

MONTHLY REVIEW

Of Credit and Business Conditions

In the Second Federal Reserve District

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

New York, May 1, 1921

Credit Conditions

CREDIT conditions have continued to improve during the last thirty days and the reserve percentage of the Federal Reserve System now stands at 54.1 per cent. as compared with 46.4 per cent. on January 7. One-half of this increase in the reserve percentage has been due, however, to the inflow of over \$200,000,000 of gold from foreign countries since January 1, practically all of which has entered into the reserves of the Federal Reserve Banks. The rest of the increase was due to a decline of \$423,000,000 in the volume of Federal Reserve notes in circulation, accompanied by a decline of \$640,000,000 in the loans and discounts of the Federal Reserve Banks.

Individual Federal Reserve Banks, chiefly those in the agricultural sections of the country, are now beginning to feel the seasonal demands for credit. Whereas in the early weeks of the year the loans of all Federal Reserve Banks were declining, several of them now report increasing loans and two of them, the Federal Reserve Banks of Richmond and Minneapolis, have rediscounted with the New York Reserve Bank. This reflects a transfer of credit pressure from the New York district where it was felt earlier in the year to other Federal Reserve districts.

The decline in wholesale prices has slackened noticeably. The Department of Labor index fell less during March than in any month since last June, and in each month since last December the percentage declines have been successively smaller. It is now 40 per cent. below the maximum of last May. The index of twelve basic commodities maintained by this bank fell very slightly in recent weeks and at times was practically stationary.

Living costs continued to decline slowly and according to figures prepared by the National Industrial Conference Board are 18 per cent. below maximum. Living costs are, however, at almost the same point above the 1913 level as are wholesale prices.

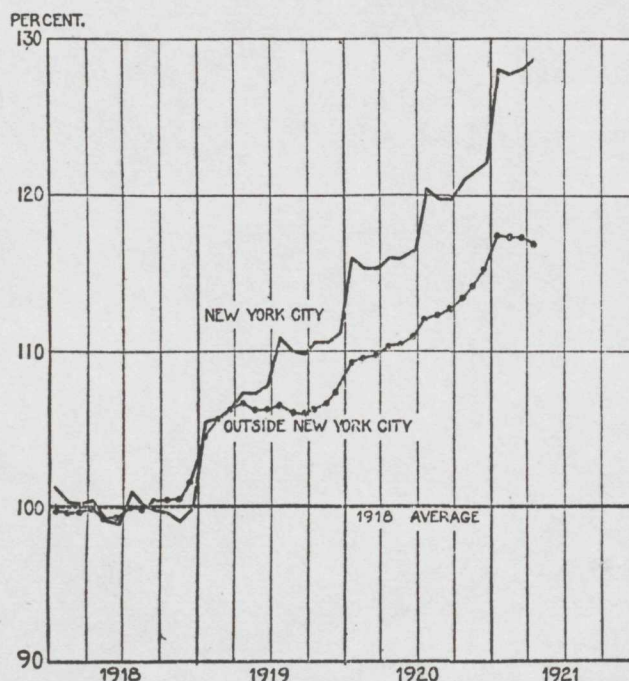
Reductions in wages have taken place in recent months, but there is considerable divergence between the different industries in the extent to which reductions have been made. An inquiry which this bank made from 156 concerns in this district employing about 415,000 workers shows that 57 per cent. of them have reduced wages in amounts varying between 5 and 25

per cent. Details of this inquiry, together with the findings of similar inquiries conducted by other Federal Reserve Banks, are given elsewhere in the REVIEW.

Savings Bank Deposits

This bank has received from twenty-one representative savings banks in the Second Federal Reserve District figures showing their gross deposits on the tenth day of each month beginning January, 1918. The deposits of eleven of these institutions located in the five boroughs of New York City represent practically one-half of the deposits in the 59 savings banks in Greater New York. The deposits of the ten other banks, eight of them in New York State and one each in New Jersey and Connecticut, aggregate slightly less than one-half the savings bank deposits of this district outside New York City.

The accompanying diagram shows the trend of these monthly figures, expressed in percentages of the average



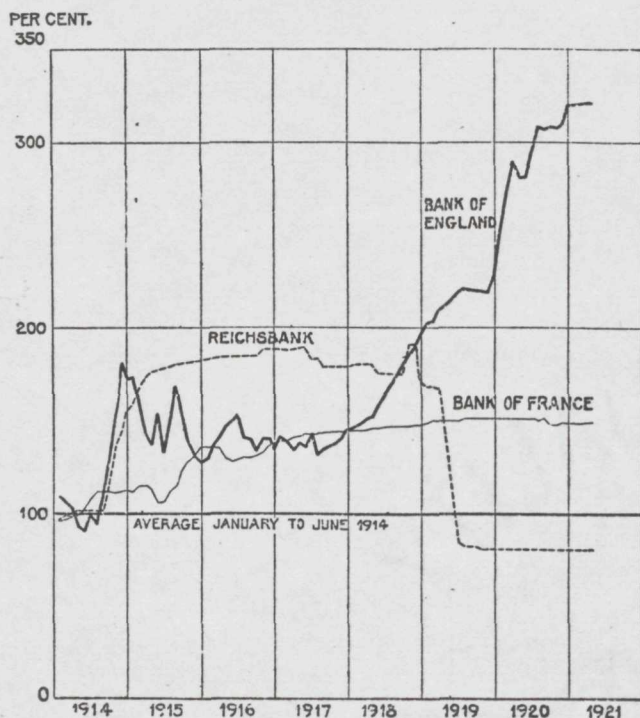
Deposits of 11 Savings Banks in New York City and 10 Savings Banks in the Second District outside New York City, in Percentages of Average Deposits in 1918

for the year 1918. In the past two months savings deposits in New York City have shown an increase, corresponding closely with the movement in the same months of 1919 and 1920. Outside of New York City the effect of unemployment and of the diminished value of farm products is reflected in a slight decrease in deposits. During the past two years deposits have grown faster in New York City than outside. This was particularly true in 1919. In spite of falling prices, 1920 was a year of rapid increase in savings deposits throughout the district.

There is ordinarily a strikingly sharp increase each year in the totals for January and July, largely as the result of the semi-annual crediting of interest.

Gold Reserves of Principal European Banks

The following diagram shows the changes in gold holdings of the Bank of England (excluding gold held by the Treasury against currency notes), Bank of France (including gold held abroad), and the Reichsbank during the past seven years. The figures for each bank are shown as percentages of the average figures for gold reserves in the six months just preceding the European war, January to June, 1914. At no time since the beginning of the war have the gold reserves of England and France been as low as the pre-war average and in the case of the Bank of England they have more than trebled. Large reserves were built up in spite of heavy exports of gold during the early part of the war by calling into the central banks



Gold Reserves of Principal European Banks Expressed as Percentages of the Average for the First Six Months of 1914

the gold in general circulation. The decline in reserves of the Reichsbank early in 1919 was due largely to payments on account of American relief.

There are no figures for the United States strictly comparable with the figures of the gold holdings of the Banks of the three European nations. In the early years of the European war the Federal Reserve system was just becoming established and its gold reserve being built up from nothing. This reserve was secured from member banks, from stocks in general circulation and from European countries. From August 1914 to 1918 the country's total stock of monetary gold increased from about \$1,900,000,000 to about \$3,000,000,000. There were some losses through export in 1919, but this country now holds about one-third of the world's stock of monetary gold. More than two-thirds of this gold is included in the reserve funds of the Federal Reserve Banks.

