

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

November 1, 1923

Business Conditions in the United States

PRODUCTION of basic commodities declined during September, wholesale trade continued large, while retail trade, though larger than a year ago, increased less than is usual at this season of the year. Wholesale prices, particularly those of agricultural products, advanced during the month.

PRODUCTION

Production in basic industries, according to the Federal Reserve Board's index, declined 5 per cent. during September, and was 10 per cent. below the peak output of May. The principal factors in this decline were the suspension of anthracite coal mining for over two weeks and a substantial reduction in the production of iron and steel. Cement production and sugar melt-ings were larger than in August. The decline in the production index, which is corrected for seasonal variations and reflects chiefly changes in the output of raw and semi-finished products, was not accompanied by a reduction of employment at industrial establishments. New building construction showed about the usual seasonal decline in September, due to a curtailment in contracts for residences. Contract awards for business and industrial buildings, however, were larger than in August.

Estimates by the Department of Agriculture on October 1 showed some reduction from the September

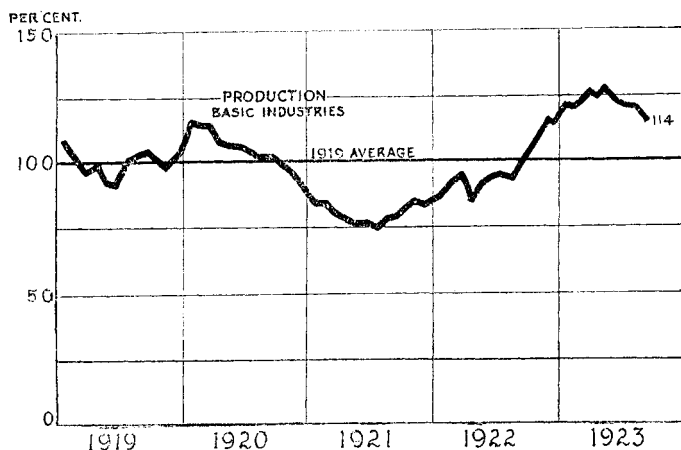
forecasts in the yields of corn, wheat, oats, and tobacco, but increased yields of cotton, potatoes, and hay.

TRADE

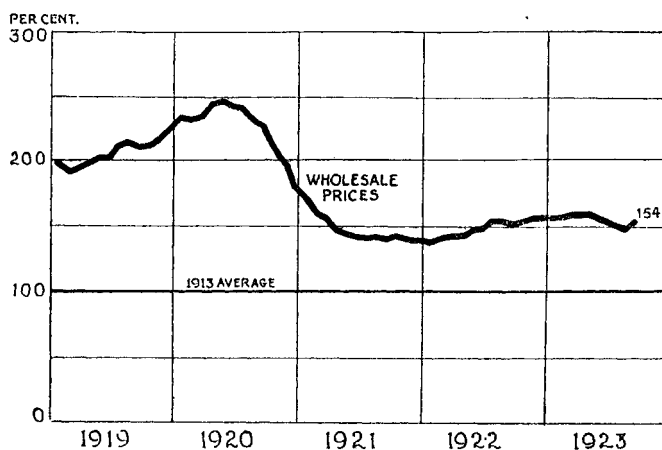
Distribution of all classes of commodities by railroads continued at a high rate throughout September. Wholesale trade, according to the Federal Reserve Board's index, in September reached the largest total in three years and was 9 per cent. larger than a year ago. Sales of meat, hardware, and drugs were considerably larger than in last September, while shoe sales were smaller. Retail trade was slightly larger in September, but the increase was much less than is usual at this season of the year. Department store sales were 6 per cent. more than in September 1922, and stocks at the end of the month were 13 per cent. larger than a year ago.

PRICES

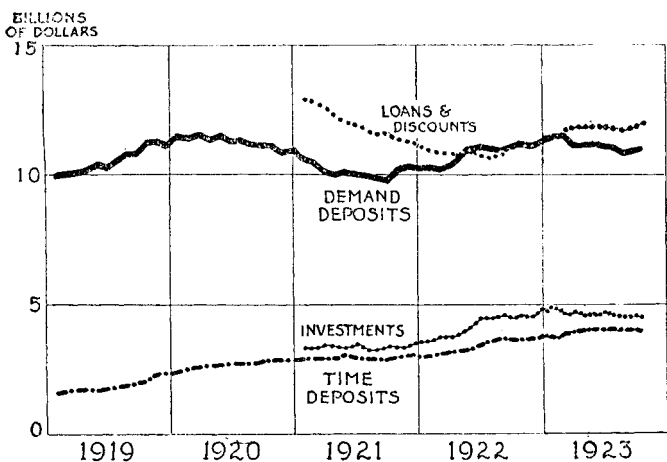
Wholesale prices increased over 2 per cent. during September, according to the index of the Bureau of Labor Statistics, particularly large increases occurring in the prices of clothing, farm products, and foods. Fuel prices, on the other hand, declined in September for the eighth successive month, and prices of building materials and metals were also lower. During the first three weeks of October prices of certain farm products continued to advance, wheat and cotton reaching the highest prices of the current year, while prices of hogs, coal, and metals declined.



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.)



