

Financial and Economic Situation in China as of
Week Ending August 26, 1925.

The extreme lifelessness of the China market is clearly indexed in the unchanging exchange rates of the past few weeks. The definite relaxation in the market rates for money, after the temporary strain coincident with the half-yearly settlements, together with a sudden advance in the volume of call by the foreign banks at Shanghai upon the Chinese lending institutions for temporary aid, are the outstanding features. The passing of the temporary strain, due to the arrival of silver to the order of the foreign banks, has again left the money market in an easy position.

Both merchants and manufacturers show a marked disinclination to take on any more stocks than they feel sure of moving quickly and easily. There is a certain amount of active trade in seasonal goods for immediate use. The one bright spot in trade is the distinctive improvement in the Upper Yangtze trade. Full cargoes are moving in both directions and as usual when there is a rush of cargo, freight rates have gone up.

The cotton crop is still reported approximately normal. The cotton mills are cutting down on day work while night work is suspended almost entirely. Slight fluctuations in the Shanghai cotton quotations are entirely speculative. Chinese sugar merchants expect lower prices and consequently are withholding from present market. This applies particularly to the Java crop, but marked decrease in the importation of Japanese refined sugar has been noted.

The copper mints have shown signs of interest but no volume of business has resulted yet. No other activities in the metal market are reported.

Business in silk for some time has been of the most scrappy nature, a few forced sales taking place at prices slightly below the ruling quotations. Inquiries for export markets continue to come along but there seems to be no improvement in buyers' rates. The new crop of China silk has been of poor quality, and owing to the high cost of productions for both native rears and steam filatures, the sericulturists have been unable to make concessions large enough to entice business. From the American manufacturers point of view, steam filatures are at present out of the question at prices asked. Tusseh silks continue in fair demand, but business is difficult because supplies of these sorts are almost exhausted. Canton prices have been shaded considerably, and in the absence of demand dealers are having a rough time.

A recrudescence of buying of American wheat set in last week in Shanghai and orders for nearly 35,000 tons of Pacific wheat has gone from here to the North West Coast of America. With the steadier tone that has now been imported to the Chicago quotation, the Shanghai flour mills have deemed it wise to re-commence purchasing. A much larger trade is expected to be put through very shortly with the mills here, which recognize the opportunity of laying in stocks now in order to be independent of indigenous supplies. It will be some time before the size and quality of the country's wheat crop are known with any degree of accuracy. Twelve mills out of a total twenty-three are at present manufacturing flour in Shanghai. For the first time Tientsin mills are actively interested in American wheat, and it is reported that some 20,000 tons have been contracted for, delivery September to November from Seattle and Portland. Exports in general show continued inactivity.

As September 13th, the expiration date of the present Parliament approaches determined efforts are being made to secure a return of sufficient members for a quorum and force an election. The Cabinet has been particularly active in this respect. Rumors are current among the Chinese that Tsao Kun will arrive in Peking on or immediately after September 13, to assume charge of the government. Considerable rumblings are still heard in opposition to the supposed Lincheng note of the Foreign Powers to the Chinese Foreign Office.

The Japanese boycott is practically finished, with reunions and love feasts of the Chinese and Japanese Chambers of Commerce the order of the day. M. Karahan, the Soviet Envoy to China, has arrived in Peking. The keynote of his few published interviews seems to be pitched in the same strain as that of his predecessor, Mr. Joffe, with possibly a slightly less arrogant manner of delivery. Unofficially it has been reported that as a result of Karahan's visit to Mukden that Kim and Mukden Consulates of the Soviet Government are to be established in the near future.

The American Minister and party are now in Northern Manchuria making a complete tour of the Chinese Eastern Railway zone.