The comparative gold holdings of the three principal European Banks and the Federal Reserve Banks, converted to dollars, at the middle of April were as follows. As in the diagram Bank of England figures do not include \$138,695,250 Treasury gold held as reserve for currency notes and Bank of France figures do include \$376,034,841 gold held abroad.

Bank of England.....	\$ 624,607,000
Bank of France.....	1,062,493,000
Reichsbank.....	266,019,000
Federal Reserve Banks.....	2,286,879,000

Gold Movements

Gold imports in March totaled \$106,222,000 against exports of \$710,000. Imports in the first quarter of the year amount to \$183,000,000. As exports were less than \$5,000,000 the net gain thus far is considerably in excess of the net gain of \$107,000,000 for the entire year 1920. The following table shows the amounts received from different countries each month in the quarter. The figures in some instances are revised from the preliminary figures published currently in the REVIEW.

Country	January	February	March	Total
France.....	\$ 4,695,000	\$13,584,000	\$ 45,807,000	\$ 64,086,000
England.....	17,765,000	9,323,000	24,075,000	51,163,000
Canada.....	188,000	539,000	19,825,000	20,552,000
China.....	1,312,000	5,695,000	2,654,000	9,661,000
British India..	1,014,000	5,008,000	2,059,000	8,081,000
All Other.....	8,661,000	8,730,000	11,803,000	29,194,000
Total....	\$33,635,000	\$42,879,000	\$106,223,000	\$182,737,000

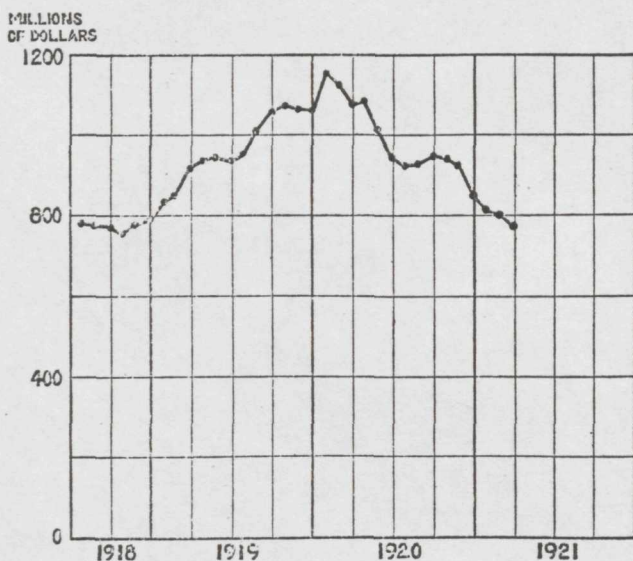
In the first ten days of April gold imports amounted to \$18,537,000. The largest shipments were from Sweden, England, the Netherlands, and France.

Commercial Paper

Demand for commercial paper became freer in April, and the majority of the dealers reduced their ruling offering rates to $7\frac{1}{2}$ per cent. There was still, however, a considerable volume of paper sold at $7\frac{3}{4}$ per cent. The distinct preference on the part of buyers for paper of concerns which have not been frequent borrowers in the open market, and the shortage of paper of this character, contributed to an unusually wide spread in rates. Whereas sales of prime New England mill double name paper were recorded as low as 7 per cent. some buyers continued to demand 8 per cent. for paper originating in industries in which confidence was not so general.

The market in New York City showed increased activity, but country banks continued to absorb the bulk of the offerings.

The following diagram indicates that commercial paper outstanding of eleven principal dealers' on March 31 was down nearly to the lowest point, reached in the fall of 1918.



Commercial Paper Outstanding—Eleven Dealers

The Bill Market

Ninety-day bills of the large New York banks held firmly at $5\frac{1}{8}$ to 6 per cent. during the last ten days of March and until after the completion of April 1 payments. At that time a further easing of call money rates diverted funds to the bill market, and some dealers reduced their offering rate for the best 90-day bills to $5\frac{1}{2}$ per cent. while others quoted $5\frac{5}{8}$ or $5\frac{3}{4}$. During the first three weeks of April the ruling rate fluctuated between these figures with a tendency toward the end of the period to center on $5\frac{5}{8}$.

Evidence of the further broadening of this market is found in a report by two dealers of the addition of 45 new buyers of bankers acceptances to their lists within

three weeks. This bank continues to add two or three members each week to the list of member banks for which bills are purchased.

While bills drawn for the purpose of furnishing dollar exchange continue to predominate in the local market, there has been an increasing proportion of metal, grain, and packers' bills recently. The volume of sugar bills offered has fluctuated rather widely, but these, also, are in heavier volume now than a month ago.

The minimum buying rate of the Federal Reserve Bank has remained unchanged at $5\frac{3}{4}$ to 6 per cent., according to maturity, for indorsed prime bills.

Stock Market Money Rates

Easier conditions prevailed in the stock exchange money market late in March and early in April, largely a reflection of a flow of funds toward New York, which was due in part to Government payments to the railroads and redemption of Treasury certificates. Rates ranged somewhat lower than during the period of comparative ease in January, and the subsequent reaction to higher rates was less pronounced.

Call loans in the last ten days of March were typically $6\frac{1}{2}$ per cent., compared with 7 per cent. in the preceding two months. Early in April, renewal rates fell to $5\frac{1}{2}$ per cent. for the first time since 1919, and the closing rate once reached 5 per cent.

Time money became slightly easier at $6\frac{1}{2}$ to 7 per cent., compared with $6\frac{1}{2}$ to $7\frac{1}{2}$ per cent. a month ago, but little business was transacted.

New Financing

Larger offerings of new securities at the close of March and in April were evidence that the comparative quietness of the preceding weeks had done much to reduce the large floating supply of only partly distributed issues. Numerous small offerings and several of substantial size were reported well sold. Distributors, however, were cautious about oversupplying the market, in view of further large financing anticipated in the near future.

New corporate offerings were still on a high-income basis, and original bids for \$47,000,000 New York City short-term notes, offered on an interest basis restricted to 6 per cent., fell far short of the total issue. Subsequently, however, the issue was placed on this basis.

New corporation financing in March was \$138,700,000, the smallest for any month in nearly two years and a decrease of nearly 50 per cent. compared with March of last year. Offerings were chiefly industrial securities, and as in past months notes and bonds greatly exceeded stock issues. Of total offerings for the month, it is estimated that about 25 per cent. were to pay off maturing obligations.

Bond Market

The bond market during the four weeks ended April 20 was comparatively dull. Average prices for industrial and railroad bonds held practically steady, although a number of individual railroad issues reached lower levels. Public utility and foreign government bonds showed some tendency to rise. Japanese sterling bonds, City of Paris 6's, Mexican bonds, Chinese Government railway 5's, and Cuban issues displayed conspicuous strength.

March sales of corporation, foreign government, and miscellaneous bonds totaled \$91,000,000, which, with the exception of February, was the smallest monthly volume of sales since August.

United States Securities

March sales of Liberty bonds and Victory notes on the New York Stock Exchange were \$137,000,000, the lowest total for any month since 1918 and 39 per cent. less than sales in March, 1920.

Lower money rates early in April apparently stimulated a moderate upward movement in prices, and the 4½ per cent. issues reached the highest levels since January. Later, however, prices reacted somewhat; so that on April 20 the general average was only slightly above that prevailing on March 21. The tax-exempt 3½'s were heavy throughout the period in the vicinity of 1920 low levels.