Bank Credit—800 Member Banks in Leading Cities

BANK CREDIT

The demand for bank credit showed a seasonal increase in September and the early part of October, loans of member banks in leading cities increasing by \$116,000,000 between September 12 and October 10. This increase reflected chiefly the demand for commercial loans, which on the latter date stood at a new high point for the year, almost \$100,000,000 above the total on September 12. Increases in the holdings of Government securities by these banks were partly offset by reductions in corporate security holdings.

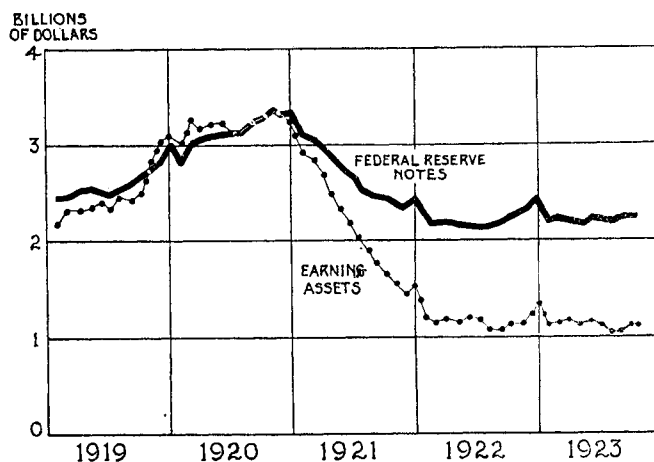
The demand for accommodation at the Federal Reserve Banks in some of the agricultural districts increased, while at the Reserve Banks in the East the volume of discounts for member banks declined. Federal Reserve note circulation continued to increase and in the middle of October was about \$100,000,000 above the July level.

In October, money rates showed an easier tendency and after the fifteenth of the month rates for commercial paper in the New York market declined from a range of $5\frac{1}{4}$ — $5\frac{1}{2}$ to 5 — $5\frac{1}{4}$ per cent.

Banking Conditions, Second District

Total loans and investments of reporting member banks in this district were practically unchanged during the last half of September and first half of October. Loans largely for commercial purposes increased \$50,000,000 to a new high point for the year, chiefly due to seasonal causes, but this increase was largely offset by a reduction in loans on stocks and bonds. Total deposits increased \$50,000,000 to the highest point since July.

Total earning assets of the Federal Reserve Bank of New York increased during the latter part of September and first part of October, but after the 15th of the month declined sharply to \$204,000,000, the lowest this year except during periods of heavy Government disbursements at quarterly tax dates. Bills bought in the open market increased during the first three weeks of



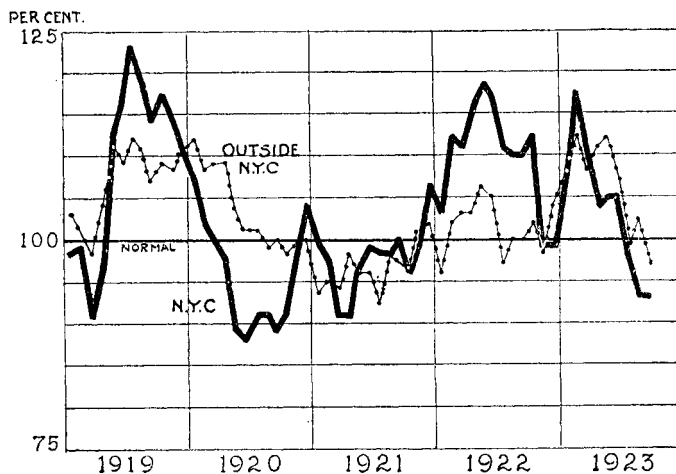
Bank Credit—All Federal Reserve Banks

October, reflecting in part larger portfolios held by the dealers, but bills discounted for member banks and holdings of United States securities declined.

Bank Debits

During recent months there has been a decline in the volume of checks drawn against deposits in banks located in New York and other cities, after allowance has been made for seasonal variation, price changes, and annual growth. As shown in the accompanying diagram, the decline has been more rapid in New York City where the fluctuations are much affected by wholesale trade and transactions in the security markets. Debits outside of New York, which reflect closely changes in the general volume of commercial and industrial activity, have likewise shown a decrease, and in September were 3 per cent. below estimated normal.

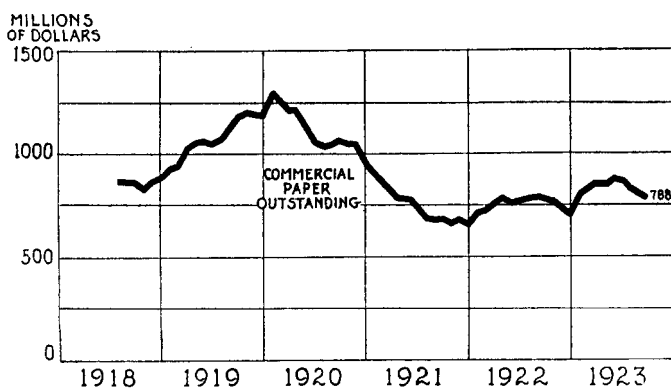
The statistical methods used in the following diagram in making allowance for growth, and for seasonal and price changes are similar to those used in other indexes of industrial and trade activity which have been published from time to time in the REVIEW.

Bank Debits—New York City and Outside
(Computed normal = 100 Per cent.)

