100	111	+ 0.1
Shoe.....	204	243	81	120	111	100	110	- 7.5
Cigar.....	2,440	2,747	79	105	101	100	106	- 5.8
Total.....	16,365	19,449	72	103	90	100	123	+ 3.3

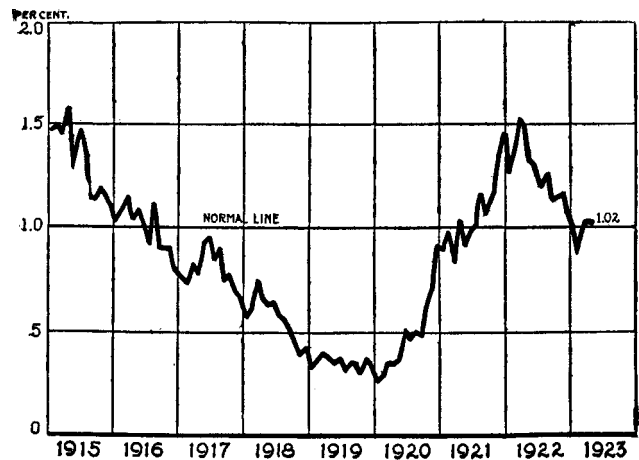
Crops

Preliminary estimates by the Department of Agriculture place the condition of the cotton crop at 71 as compared with 69.5 a year ago. The change is due entirely to favorable conditions in Texas. In the other cotton-growing States unusually wet weather has made much replanting necessary. A shortage of labor for cotton cultivation is reported due in part to the migration of negroes to the North. The condition of the winter wheat crop was reported on June 1 at 76.3 as compared with 81.9 a year ago. The acreage planted in spring and winter wheat is estimated to be slightly larger than a year ago, and the forecast of the year's wheat crop is 817,000,000 bushels, slightly smaller than last year's crop.

Failures

Business failures during May, reported by R. G. Dun & Company, totaled 1,530 as compared with 1,520 in April. Liabilities, exclusive of one stock brokerage house in New York City, for which figures are not yet available, were \$41,000,000, or about \$10,000,000 less than in April.

An index of failures maintained by this bank, in which allowance has been made for seasonal variations, shows that the number of insolvencies during the past three months has been close to the estimated normal, or at the annual rate of about 1 per cent. of the total number of



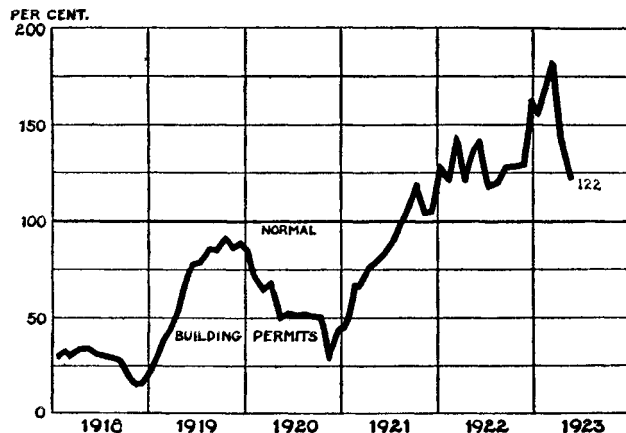
Percentage of Firms Failing to the Number in Business, in Terms of Annual Rate. Allowance Is Made for Seasonal Variation

firms in business. The fluctuations in the number of failures during the past several years are shown in the preceding diagram.

Building

The policy of postponing building operations on account of high costs of labor and of materials which was evident in New York City during April, extended to other sections of the country during May as indicated by a general decrease in the value of building permits granted in the principal cities of the country.

An index prepared by this bank shows that in March the value of permits granted was 82 per cent. above estimated normal, in April it was 44 per cent. above and in May there was a further decline to 22 per cent. above estimated normal. In computing this index, allowance has been made for changes in the cost of construction, for seasonal variations, and for year to year growth of the industry. The fluctuations during the past several years are shown in the accompanying diagram.



Value of Building Permits in 158 Cities Compared with the Value Normally to Be Expected Each Month. Allowance Is Made for Seasonal Fluctuations and Year to Year Growth

Recent increases have brought wages of building workers above the highest point of 1920. Prices of materials are about 30 per cent. under the 1920 maximum and the total cost of construction is 21 per cent. under that maximum but about double the pre-war cost. The following table shows recent changes in this bank's indexes of building costs.

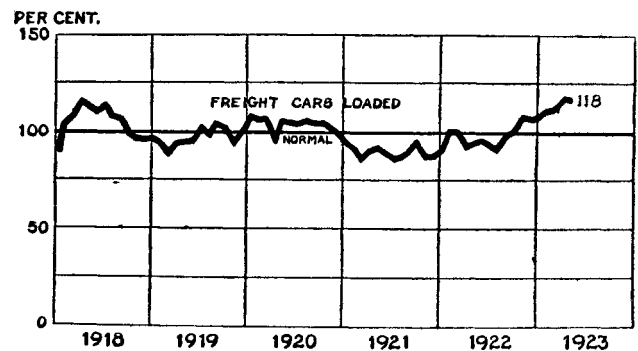
	Building Materials	Building Wages	Total Cost of Construction
1913 Average.....	100	100	100
Maximum, 1920.....	300	195	254
Low, 1922.....	155	179	165
March, 1923.....	198	189	194
April, 1923.....	204	194	200
May, 1923.....	202	199	201

Railroad Traffic

Car loadings of freight during May were larger than

during any May of previous years, and loadings of one week, that ended May 26, were within 4,000 cars of the maximum which was reached in October 1920. The increase over April of this year, however, was owing to the usual seasonal growth. This bank's index in which allowance is made for usual seasonal changes is 118 for May, compared with 119 for April. Merchandise and miscellaneous freight, which was the most important factor in the increase of the first four months of the year, declined slightly during the five weeks ended June 2.

During the week ended May 22 the reported freight car surplus exceeded the reported shortage for the first time since August 1922, and during the week ended May 31 this surplus was increased to 16,000 cars.



Car Loadings as Percentages of Estimated Normal Loadings. Allowance Is Made for Usual Seasonal Fluctuations and Year to Year Growth

Indexes of Business Activity

In the past few months this bank has prepared and published in the REVIEW a series of index numbers designed to measure various phases of business activity. These indexes supplement the production indexes which have been published regularly since the summer of 1921. In each case allowance has been made for seasonal fluctuations and for year to year growth, and the current figures are expressed as percentages of an estimated normal. Wherever necessary, allowance has also been made for price changes. For convenience in reference the available figures for recent months are brought together in the following table:

(Estimated Normal = 100 Per cent.)

	1922	1923				
	May	Jan.	Feb.	Mar.	Apr.	May
Car loadings.....	95	109	111	112	119	118
Wholesale trade.....	99	114	119	111	105	103
Postal receipts.....	100	104	102	105	99	104
Building permits.....	137	155	170	182	144	122
Exports.....	90	74	79	83	82	83
Imports.....	99	110	105	125	122	129
Automobile production.....	107	115	125	134	142	150
Electric power production.....	101	113	115	115	115	...
Business failures.....	132	98	88	103	103	102