The new April 15 issue of Treasury certificates of six months' maturity at 5½ per cent. was more than 100 per cent. oversubscribed. Out of total allotments of \$191,000,000 this district received \$74,000,000, or 39 per cent. An active market continues for existing issues of certificates of indebtedness, and prices for all issues are quoted at or slightly above par.

Stock Market

The stock market continued to reflect a lack of incentive for any decisive change in either direction.

Averages of representative railroad stocks sagged lower until they again reached the vicinity of 1920 low levels. Announcement of the proposed abrogation on July 1 of the railway labor national agreements regarding working conditions caused prices to rally sharply from the lowest point, but the forward movement was not sustained. Industrials fluctuated narrowly in the neighborhood of the level which has been maintained since early in the year. Just after the 20th of April there was a rally of about two points in both rail and industrial averages.

March stock sales totaled 16,300,000 shares, an increase over the totals for January or February, but a decrease of 44 per cent. compared with sales in March last year. Trading in April was less active than in March.

Foreign Exchange

Fluctuations in British and continental exchange rates were within rather narrow limits during the past month, mainly as a result of limited offerings of commercial bills on the various centers.

Sterling advanced slightly in a quiet market in the last week of March, touching \$3.93½, the highest rate on London since July 12, 1920. Thereafter, fluctuations were governed largely by news developments in connection with the British labor crisis. On the announcement of

the rescinding of the general strike order the rate again rose above \$3.93.

Lire advanced nearly one cent, or practically 19 per cent. within the month. Lire have appreciated more than 40 per cent. since the first of the year. This rapid rise appears to have its chief foundation in evidence of improved financial and economic conditions in Italy. Other continental rates moved more irregularly and closed the month practically unchanged.

During April rates on both Hongkong and Shanghai advanced in response to higher quotations for bar silver, but Indian and Japanese exchanges touched new low levels for the year. South American rates tended lower and both Argentine and Chilean exchanges closed the period at the lowest quotations reached this year.

The following table shows the closing quotations for principal exchanges on April 23, the change from last month, and the percentage depreciation from par.

Country	April 23 Last	Change from March 19	Per Cent. Depreciation from Par
England.....	3.9350	+.0225	19.1
France.....	.0733	+.0038	62.0
Italy.....	.0485	+.0079	74.9
Spain.....	.1384	-.0011	28.3
Germany.....	.0151	-.0010	93.7
Switzerland.....	.1731	-.0006	10.3
Sweden (Stockholm).....	.2360	+.0055	11.9
Holland.....	.3484	+.0044	13.3
Belgium.....	.0746	+.0018	61.3
Argentina.....	.3154	-.0224	25.7
China (Hongkong).....	.5038	+.0338	*
China (Shanghai).....	.6588	+.0263	*
Japan (Yokohama).....	.4825	.0	3.2
Canada.....	.8900	+.0150	11.0
Bar Silver in N. Y.....	.6063	+.0288

*Silver Exchange Basis.

Exchange Rates and Currency Depreciation

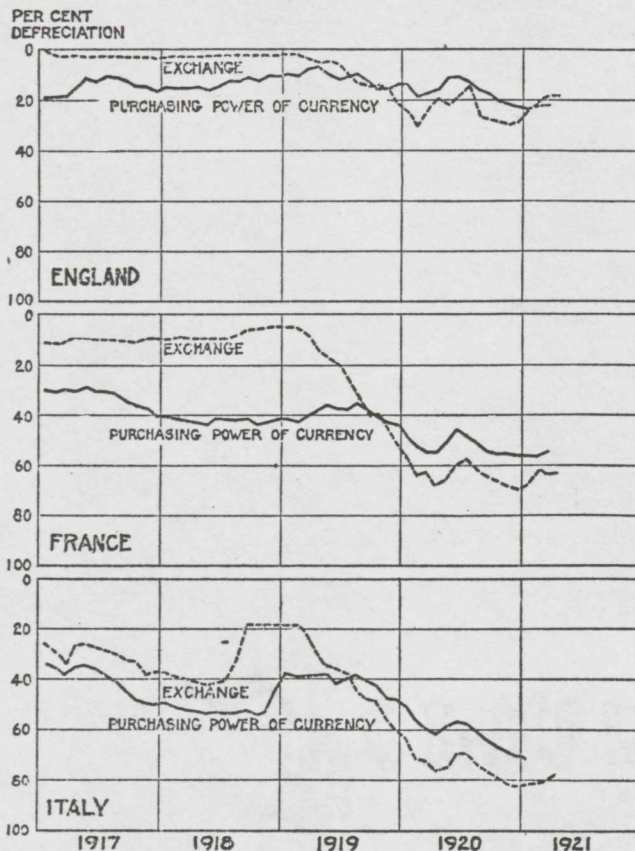
From time to time there have been references in the REVIEW to the theory of foreign exchanges put forward in 1861 by Viscount Goschen. The theory is to the effect that the primary reason for the wide divergence of foreign exchanges from their gold parity is found in the relative depreciation of currencies in different countries, or, to put the same idea in another way, in the relative domestic purchasing power of the currencies of different countries.

The best measure of currency depreciation or change in the purchasing power of currency is found in index numbers for wholesale commodity prices. If commodity prices are doubled, for example, the purchasing power of money is cut in half. From the comparative levels of wholesale prices in two countries, it is possible to compute percentages showing the decline in purchasing power of money in one country as compared with the decline in another country.

In the accompanying diagram lines are plotted to show the percentage decline in the purchasing power of currency in three European countries as compared with the purchasing power of the United States dollar. For each country there is also plotted a line showing the percentage depreciation from par of its exchange at New York. A

comparison of the two lines shows that as Goschen indicated the exchanges of these countries have, since free movements of the exchanges began, moved very closely with the relative purchasing power of their currencies as expressed in their wholesale prices.

Prior to 1919, the principal allied exchanges were "pegged," or arbitrarily fixed, and did not decline with price inflation. Consequently, little relation is shown between the two lines on the diagram prior to 1919, especially for France and England. After the exchanges were "unpegged," depreciation in exchange and depreciation in purchasing power moved in the same general direction. It is notable, however, that since the early part of 1919 exchanges have been constantly lower than relative purchasing power. The most important factor in this difference has undoubtedly been the constant balance of indebtedness against the European countries and in favor of the United States. A further factor has been the uncertainty of the political situation in Europe. In the past few months there has been a distinct tendency for exchanges to rise nearer to the purchasing power levels.



Depreciation of Foreign Exchange from Par and Depreciation of the Purchasing Power of Foreign Currencies from the Purchasing Power of the Dollar. The Zero Line Represents the Value of the Dollar and the Figures for Exchange and Purchasing Power are Plotted as Percentages Below Full Dollar Value.

Foreign Trade

Although reports from exporters indicate an increased demand in certain foreign markets for certain lines of American products, there has been no general revival in activity.

Conditions in South America are reported as particularly unsatisfactory, as the renewed weakness of the exchanges has not only discouraged new business but has increased the difficulties involved in collecting on goods already contracted for and shipped. It is being found necessary to re-extend many credits which are now falling due. Both dollars and sterling in some of the South American countries have recently reached new high levels.

In Australia, on the other hand, where payments in dollars came practically to a standstill, due to depletion of Australian balances abroad, there has been an improvement in collections, and Australian banks are remitting somewhat more freely. The new facility of bankers acceptance credit in this country for the creation of dollar exchange in Australasia is helpful in this regard.