Money Rates

A slight easing in money rates after October 1, which became more distinct after the 15th of the month, appeared to indicate an unusually early culmination of seasonal demands, accompanying reductions in certain phases of industrial and business activity.

Commercial paper rates, which averaged close to 5½ per cent. about the middle of September, declined to 5¼ per cent. for most prime paper, and some sales were made at 5 per cent. This change reflected a good demand from the interior, together with some increase in buying by New York City banks. Supplies of paper, on the other hand, were generally reported as light, due to small demand from commercial concerns for funds. The accompanying diagram shows the decline between September 1 and October 1 in the outstanding paper of 26 dealers.



Commercial Paper Outstanding—Twenty-Six Dealers

Demand for bills likewise increased slightly during October, but not to the same extent as did the supply of bills which was increased by seasonal drawings on cotton and grain. In consequence, dealers' portfolios increased. Rates, however, were unchanged at 4½ to 4¾ per cent. on purchases by the dealers, and 4 to 4½ per cent. on sales by them.

After a slight rise at the first of the month, there was practically no change in offering rates for Government short term certificates and notes.

Call money displayed the usual first-of-the-month firmness, but eased by the middle of the month to 4½ and 4¾ per cent. for renewals, and to 4 per cent. on some days for new loans. Time money on stock market collateral dropped to 5-5¼ per cent., compared with 5½-5¾ per cent. for a period during the latter part of September.

Security Markets

Stock trading was generally dull during October and price tendencies lower. Railroad stocks were relatively steady, due presumably to favorable earnings reports, but averages of industrial issues in some instances reached new low points for the year.

Bond prices, on the other hand, were firmer in October, accompanying an easier tendency in money rates. Liberty and high grade corporation issues recovered

substantially from the losses incurred during September.

The volume of new securities offered likewise increased in October, and during the third week was the largest since June. Railway issues were an important part of the total. A \$15,000,000 preferred stock issue by a leading railway marks a departure from recent railway financing which has largely been in the form of bonds or notes. Other noteworthy offerings were \$47,000,000 Federal Land Bank 4¾ per cent. bonds, \$21,000,000 bonds of the State of Illinois, and a \$10,000,000 loan for the Government of Finland.

Foreign Exchange

After holding steady at close to \$4.55 during the first ten days of October, sterling later in the month declined sharply to \$4.47½, the lowest quotation since November 1922. Seasonal bill offerings, British Government purchases of dollars, and political disorders in Germany were probably factors in the decline.

French and Belgian francs were off about ¼ of a cent to the lowest since mid-September. Italian exchange was under some pressure, and marks continued their precipitate decline.

Chief changes in other rates included a continued downward tendency in the Scandinavian exchanges and some loss in Dutch, Argentine, and Chinese exchanges. Canadian, Japanese, and Indian rates were firmer. Most exchanges advanced following announcement of a proposed international conference on reparations.

Gold Movement

Continuation of the heavy inflow of gold was shown by imports of \$27,803,961 during September, chiefly from England, Germany, Canada, and France, compared with exports of \$862,697, largely to British India and Mexico. Net imports during the month were \$26,941,264.

The accompanying table, comparing the gold movement by quarters in 1922 and 1923, shows that net gold imports for the first nine months of this year were practically equal to those for the same period of last year.

	Imports	Exports	Net Imports
1922			
First Quarter.....	\$88,798,547	\$3,558,190	\$85,240,357
Second Quarter.....	34,214,148	6,586,279	27,627,869
Third Quarter.....	86,543,170	2,998,174	83,544,996
Total, 9 months...	\$209,555,865	\$13,142,643	\$196,413,222
1923			
First Quarter.....	\$57,154,256	\$20,263,387	\$36,890,869
Second Quarter.....	74,773,204	2,028,163	72,750,041
Third Quarter.....	88,589,505	3,586,484	85,003,021
Total, 9 months...	\$220,521,965	\$25,878,034	\$194,643,931

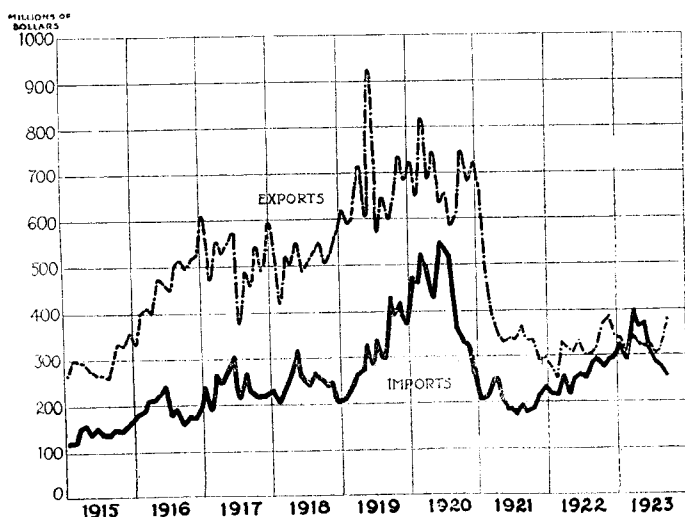
Foreign Trade

September exports, valued at \$381,000,000, were the largest for any month since March 1921, while imports valued at \$255,000,000 were the smallest for any month since July 1922. The increase in exports was due chiefly to heavy shipments of raw cotton which were not far from twice as large as in August, or in Septem-

ber last year. The increase in cotton exports accounted for \$66,000,000 of the total gain of \$70,000,000 in exports between August and September. Grain and meat exports also increased.