Japanese buyers have recently taken substantial tonnages of steel for both private and government use. Elsewhere the steel market remains comparatively quiet. Some exporters of machinery report an increased demand from Europe for construction machinery of all kinds, and a larger call from Japan for machine tools.

Higher prices for silver have been accompanied by a larger demand from China and India for cotton goods, and considerable sales to the Levant were also reported. Exports of raw cotton continue to decrease, and March shipments of 375,180 bales were 50 per cent. less than in March last year. Germany led as the country of destination. Much cotton is being shipped by Americans to Bremen and sold from stocks there, not only to German spinners but to spinners in other parts of Central Europe. This buying, which fell off a month or so ago during the first disagreements over the German reparations, is again going forward. An exporting house which has been carrying on shipments of this kind reports that payments are being made largely in cash.

Foreign demand for American wheat has been active, and Italy, Holland, Germany, and Great Britain were leading buyers. American wheat continues to undersell Argentine wheat.

March foreign trade figures reported by the Department of Commerce showed a further heavy decline in the value of exports. Shipments totaled \$387,000,000, the smallest for one month since 1917, and a decrease of 53 per cent. compared with the total of March last year. Imports, on the other hand, continued the increase shown in February. The export balance was reduced to \$135,000,000, compared with \$296,000,000 in March last year, and \$335,000,000 in March two years ago.

The following table compares the monthly totals of exports and imports during the first quarter of this year with the totals for the corresponding period last year.

Month	Exports		Imports	
	1921	1920	1921	1920
January.....	\$655,000,000	\$722,000,000	\$209,000,000	\$474,000,000
February....	489,000,000	645,000,000	215,000,000	467,000,000
March.....	387,000,000	820,000,000	252,000,000	524,000,000
Total.....	\$1,531,000,000	\$2,187,000,000	\$676,000,000	\$1,465,000,000

World Commodity Prices

The latest reported index numbers for the general level of commodity prices in the United States, England, France, and Germany show a slackening in the rate of decline. In the case of all but the United States the slower price decline accompanied an expansion in note circulation. The check in the decline was most notable in Germany, in which the expansion in note circulation was most marked.

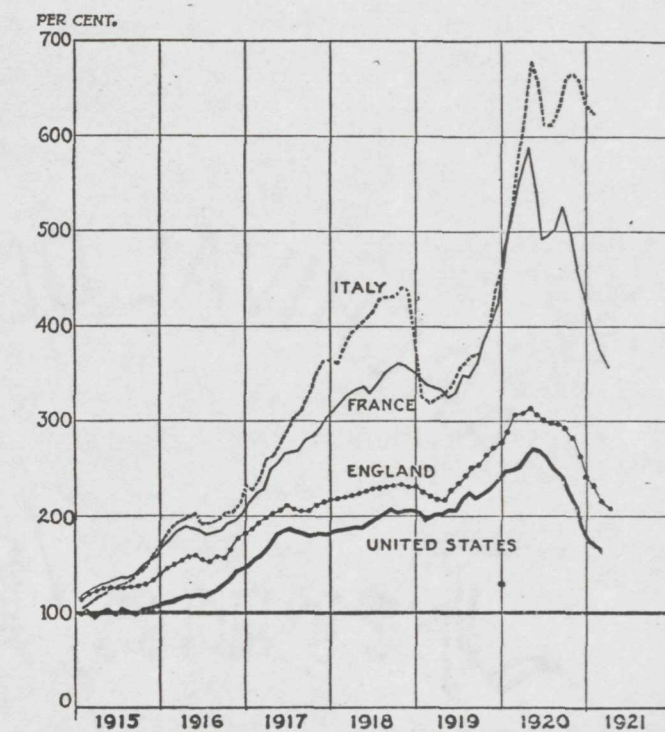
The April 2 index of the *Frankfurter Zeitung* showed declines in textile prices, an advance in mineral prices, and little change in food and miscellaneous groups. In the index numbers of the General Statistical Bureau of France the food groups, which contain a number of imported commodities, showed increases in price which offset in some measure considerable downward movements of other groups.

During April the prices of raw materials in both England and the United States, as shown by this bank's weekly indices of prices of basic commodities, have continued to decline, but at a very moderate rate.

The table and diagram on this page trace in more detail the movements in those countries which regularly publish price indices.

Domestic Prices

For the third successive month the Bureau of Labor Statistics index number for wholesale commodity prices, which is the best index of the general level of prices in this country, has shown a rate of decline less precipitate than in the preceding month. The index number for March



Wholesale Commodity Prices in Four Countries Expressed as Percentages of Average Prices in 1913

is 162, 3 per cent. below the February figure. Of the 327 commodities, the prices of which go into the index, 173 declined in March, 89 remained stationary, and 64 advanced.

Indices of Wholesale Prices

Base of 1913 = 100 per cent. unless otherwise noted

Country	Latest Quotation	Per Cent. Change During			Per Cent. Decline from High	Date of High
		January	February	March		
United States:						
12 basic commodities ¹	110.5 (Apr. 23)	- 4.5	-12.8	- 5.5	54.4	May 17, 1920
Department of Labor.....	162 (Mar. av.)	- 6.3	- 5.6	- 3.0	40.4	May 1920
Dun's.....	144.3 (Apr. 1)	- 6.5	- 2.1	- 4.1	33.7	May 1, 1920
Bradstreet's.....	123.5 (Apr. 1)	- 2.3	- 4.1	- 4.1	45.5	Feb. 1, 1920
Great Britain:						
Economist.....	189.3 (Apr. 1)	- 5.2	- 7.9	- 1.5	39.0	Apr. 1, 1920
Statist.....	208.1 (Apr. 1)	- 4.8	- 7.2	- 3.2	33.4	May 1, 1920
25 basic commodities ¹	169.7 (Apr. 23)	-10.6	- 7.6	- 8.2	50.9	Mar. 12, 1920
France.....	356.4 (Apr. 1)	- 6.5	- 7.6	- 5.2	39.3	May 1, 1920
Italy.....	622.8 (Feb. 1)	- 2.0			8.3	May 1, 1920
Japan.....	191.0 ^p (Mar. av.)	- 2.2	- 3.0	- 2.0	40.6	Mar. 1920
Canada.....	199.3 (Feb. 15)	- 3.2	- 4.0		24.3	May 15, 1920
Sweden ²	237 (Mar. 15)	-10.7	- 6.4	- 5.2	36.3	Dec. 15, 1918
Australia ³	192 (Feb. av.)	- .5	- 2.0		18.6	Aug. 1920
Calcutta ⁴	174 (Mar. 1)	- 1.1	- 2.2		20.2	Feb. 1, 1920
Norway.....	278.4 (Apr. 1)	-16.4	- 9.1	- 0.9	35.7	Oct. 1, 1920
Germany ⁵	130 (Apr. 1)	- 9.3	- 3.7	- 0.8	17.2	May 1, 1920
Denmark ⁶	280 (Mar. 1)	-15.0	- 3.4		30.5	Nov. 1, 1920

¹Computed by this bank. ²July 1, 1913, to June 30, 1914 = 100. ³July, 1914 = 100. ⁴End of July, 1914 = 100. ⁵January 1, 1920 = 100. ⁶July, 1912, to June, 1914 = 100. ^pPreliminary.

The recent levels of the index and the percentages of decline each month since the high point was reached, have been as follows:

Month	Index Number (1913 Average = 100 Per Cent.)	Per Cent. Decline from Preceding Month
May, 1920.....	272	
June, 1920.....	269	1.1
July, 1920.....	262	2.6
August, 1920.....	250	4.6
September, 1920.....	242	3.2
October, 1920.....	225	7.0
November, 1920.....	207	8.0
December, 1920.....	189	8.7
January, 1921.....	177	6.3
February, 1921.....	167	5.6
March, 1921.....	162	3.0

The recent movement of the various groups making up the index number is shown in the following table. The groups in which prices have fallen nearest to 1913 levels are those containing largely raw materials and affected least by increased labor costs, such as farm products, food, and metals. The movements of these groups have been not unlike those of such indices as Bradstreet's index and this bank's index of 12 basic commodities. The groups farthest above 1913 levels are still house furnishings and building materials.

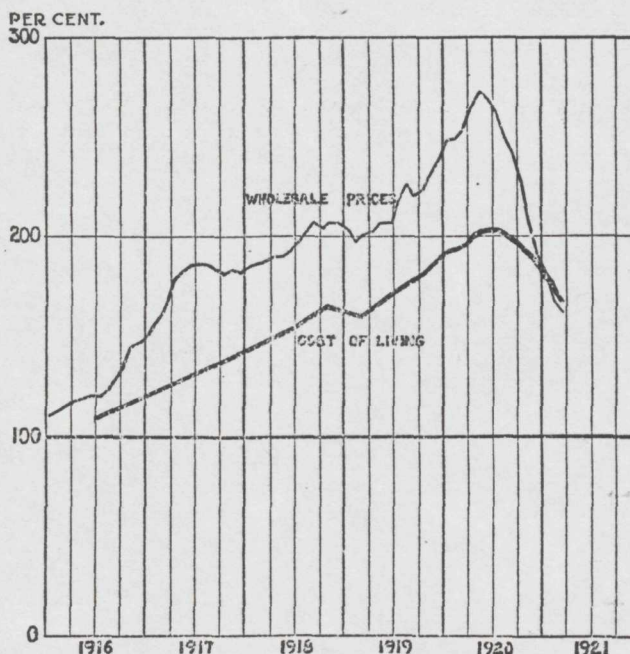
Commodity Group	Maximum Index	March Index	Per Cent. Decline from Maximum	Decline During Month
Farm Products.....	246	125	49	3.1
Metals.....	195	139	29	4.8
Food, etc.....	287	150	48	0.0
Chemicals, etc.....	222	171	23	3.9
Cloths and Clothing..	356	192	46	3.0
Fuel and Lighting...	284	207	27	5.0
Building Materials...	341	212	38	4.5
House Furnishings...	371	275	26	0.7
Miscellaneous.....	247	167	32	7.2
All Items.....	272	162	40	3.0

Cost of Living

Index figures for those retail prices which make up the cost of living compiled by the National Industrial Conference Board show practically no downward movement during March. The index number for April 1 is less than 1 per cent. below the March 1 figure, at a point 68 per cent. above the 1914 level and down 18 per cent. from peak. The movement of the past two months reverses the position of the wholesale and retail price indices. For many months wholesale prices were further above their 1913 average than were retail prices, but the two lines have now crossed. This is illustrated in the following diagram which shows the Department of Labor index number for wholesale prices and the National Industrial Conference Board index number for the cost of living.

Immigration

The number of immigrants arriving at the port of New York in March was slightly larger than in February.



Wholesale Prices and the Cost of Living Expressed as Percentages of Figures for July, 1914

Precautions taken at points of departure have been effective in preventing the recurrence of infectious diseases. As a consequence, the diversion of vessels to other ports has ceased and there has been less delay in admitting those arriving. The following table compares immigration figures for this port for the past three months.

Month	Arrivals	Departures	Net Increase
Average, 1910 to 1914..	63,316	18,082	45,234
January, 1921.....	56,465	37,442	19,023
February, 1921.....	34,595	22,404	12,191
March, 1921.....	43,114	22,140	20,974

High passenger fares probably deter many aliens from coming to America. Steerage fares from Italy, for example, are now about 2,000 lire as compared with between 175 and 200 lire before the war, or converted to dollars at current exchange rates \$92, as compared with \$35 to \$40 before the war.

Wages and Employment

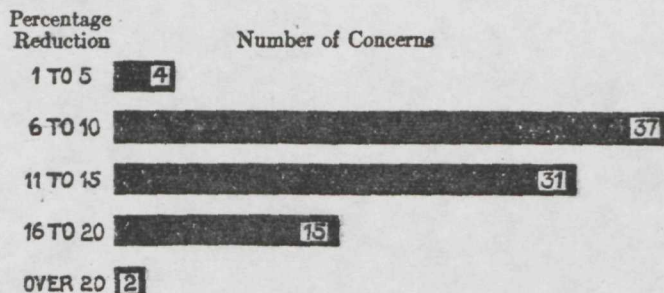
In order to secure a more comprehensive view of the present wage situation the twelve Federal Reserve Banks during April sent to concerns in all parts of the country a brief list of questions concerning number of employees, amount of pay-roll, and changes in wage rates, and received replies from concerns employing in the aggregate more than 1,300,000 persons. Those which reported were sufficiently representative of different industries to furnish a good indication of the present situation as to employment and wage rates.

In the New York district, out of 277 firms addressed, reports were received from 156, which employed on April 1, 1921, a total of 415,000 persons as compared with 498,000 on April 1, 1920, a reduction of about 17 per cent.

Similar figures for each industry are given in the table at the foot of this page. The greatest reductions were in iron and steel, ship-building, and machinery. In only one industry, paper and paper products, was the number of employees large this year than last.

The decrease of 17 per cent. in the total number employed is less than the decrease reported recently by the New York State Industrial Commission. The difference is largely accounted for by the fact that the reports of the Industrial Commission include only factory workers, while the inquiry of this bank covered railroads and public utilities as well.

Some reduction in hourly or daily rates of pay has been made by more than half of the concerns sending in returns. The reductions range from 5 to 25 per cent. and average in the neighborhood of 12 per cent. The way in which they are grouped is illustrated in the following diagram, which shows how many firms made average reductions of between 1 and 5 per cent., between 6 and 10 per cent., etc.



Number of Concerns Making Reductions Indicated in Rates of Pay of Workers

Nearly 80 per cent. of the firms making reductions did so on a uniform basis for nearly all employees throughout

their plants. When a differentiation was made, the greatest reductions usually occurred among unskilled workers whose wages had risen most during the war period. Other bases for determining rates of reduction were length of service, type of operation performed, or the extent to which the worker was affected by part time arrangements. The office force was frequently not included in wage reductions.

The table at the foot of the page shows the number of concerns in different industries making reductions in wage rates and the average reduction effected. It is notable that the industries which have reduced the numbers of their employees most have as a rule made considerable reductions in wage rates.

Although there have been extensive reductions in wage rates, the average weekly earnings per employee as computed from aggregate pay-roll figures show almost no change from April 1, 1920, to April 1, 1921. On both dates average earnings were slightly over \$30 a week. The fact that the earnings do not show any reduction is due in the main to the inclusion of large numbers of employees on railroads, in public utility companies, and in the printing trades, in which there have been practically no reductions in rates of pay. Another factor has been the tendency of employers to discharge the least competent and the most poorly paid workers first when reducing the number of employees.