Merchandise imports have shown almost continuous reduction since March of this year when a high total of \$397,000,000 was reached. Factors in this decline have been decreases in imports of sugar and of raw materials for use in manufacturing.

The accompanying diagram shows the recent movements of imports and exports. During the four months March to June, imports exceeded exports by a substantial margin, but since then there has been a growing export balance which in September amounted to \$126,000,000, the largest since October 1921.



Value of Imports into the United States and Value of Exports from the United States

Prices

Largely because of increases in prices of farm products and foodstuffs and advances in cloths and clothing attributable to higher cotton and raw silk, the index of wholesale prices of the Bureau of Labor Statistics advanced 2.7 per cent. in September to a point 54 per cent. above the 1913 average. There were fractional advances in chemicals and drugs, and in miscellaneous items, but the group indexes for building materials, metals and metal products, and fuel and lighting declined.

During the first three weeks of October the price index of 20 basic commodities computed by this bank declined 2.1 per cent., due to further declines in basic materials used in manufacturing which offset continued strength in agricultural products. Wheat reached the highest price in several months, and spot cotton at 31.75 on October 25, was the highest since August 1920. The following table indicates advances recorded by staple agricultural products since the low points of the year.

Commodity	Per cent. Increase	Date of Low
Cotton	41	July 28
Corn	34	July 3
Cattle	18	April 17
Wheat	13	August 6
Sheep	10	March 16
Oats	7	July 13
Hogs	7	June 11

Cost of Living

Advances of more than 2 per cent. in the retail prices of food and clothing caused an increase of 1.1 per cent. between August 15 and September 15, in the index of the cost of living for a workingman's family, prepared by the National Industrial Conference Board. This index is now 6 per cent. above the 1922 low point and 63 per cent. higher than in 1914. Detailed changes were as follows:

(July 1914 = 100 Per cent.)

Item	Index September 1923	Per cent. Change August 1923 to September 1923	Per cent. Change September 1922 to September 1923
Food	149	+2.1	+6.4
Clothing	175	+2.3	+12.9
Shelter	175	.....	+6.1
Fuel and Light	176	.....	-5.9
Sundries	173	.....	+0.6
All Items	163	+1.1	+5.0

The quarterly index of living costs in New York City computed by the Bureau of Labor Statistics was 1.6 per cent. higher in September than in June and 3.4 per cent. above the lowest point reached in 1922. Compared with the 1913 average the advance in this index was 72 per cent.

Employment and Wages

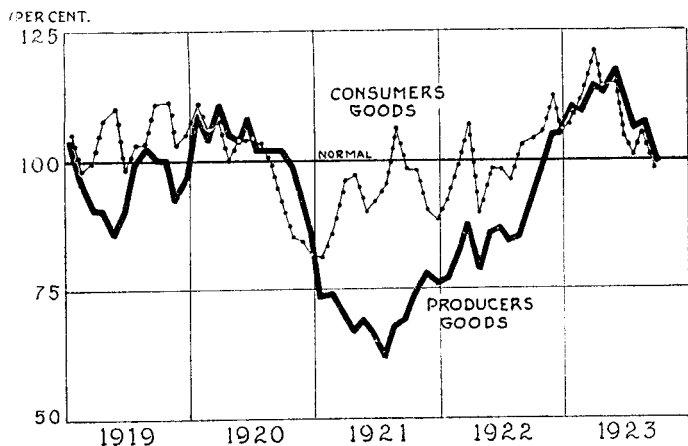
Due chiefly to seasonal activity in the clothing industry in New York City, employment in New York State factories increased slightly in September, according to reports to the State Department of Labor. The number of workers on payrolls September 15 was 3.2 per cent. smaller than in March, the high month this year, and 7 per cent. larger than in September a year ago. The State Employment Service reported more requests for workers than there were applicants for positions. In the United States at large, the number of factory workers was virtually unchanged, although a slightly larger proportion of the reporting firms worked full time.

Average weekly earnings of factory workers in New York State were 1 per cent. higher in September than in August, reflecting the seasonal increase in employment. Wage rates in general were unchanged. The principal exceptions were an increase of 6 to 7 per cent. in wages of New York City newspaper pressmen and of 14 per cent. in wages of longshoremen. In October the Railway Labor Board awarded increases of 1 to 2 cents an hour to clerks, station forces, dock, warehouse, and platform freight handlers of 65 railroads in order to bring the wages of these workers in line with the wages of other workers.

Production

The decline in production in basic industries first apparent in June was continued during September, with fewer exceptions than in preceding months. In all but three industries, sugar refining, cement, and woolen goods, the available reports show a lower output in September than in August, after allowance has been made for normal seasonal variations.

The following diagram groups the various industries into producers' and consumers' goods and indicates the decline in each group since the early months of the year.



Production of Consumers' Goods and Producers' Goods
(Computed normal = 100 Per cent.)

Pig iron production, amounting to 3,126,000 tons in September, was 9 per cent. less than in August, and 19 per cent. below the high total of May, when the output was 24 per cent. above estimated normal. At the close of September there were 15 less blast furnaces in operation than at the beginning of the month and during October there was a further reduction. There was a nearly equivalent decrease in the output of steel ingots, which fell slightly below estimated normal for the first time since September last year. Unfilled orders of the United States Steel Corporation declined 378,913 tons between August and September to 5,036,000 tons, the smallest amount since March 1922.