In the Boston and Dallas districts there has been about the same percentage of decrease in employment as in the New York district, and on the western coast there was a smaller decrease. All the other districts report greater decreases. Similarly the New York district has been affected less than most of the other districts in the matter of reductions in average earnings. The figures showing the changes in the number employed and in average earnings between April 1, 1920, and April 1, 1921, are as follows:

Employment and Wages in the Second Federal Reserve District

Industry	Number of Firms Reporting	Number of Workers Employed			Rates of Pay			Average Weekly Earnings		
		April, 1920	April, 1921	Per Cent. Change	Firms Showing Reduction	Per Cent. Showing Reduction	Average Per Cent. Reduction	April, 1920	April, 1921	Per Cent. Change
Iron and Steel.....	7	7,579	3,148	-58.5	5	71.4	18.0	\$44.32	\$30.49	-31.2
Shipbuilding.....	6	12,932	6,645	-48.8	4	67.0	11.0	31.81	33.21	+ 4.4
Machinery.....	16	34,678	23,044	-33.6	11	69.0	12.0	32.30	29.68	- 8.1
Automobiles.....	5	12,879	8,763	-32.0	3	60.0	10.0	28.87	32.83	+13.7
Miscellaneous Metal.....	21	55,570	38,892	-30.0	16	76.0	12.0	27.83	24.56	-11.8
Munitions, etc.....	6	10,426	7,348	-29.5	6	100.0	15.0	26.24	23.76	- 9.5
Boots and Shoes.....	9	30,885	26,105	-15.5	0	0.0	28.00	25.98	- 7.2
Clothing.....	11	11,926	10,154	-14.9	2	18.0	9.0	24.29	24.49	+ 0.8
Railroads.....	4	67,291	58,081	-13.7	0	0.0	34.03	36.13	+ 6.2
Textiles.....	13	18,214	15,774	-13.4	9	69.0	14.0	24.84	21.82	-12.2
Printing.....	9	10,746	10,005	- 6.9	1	11.0	12.0	38.31	40.73	+ 6.3
Electrical Goods.....	9	117,653	115,335	- 2.0	8	89.0	12.0	31.42	31.67	+ 0.8
Food.....	10	14,318	14,106	- 1.5	9	90.0	12.0	29.74	27.95	- 6.0
Paper.....	5	4,340	4,353	+ 0.3	3	60.0	9.0	20.92	19.71	- 5.8
Public Utilities.....	8	41,869	42,191	+ 0.8	1	12.5	9.0	31.14	33.01	+ 6.0
Miscellaneous.....	17	46,333	31,634	-31.7	12	70.0	11.0	23.55	21.29	- 9.6
Total.....	156	497,689	415,034	-16.6	90	57.7	12.0	\$30.28	\$30.27	0.0

1—Boston
2—New York
3—Philadelphia
4—Cleveland
5—Richmond
6—Atlanta
7—Chicago
8—St. Louis
9—Minneapolis
10—Kansas City
11—Dallas
12—San Francisco

Total.

Retail Trade

March

report to

March, 1921

of this period

first three

in April 1921

When

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month compared

period last

12 per cent

amount of

\$3.52 in 1921

Stocks

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number of firms

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per cent. change

March, 1921

per cent. change

period in

per cent. change

percentage of

percentage of

District	Per Cent. Change in Number Employed	Per Cent. Change in Average Weekly Earnings
1—Boston.....	-17.5	- 6.2
2—New York.....	-16.6	0.0
3—Philadelphia.....	-23.2	-14.2
4—Cleveland.....	-43.8	-18.2
5—Richmond.....	-21.2	-13.2
6—Atlanta.....	-35.7	-24.1
7—Chicago.....	-32.9	- 5.4
8—St. Louis.....	-21.9	- 5.1
9—Minneapolis.....	-29.7	- 5.8
10—Kansas City.....	-26.0	+11.6
11—Dallas.....	-16.8	+ 6.4
12—San Francisco.....	- 6.2	+12.3
Total.....	-23.8	- 5.9

Retail Trade

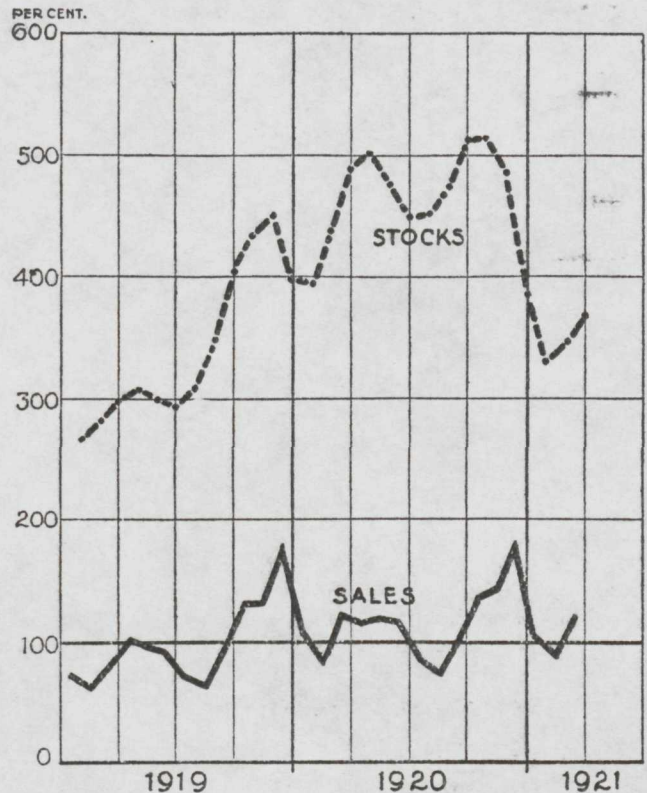
March sales of thirty-seven department stores that report to this bank were 4.6 per cent. below the sales of March, 1920, as will be seen from the table at the bottom of this page. Merchants inform us that sales during the first three weeks in April were somewhat behind sales in April last year, which were especially large.

When price changes are taken into consideration it is evident that the volume of merchandise distributed each month continues to be greater than in the corresponding period last year. March reports show an increase of about 12 per cent. in the number of transactions. The average amount of each transaction was \$3.07 as compared with \$3.52 in March, 1920, a decline of 13 per cent.

Stocks on April 1 were 22 per cent. below those of the corresponding date last year, due largely to lower prices. Stocks increased between March 1 and April 1 because of the receipt of the usual purchases of spring and summer merchandise.

Because of the continued large sales, coupled with the decreased value of stocks, the ratio of stocks to sales is smaller. Merchants continue to maintain annual profits by the more frequent turn-over of stocks.

The amount of outstanding orders on April 1 was greater than for several months past, due to the fact that many of the stores are placing orders for fall goods. In some cases retailers have shown a greater willingness to



Sales and Selling Value of Stocks on Hand of 25 Department Stores
Expressed as Percentages of Average Sales for 1919

place advance orders. Hand-to-mouth buying continues in those primary markets in which retailers believe the process of readjustment has not been completed.

The accompanying diagram, compiled from figures submitted in dollar values by twenty-five stores, shows the fluctuations in sales and stocks during the years 1919, 1920, and thus far in 1921.

Business Failures

In March as in February the number of business failures in the United States showed a decrease from the figures for the preceding month. The decrease, however, was but little greater than the normal seasonal decrease. In the first three weeks in April the number of failures was at a slightly higher rate.