After a slight increase in August, the production of passenger automobiles declined 15,000 during September to 298,900, but was only 51,000 lower than during the record month of May, and the output of trucks increased. This continued high rate of production follows an output for the preceding eight months that was larger than during the entire year of 1922.

Due to the strike in the anthracite coal fields the production of anthracite coal decreased from 8,868,000 tons in August to 2,917,000 tons in September. On the settlement of the strike in the latter part of the month production was resumed at slightly under the normal rate.

Cotton consumption in September was slightly less than in August, due to further curtailment by New England mills. Partly to conserve their supplies of raw

silk many silk mills in this district have reduced operations to three days a week.

The following table shows the indexes of production computed by this bank in percentages of estimated normal production. Allowance has been made for seasonal variations and for year to year growth.

(Estimated Normal = 100 Per cent.)

	1922		1923			
	Sept.	May	June	July	Aug.	Sept.
<i>Producers' Goods</i>						
Pig iron.....	68	124	122	121	110 ^r	102
Steel ingots.....	87	122	114	105	107	99
Bituminous coal.....	86	114	109	106	105	99 ^p
Copper, U. S. mine.....	79	95	98	102	111	103 ^p
Tin deliveries.....	92	114	92	84	99	80
Petroleum.....	109	139	139	142	145	...
Cotton consumption.....	92	108	96	83	89	88
Woolen mill activity*.....	99	118	113	104	98	98 ^p
Wood pulp.....	102	120	123 ^e	110 ^e	103 ^e	...
Lumber.....	107	125	123	114	125	...
Cement.....	121	133	128	135	130	136
Zinc*.....	62	83	75	75	73	68
Leather, sole.....	95	96	93	105	106	91 ^p
<i>Consumers' Goods</i>						
Anthracite coal.....	61	98	98	100	104	35
Wheat flour.....	114	113	107	122	116	109
Cattle slaughtered.....	97	118	101	105	109	98
Calves slaughtered.....	127	130	114	123	145	118
Sheep slaughtered.....	79	104	89	86	79	76
Hogs slaughtered.....	128	122	122	135	149	146
Sugar meltings, U. S. ports.....	110	118	79	79	74	102
Paper, total.....	105	114	101 ^e	84 ^e	93 ^e	...
Tobacco consumption.....	98	93	93	88	89	...
Gasoline.....	102	108	111	110	108	...
Automobile, all.....	97	146	152	151	145	140 ^p
Automobile, passenger.....	101	150	159	162	157	149 ^p
Automobile, truck.....	79	130	126	109	98	104 ^p
Boots and shoes.....	95	114	105	89	89	...
Automobile tires.....	123	162	134	95 ^r	121 ^p	...

^r Revised.
^p Preliminary.
^{*} Seasonal variation not allowed for.
^e Estimated.

Indexes of Business Activity

As in the case of production, index numbers of business activity, shown in the subjoined table, were generally lower in September than in August but on the

(Estimated Normal = 100 Per cent.)

	1922		1923			
	Sept.	May	June	July	Aug.	Sept.
<i>Primary Distribution</i>						
Car loadings, mdse. and misc.....	98	108	105	102	102	103
Car loadings, other.....	93	119	117	119	118	106
Wholesale trade, Second District.....	105	103	100	102	112	100
Exports.....	79	83	90	95	92	95 ^p
Imports.....	111	130	119	110	99	94 ^p
Cereal exports.....	183	143	92	73	86	...
<i>Distribution to Consumer</i>						
Department store sales, Second District.....	105	99	101	93	101	97
Chain store sales.....	102	99	103	94	98	96
Mail order sales.....	80	110	103	91	81	91
New life insurance written.....	107	105	108	103	112	112
Amusement receipts.....	82	108	93	94	98	...
Magazine advertising.....	85	91	95	100	98	96
<i>General Business Activity</i>						
Bank debits, outside N. Y. City.....	100	112	107	99	102	97
Bank debits, New York City.....	110	105	105	98	93	93
Electric power.....	102	112	110	109	110	...
Postal receipts.....	102	104	102	99	103	97
Building permits.....	130	122	114	111	123 ^r	127 ^p
Business failures.....	113	102	101	84	95	88

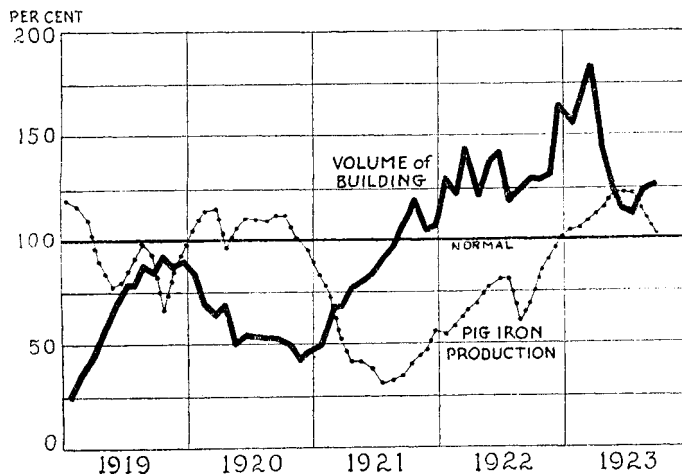
^p Preliminary.
^r Revised.

average indicated activity close to estimated normal. In each case the figures are expressed as percentages of the estimated normal. Allowance has been made for seasonal changes, year to year growth, and, when necessary, for changes in prices.