Business of Department Stores

	New York City and Brooklyn	Elsewhere in Second District	Second District
Number of firms reporting.....	14	23	37
Per cent. change in net sales during March, 1921 compared with net sales during March, 1920.....	- 5.8	- 0.3	- 4.6
Per cent. change in number of transactions during March, 1921 compared with number of transactions during March, 1920 (17 firms reporting).....	+13.3	+10.0	+12.4
Per cent. change in net sales from January 1 to March 31, 1921 compared with net sales during corresponding period in 1920.....	- 4.5	+ 0.7	- 3.4
Per cent. change in stocks at close of March, 1921 compared with stocks at close of March, 1920.....	-23.2	-17.9	-22.0
Per cent. change in stocks at close of March, 1921 compared with stocks at close of February, 1921.....	+ 8.3	+ 9.0	+ 8.5
Percentage of average stocks at close of January, February and March, 1921 to net sales during those months.....	310.1	407.7	330.6
Percentage of outstanding orders at close of March, 1921 to total purchases during calendar year, 1920.....	7.1	5.7	6.7

Liabilities involved in March and February failures were larger than in January because of heavy liabilities of a number of firms failing in this district.

The following figures are from Dun's reports for this district and for the entire country.

Month	Number of Failures		Liabilities	
	Second Federal Reserve District	Entire United States	Second Federal Reserve District	Entire United States
December....	338	1,525	\$21,538,235	\$58,871,539
January.....	390	1,895	9,808,623	52,136,631
February.....	222	1,641	26,836,505	60,852,449
March.....	248	1,336	30,836,852	67,408,909

Volume of Production

The following table compares for a number of important commodities the volume of production in the first three months of this year with averages of 1919 and 1920 figures for corresponding months. In most of the items listed 1921 production is considerably less than in 1919 and 1920. While March figures show improvement in some cases as compared with those for February, there is as yet no consistent gain.

Commodity	Production in 1921 (Average for 1919 and 1920 in Corresponding Month = 100)		
	January	February	March
Anthracite Coal Mined.....	103	137	122
Bituminous Coal Mined.....	88	85	75
Cement Production.....	88	92	115
Cotton Consumption.....	64	83	87
Pig Iron Production.....	77	66	49
Steel Ingot Production.....	73	63	53
Sugar Meltings.....	56	73	117
Tin Deliveries.....	54	41	47
Wheat Flour Milled.....	76	82	95
Locomotive Output.....	103	83	66

Cotton and Cotton Goods

The price of raw cotton fluctuated narrowly during the past month, governed largely by developments abroad and foreign exchange rates. Acreage curtailment in cotton-growing States was a factor in maintaining prices.

In the cotton goods market there was a good demand for some fabrics, especially ginghams, and one of the largest mills announced recently that its fall production had been sold and its lines withdrawn. The improvement failed to extend over the entire market and there were no important price changes.

The consumption of cotton in March was 438,000 bales compared with 386,000 bales in February. The difference between the figures is accounted for by the difference in the number of working days in the two months. April factory operations are on about the same scale as in the preceding two months, a scale about 25 per cent. below normal.

Wool, Woollen Goods, and Clothing

By the middle of April all of the woollen mills had shown their new fabrics for the fall season, and in many cases they have now received all the orders they are prepared to accept. As a result of cancellation experiences last year, manufacturers are refusing to accept orders in excess of what they believe to be the needs of the buyers.

According to the figures prepared by the Department of Commerce 51 per cent. of the looms in weaving mills were idle on March 1, as compared with 61 per cent. on February 1 and with 58 per cent. on January 1. In the spinning mills on March 1 only 38 per cent. of the worsted spindles and 51 per cent. of woollen spindles were idle. Between 65 and 70 per cent. of the spindles were idle during January. Current estimates indicate that operations in both weaving and spinning mills were on a larger scale in April than in March. Partly as a result of increased mill activity and partly in anticipation of tariff legislation, large imports of raw wool are coming to this country from England, Australia, and South America.

In the clothing industry the effect is now being felt of the unwillingness of merchants to place orders for future delivery and the reluctance of manufacturers to make up goods before receiving orders. There is an actual shortage of high-grade men's spring clothing for immediate delivery. Clothing manufacturers are being delayed in their offering of fall garments by the delay of the mills in delivering fabrics for sample suits. The men's clothing industry in New York City is also still hampered by labor troubles. In Rochester the output is normal, and wages have not been reduced. Manufacturers of women's clothing in New York City have notified the unions of a reduction in wages before the fall season and have stated that the reduction would be reflected in lower prices for the consumer.

Silk

Retailers, garment manufacturers, and jobbers placed large orders for silk goods during the past month. These orders for the most part were for early delivery and resulted in a continued increase in manufacturing activity. In Paterson, N. J., and adjacent towns the industry is now operating at 60 per cent. of its maximum capacity. The figures in the following table indicate the rapid recovery which has taken place during the past few months.

Month	Per Cent. of Operations to Maximum Capacity	Bales in New York Warehouses at End of Month	Bales Imported
November, 1920.....	18	48,357	9,285
December, 1920.....	21	44,563	6,341
January, 1921.....	25	31,859	9,499
February, 1921.....	37	27,928	14,361
March, 1921.....	49	16,386	14,043
April, 1921.....	60		

There have been small advances in the price of raw silk during the past few weeks. Current quotations are slightly above the minimum price fixed and maintained by the Japanese syndicate with the assistance of the Japanese Government.

Building Costs

This bank has received from a number of contractors and architects computations showing the cost of erecting different types of buildings in Greater New York in 1914, at the period of highest prices in the late summer of 1920, and at the present time. The results are presented in the following table. Because of rapid fluctuations in the prices of materials during the past year, and because of particular arrangements which individual builders have been able to make, quotations from different sources show wide variations. The figures in the table are therefore shown in round numbers and are measures of general tendencies only. In every case, however, the percentages are computed from actual bids for similar buildings. The percentage decline in costs in the past six months is remarkably uniform for different types of construction, and ranges from 19 to 27 per cent. Costs in 1920 and 1921 are shown in the tables as percentages of 1914 costs.

Type of Building	Highest Costs 1920	April Costs 1921	Per Cent. Decline 1920 High to April, 1921
	(1914 Costs = 100 Per Cent.)		
High Class Elevator Apartment.....	275	210	24
Medium Class Non-elevator Apartment.....	230	180	22
Suburban Residence.....	375	275	27
High Class Office Building.....	225	170	24
Office and Loft Building.....	220	165	25
City Public School.....	350	285	19

The average cost of building materials is down nearly 40 per cent. from the high point, with the greatest decline in lumber. Builders also report a notable increase in the efficiency of labor in the past few months. A number estimate that the increase in the daily output per man is as high as 20 per cent.

Volume of Building

Building contract awards in New York State and northern New Jersey in March aggregated \$29,846,000 in value, according to the F. W. Dodge Company reports, an increase of 40 per cent. over February. The number of projects, increased 63 per cent., indicating a greater proportion of small undertakings. Residential buildings, which averaged only 22 per cent. of the contract awards for the year 1920, were 48 per cent. of the February total and 59 per cent. of the March total.

The increase in residential construction has been confined almost entirely to the least expensive apartments and small houses. Tax-exemption legislation has been an important influence in recent increased residential construction in Greater New York. The present law allows a 10-year exemption from taxation of \$1,000 per room in houses and apartments costing up to \$5,000 constructed in the next two years. Loft and office-building construction is proceeding at a slower rate than at any time in more than a year, as the supply of office space is now reported to be practically equal to the demand in all parts of the city.

Iron and Steel

Increased production by some of the independent steel companies during the past month was more than offset by further reductions in the operations of the United States Steel Corporation. By the middle of April the rate of operation of the steel industry as a whole was probably not much in excess of 30 per cent. of capacity, as compared with an average rate of 40 per cent. in March. Plants of the Corporation were operating at not more than 40 per cent. capacity and those of the independents at rates averaging under 30 per cent.

Announcement was made by the United States Steel Corporation on April 13 of reductions in the prices of most of its products. The new prices range from 4 to 17 per cent. below the prices quoted since March 22, 1919. While the effect of this reduction has not yet been felt in the volume of new business, the changes have tended to stabilize the steel market. Independent companies which had been quoting prices below those now quoted by the Corporation have in most cases brought their prices up to the Corporation level.

Unfilled orders on the books of the Steel Corporation on March 31 totaled 6,285,000 tons, a decrease of 650,000 tons as compared with the figure for February 28. This decrease is about the same as has occurred for several months.

Crop Conditions

Crop growth in this district is reported by the Department of Agriculture to be two to three weeks ahead of normal as a result of mild weather. Fruit trees in the southern part of the district were brought to full bloom prematurely by the warm weather in March and in some areas suffered damage from freezing early in April. Peach and cherry trees in particular were seriously frosted. In the main fruit belt close to Lake Ontario, apples have apparently not been injured and early prospects are for a heavy crop.

Winter grain crops in both New York and northern New Jersey on April 1 were estimated by the Bureau of Crop Estimates at 12 per cent. ahead of last year and 8 per cent. ahead of the average condition on that date. Winter wheat is everywhere in good condition and was not appreciably damaged by several periods of freezing temperature. Some damage was caused to rye fields in the upper Hudson valley, but elsewhere in the district this crop also is in better than average condition.

A recent survey by the Agricultural Statistician for the State of New York showed that the number of people on farms in the State on February 1 was 2 per cent. less than on February 1, 1920. During the previous year the decrease was 3 per cent. and during the year ended February 1, 1918, it had been 4 per cent. This survey also indicated that about 40,000 men and boys left the farms to go to other work last year, while 16,000 left other work to go to farming. There are now about 22,000 vacant habitable houses on New York farms. On the farms reporting this year, 11 per cent. of the habitable houses were vacant as compared with 10 per cent. vacant last year.

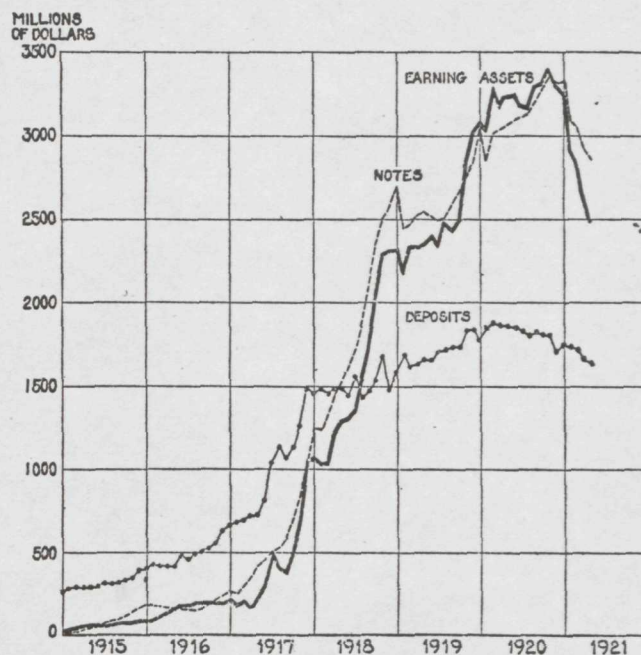
The Federal Reserve Banks and the Currency

FOR the half century prior to 1914 the United States suffered from an inelastic currency. At times there was too much currency and at other times too little. When there was too much currency for the needs of business there was no way of reducing it, interest rates fell very low and speculation was encouraged. On the other hand, almost every autumn when large amounts of currency were needed for the harvests there was difficulty in getting together enough currency; the same was true in the cities at the Christmas shopping seasons. This scarcity of currency at such seasons generally brought about very high interest rates, and when times of real apprehension occurred, as in the autumn of 1907, every bank and many individuals began to hoard currency, which instead of helping the situation only accentuated its difficulties.

After the panic of 1907 Congress determined to put an end to the inelasticity of our currency and to provide a currency which would expand and contract in accordance with the needs of industry, commerce and agriculture. Without disturbing the existing forms of currency, namely: gold, gold certificates, silver, silver certificates, legal-tender notes and National bank notes, and without disturbing the rights, powers and functions of existing National banks, State banks and trust companies, Congress created twelve Federal Reserve Banks to hold the banking reserves of the country and to issue an elastic currency, responsive to the needs of the country. The gold, which is the basis of bank credit and banking power, was transferred from the thousands of banks and trust companies and placed in these twelve great reservoirs to serve as the basis for such additional credit as the country might need, whether in the form of additional deposits or additional currency. The amount of gold now held by the Federal Reserve Banks is \$2,300,000,000. When this gold was scattered about in the hands of the people and in the twenty-five thousand banks of the country there was no common reservoir to which they could turn and each bank feared lest its supply should run out. But now that the reservoir is formed and is available to all member banks in accordance with their needs no such fear exists. For any member bank, by discounting with its Federal Reserve Bank the paper of its industrial, commercial or agricultural customers, or paper secured by Government war obligations, may get credit from the Federal Reserve Bank either in the form of a deposit with the bank or in the form of Federal Reserve notes.

We pay our bills in two ways, either by drawing checks against our deposit account in our bank, or by means of hand-to-hand currency. Experience shows that for every five or six dollars of bank deposits a dollar of hand-to-hand currency is necessary in order that we may pay for things in our accustomed manner. During the war bank deposits increased very greatly. This increase in bank deposits would not have occurred unless it had been possible to increase hand-to-hand currency proportionately. Consequently the member banks had to come to the Federal Reserve Banks and discount with them a very large volume of their paper in order to secure the hand-to-hand currency, in the form of Federal Reserve notes, which their customers required. The war, the greatest emergency the world has known, tested the note-issuing powers of the Federal Reserve Banks and found them

thoroughly responsive to the *increasing* needs of the country. The following diagram, giving graphically the principal figures of the twelve Federal Reserve Banks, shows both how notes increased in and after the war and how they have now begun to *decrease*. The reduction in the volume of notes outstanding now amounts to a little more than 16 per cent.



Earning Assets, Federal Reserve Note Circulation and Member Bank Reserve Deposits, All Federal Reserve Banks

Each Federal Reserve Bank keeps on hand at all times an immense supply of unissued Federal Reserve notes, aggregating for the entire Federal Reserve system over a billion dollars. These Federal Reserve notes are called into circulation as the member banks need them. They get notes by drawing checks on their deposit accounts and cashing them in Reserve notes or other currency, just as an individual would do at his own bank. Each member bank carries on hand such currency as it finds the demands of its customers require. It knows that at any time it can get additional currency promptly from its Reserve Bank, consequently when it accumulates more currency than it needs it sends the excess in to the Reserve Bank. The Reserve Bank pays shipping costs on currency both to and from out of town member banks. This greatly facilitates the prompt reduction of the volume of currency as soon as it is not needed and economizes the use of currency, since with the element of cost removed member banks carry only what is absolutely required. When notes are returned to the Reserve Bank they are automatically withdrawn from circulation until called for again by some member bank.

The volume of notes handled by the Reserve Banks is very great. In the New York bank about 300 clerks are constantly sorting, counting, and shipping currency. On the average about 2,500,000 notes are handled by the money counters every day.