Building

Due largely to seasonal tendencies, the value of building permits granted in 158 principal cities declined \$29,000,000 in September, or 12 per cent. Approximately half the decline occurred in New York City but declines were also general in other sections of the country except the Southwest and Central West, where there were increases.

This bank's index of the volume of building, which allows for seasonal variation and changes in the cost of construction, was slightly higher in September than in August though 30 per cent. lower than in March, the high month this year. The accompanying diagram indicates the course of the building index since 1919 and compares this with changes in pig iron production which may be taken as representative of the movement of industrial production. The way in which pig iron production has followed the granting of building permits is an indication of the close relationship between the volume of building and industrial activity in recent years.



Volume of Building and Production of Pig Iron
(Computed normal = 100 Per cent.)

Building wages remained in September at the high levels reached in August but prices of building materials continued to decline. As a result, the cost of construction index computed by this bank receded further and was about 5 per cent. below the May high point.

The value of building contracts awarded in 27 north-eastern States, as reported by the F. W. Dodge Co., was virtually unchanged in September at \$253,000,000, although a smaller number of projects was involved. The aggregate value of contracts awarded in these States during the first nine months of 1923 was slightly less than in the corresponding period of 1922.

Apartment Rents

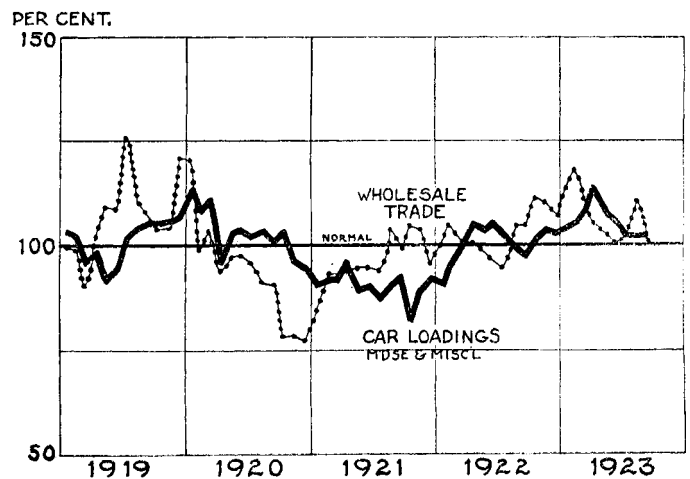
Inquiry among apartment house renting agencies in this city as to rents following October 1 indicated a continued shortage of medium and low priced apartments, and no reduction in rents, which generally averaged 9 per cent. higher than a year ago.

In the case of higher priced apartments renting for \$30 a room and over, there was reported to be some surplus, due to active construction of apartments of this type and of private houses in recent years. This situation has resulted in few reductions in rents which are generally maintained at close to the levels of a year ago.

Wholesale Trade

Wholesale trade in this district was less active in September than in August and the index, prepared by this bank from reports of 162 dealers in 11 lines, declined from 12 per cent. above computed normal in August to less than 1 per cent. above normal in September. The September figure is the lowest since June and is 16 per cent. lower than in February, when sales were 19 per cent. above normal.

The accompanying diagram shows the fluctuations of wholesale trade in percentages of computed normal since 1919, and compares with these a similar index of railway car loadings of merchandise and miscellaneous freight which represents largely the shipment of manufactured goods in wholesale trade. The courses of the two lines are closely similar but freight shipments as a rule follow wholesale sales by some months. Both indexes are now lower than in earlier months, though both remain above normal. In the computations of these indexes allowance has been made for seasonal variations and year to year growth.



Wholesale Trade in the Second Federal Reserve District and
Car Loadings of Merchandise and Miscellaneous Freight
(Computed normal = 100 Per cent.)

The decline in trade in September was the result of smaller sales of men's and women's clothing, groceries, shoes, hardware, machine tools, and diamonds. In the cases of women's dresses, machine tools, and shoes, sales were below those of 1922 for the first time this year. Sales of silk goods, shown separate from sales of cotton goods for the first time, were 22 per cent. higher than in September a year ago, partly due to price advances. Detailed figures for various groups are shown below.

During September sales of furniture and men's and boys' clothing were 10 per cent. larger than a year ago. Shoe sales were 7 per cent. above those of last September but the increase in sales of women's ready to wear clothing and accessories was smaller than for several months past. The foregoing table shows the changes in sales in eleven major groups of departments.

The number of individual transactions declined 0.8 per cent. but the average amount of each transaction advanced 5.2 per cent. from \$2.86 last September to \$3.01 this year.

Stocks held by department stores increased 11 per cent. between September 1 and October 1, due to the receipt of fall and winter merchandise, and were 9 per cent. above those of October 1, a year ago. Detailed figures of sales and stocks are shown in the following table.

Commodity	Dollar Value of September Sales (September 1922 = 100 Per cent.)				
	1919	1920	1921	1922	1923
Dry Goods.....	118	96	92	100	116
(a) Silk goods.....	129	86	80	100	122
(b) Cotton goods.....	108	106	104	100	109
Drugs.....	99	93	93	100	113
Jewelry.....	218	181	81	100	112
Hardware.....	108	131	82	100	108
Stationery.....	140	161	102	100	107
Clothing.....	96	120	80	100	103
(a) Men's and boys'.....	81	140	77	100	113
(b) Women's coats and suits.....	109	103	74	100	105
(c) Women's dresses.....	104	110	88	100	88
Groceries.....	138	126	94	100	102
Machine tools.....	231	238	25	100	96
Shoes.....	233	99	99	100	94
Diamonds.....	164	91	48	100	81
Total (weighted).....	122	122	91	100	106

	NET SALES DURING SEPT. (Sept. 1922 = 100 Per cent.)					STOCK ON HAND OCTOBER 1 (Oct. 1, 1922 = 100 Per cent.)				
	1919	1920	1921	1922	1923	1919	1920	1921	1922	1923
All dept. stores....	90	96	86	100	104	97	123	102	100	109
New York.....	93	97	85	100	103	95	122	101	100	108
Buffalo.....	84	97	91	100	104	105	130	108	100	109
Newark.....	79	88	89	100	109	99	131	99	100	109
Rochester.....	88	102	89	100	112	119	147	111	100	110
Syracuse.....	88	103	89	100	111	119	155	101	100	109
Bridgeport.....	95	104	87	100	102	103	124	101	100	97
Elsewhere.....	88	103	94	100	101	95	118	112	100	105
Apparel stores....	86	89	85	100	105	85	104	96	100	116
Mail order houses	138	117	96	100	122	...	...	...	...	...

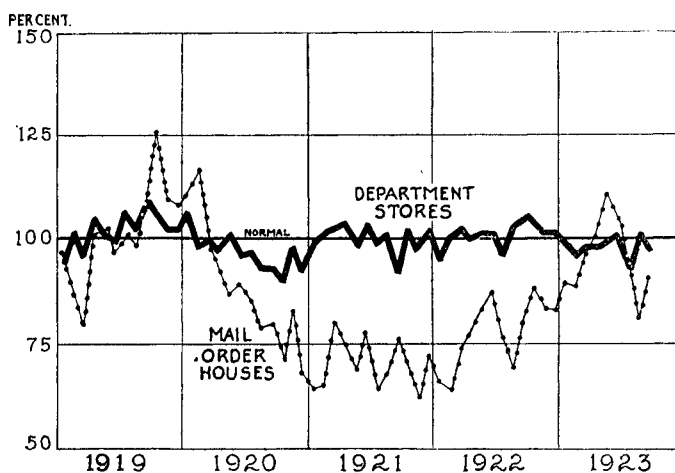
Department Store Business

September sales by department stores in this district were 4.2 per cent. above those of September a year ago, compared with gains of 11 per cent. in August, 9 per cent. in July, and 8 per cent. during the first half of the year. The index of department store sales maintained by this bank, in which allowance is made for seasonal variations, year to year growth, and changes in prices, declined from 1 per cent. above normal in August to 3 per cent. below normal in September.

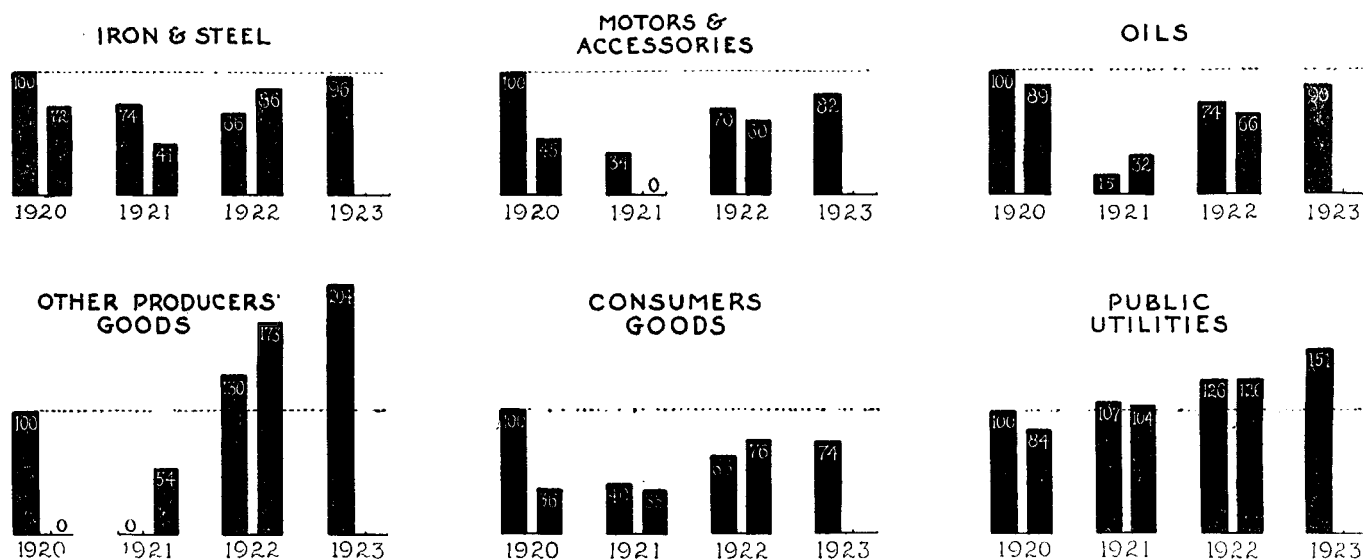
Sales were possibly affected by unseasonably warm weather during the latter part of the month and a slightly earlier date for the Jewish holidays. Sales in New York City were relatively smaller than those in other cities of the district due perhaps in part to the newspaper pressmen's strike which prevented stores from carrying out their usual advertising program. In Boston, however, where there was no such strike, the decline in sales was greater than in New York City.

Sales by mail order houses were 22 per cent. larger than in September of last year and the index of sales in percentages of normal, computed by this bank, recovered from a point 19 per cent. below normal in August to 9 per cent. below in September. The accompanying diagram shows fluctuations in mail order sales, together with department store sales, from 1919 to date.

	Per cent. Change in Sales Sept. 1922 to Sept. 1923
Furniture.....	+ 10.3
Men's and Boys' clothing.....	+ 9.9
Shoes.....	+ 7.0
Women's ready to wear.....	+ 4.8
Silk goods.....	+ 4.4
Hosiery.....	+ 3.8
Women's ready to wear accessories.....	+ 2.3
House furnishings.....	+ 1.0
Cotton goods.....	+ 0.1
Woolen goods.....	- 0.9
Miscellaneous.....	- 6.9



Sales of Department Stores in the Second Federal Reserve District and Mail Order Houses
(Computed normal = 100 Per cent.)



Net Profits by Six Months Periods of Representative Industrial and Public Utility Concerns
(First six months of 1920 = 100 Per cent.)

Profits in the First Half of 1923

Production and trade during the first half of 1923 were in most lines larger than in 1920. A compilation of the statements which have been published currently indicates that profits of business concerns in the first half of 1923, while considerably larger than in 1921 or 1922, were with a few exceptions slightly smaller than in 1920. Largely increased profits were made by public utility corporations and by manufacturers of miscellaneous products used in industry.

The diagram at the top of this page shows by half yearly periods the profits of 57 corporations engaged in industrial production and trade, and 133 public utility companies. In each case the figures for the first half of 1920 are taken as 100 per cent. Computations of net profits have been after all charges and tax deductions, but before dividends.

It is notable that these figures for profits show much wider fluctuations than figures for the volume of industry or trade. On the average, changes in the volume of business are within a range of 10 to 25 per cent., depending on the nature of the industry, whereas these figures for profits have a fluctuation from two to three

times as great. In general, profits of firms whose products supply other industries have fluctuated more since 1920 than profits of public utilities and other companies dealing more directly with the individual consumer.

The accompanying table gives the figures upon which the diagram is based.

The earnings of railroads were not included in the diagram above because the 1920 earnings were too low to give a true basis of comparison. The net operating income of Class 1 railroads during the first 8 months of 1923 as reported by the Bureau of Railway Economics was equal to 5.40 per cent. on their minimum tentative valuation as fixed by the Interstate Commerce Commission, as compared with 5.75 per cent. set by the Commission as a fair return on capital invested. The diagram below shows the rate of return earned by roads in the eastern, western, and southern districts since the expiration on September 1, 1920, of the 6 months' guaranty provided by the Transportation Act.

After small earnings or deficits during the months of 1920 and 1921, earnings of eastern and southern roads increased in 1922 as a result of more active business and heavy traffic preceding the coal strike of that year, but in the later months earnings of all roads were curtailed by the shopmen's strike. In the case of the western roads, earnings have been persistently below the fair return established by the Commission.

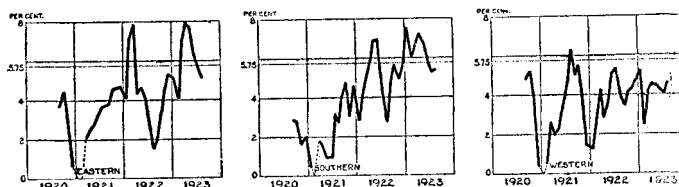
(Net Profits in Hundreds of Thousands of Dollars—00,000 omitted)

Class	Number of Corporations	1920		1921		1922		1923
		1st Half	2nd Half	1st Half	2nd Half	1st Half	2nd Half	1st Half
Iron and Steel.....	9	682	491	507	278	447	587	642
Motors & Accessories.....	7	757	344	254	277*	526	451	621
Oil.....	14	439	391	68	141	324	288	397
Other producers' goods (1).....	17	86	115*	22*	46	111	149	175
Consumers' goods (2).....	10	177	63	70	62	112	135	130
Industrials, total..	57	2,141	1,174	877	250	1,520	1,610	1,965
Telephones.....	72	426	392	544	524	619	638	715
Other utilities.....	61	411	314	354	348	431	413	548
Public utilities, total	133	837	706	898	872	1,050	1,051	1,263
Grand Total.....	190	2,978	1,880	1,775	1,122	2,570	2,661	3,228

* Deficit.

(1) Includes such as leather, machinery, cement, zinc, elevators, coal.

(2) Includes such as printing, beverages, cigars, syrups, candy, drugs.



Monthly Rate of Net Profits on Tentative Valuation of Class I Railroads