

Financial and Economic Situation in China as of  
Week Ending October 4, 1924.

There is little of interest to report in trade developments during the week, the situation remaining practically as it was at the time of our last weekly report.

The withdrawal of fighting from the immediate vicinity of Shanghai has released members of the Shanghai Volunteer Corps from military duties, and practically all of them are back at work, but with very little to do. The import and export business is as hard hit as ever, with the exception of a slight demand for imported piece goods from Szechuen Province.

September's Wholesale price index number in Shanghai is 149.3 an increase of .5 over the index number for August. Increases are noted in cereals 4.5, other food products 1.1, building materials 6.6, sundries 1.8. Decreases are noted under textiles .6, metals 2.9, fuels .3, industrial materials 2.1.

Silk:

The silk market has been extremely dull during the week, and prices have shown a downward tendency.

Piece Goods:-

There is practically no business in the piece goods market with the exception of a small demand from Szechuen Province. The auctions are still suspended, and there is no immediate possibility of their reopening.

The outlook for the piecegoods trade over the next few months is very discouraging. The total absence of business in the affected centers and the practical stagnation of the piecegoods business all over the country means that if the most optimistic hopes are realized and warfare stops within one month, the piece goods trade for the Fall and Spring will be greatly upset.

Heavy stocks are accumulating in ports and while a little merchandise is moving up country, the majority of this is going on credit, as up-country exchanges are very much against Shanghai at present. Hankow exchange, for instance, is 10 per cent against Shanghai exchange, and this is having the effect of greatly reducing the buying in this very important distribution center for Shanghai's imported piece goods, as under the circumstances it is extremely difficult for merchants to order fresh supplies.

Stocks are extremely light in the interior and had it not been for the dislocation of the trade by the war a good autumn trade was expected at fair prices.

Cotton and Yarn:-

Were it not for the war it is expected that a very decided revival in the yarn business could be expected at this time. Stocks in the interior are known to be at rock bottom, and with cotton prices lower in comparison to yarn prices than they have been for many months, the mills are at present able to spin yarn at a profit.

Prospects for the cotton crop will be materially bettered by the very excellent weather conditions prevailing in the cotton districts over the past two or three weeks, and a bumper crop is expected taking the country as a whole.

Exports:-

The financial crisis in Hankow has again become acute, the exchange rate of the Hankow tael having again risen to 72 tael cents for yuan dollar. Remittance rates between Hankow and Shanghai are now quoted at taels 1,006 per thousand, a rate that almost amounts to a record.

Business has been confined chiefly to wood oil, sesamum seed and tallow, and fair quantities changed hands. The market for these commodities is very firm; China grass is quiet. Cotton is weak with values on the decline. During the week several large shipments of wood oil and a few small shipments of bristles, pig intestines, egg albumen, human hair, and tea were made to the United States.

Peking, China. - Week Ended October 4, 1924.

There has been no improvement in the business situation since our last report. Transactions in all lines continue to be limited to small amounts and are made on practically a cash basis. Considerable amount of new construction which was under way in Tientsin and Peking has come to a standstill owing to the inability of the contractors to secure needed materials, the chief difficulty being concerned with their transportation.

On the railways the movement of passenger trains has been resumed to about 50 per cent of normal. On the Peking-Hankow line passenger conditions are practically normal with the exception of a few local trains which are not operating. Tickets are again being sold over the Peking-Suiyuan line and the passenger trains are operating on time in most instances. The freight traffic, however, continues to be almost completely suspended on all lines. The military authorities continue to hold the freight cars, the greater portion of them being concentrated north of Tientsin on the Peking-Mukden line. Experienced railroad men who have observed the traffic tangle that exists between Tientsin and Shanhaikwan have stated that it is one of the worst mix-ups they have ever seen. At this time there is no likelihood that this situation will be improved in the near future. Even if military operations should come to a standstill, it would take from one to two months to return the cars and engines to their respective lines.

This derangement of commercial transportation is the factor most seriously affecting business. So far as North China is concerned the concentration of troops and military operations have all been confined, up to the present time, to regions well away from the commercial centers, and there has been no difficulty experienced, and it is hoped that this condition will continue.

Financial Developments:-

Money Conditions:-

Money remains tight in Peking and Tientsin and is hard to obtain for commercial purposes. The deposits in the foreign and the principal native banks continue to increase. Interest rates are fluctuating widely in accordance with the type of security that is offered.

Rumor of New Railway Loan:\*

The Chinese Press has recently carried news items to the effect that a British concern has consummated a railway loan agreement for the construction of the Tsangchow-Shihchiachuang Railway. This line forms an extension of the line running westward from the Peking-Hankow railway to Taiyuanfu. It will connect the Peking-Hankow and Tientsin-Pukow lines and provide a direct outlet through Tientsin for the large coal production of this area. Inquiry directed to the Ministry of Communications indicates that probably an agreement has been consummated, but owing to the present unsettled conditions the promoters will be unable to advance any funds for construction purposes at the present time.

Peking - Week Ended October 11, 1924.

The severity of the trade depression which has followed the outbreak of civil war in China is becoming more apparent as detailed reports from the affected ports are received.

In Peking where business is never very brisk it is now practically dead. No attempts are being made by foreign firms to negotiate sales to the Departments of the Government which are usually in the market for at least small orders or telegraph, telephone or railway equipment. The city is under martial law and it is with difficulty that goods of any kind can be moved owing to the confiscation of carts and draft animals by the military authorities. A few shipments of rugs have been dispatched to America but these necessarily are limited as only one car a week is available each way between Peking and Tientsin for freight movement. The tie up of transportation within the city is so complete that it is becoming difficult for houseowners to secure delivery of coal. Building is stopped owing to the inability of the contractors to move materials.

From Tientsin reports are received that consciousness of the serious situation confronting trade has permeated all business circles. Hopes that were held for some weeks that conditions would shortly change for the better have been abandoned.

Exporters who for a time were able to carry on with cargo already in Tientsin are now practically empty handed with questionable prospects of new stocks arriving in the immediate or near future. Arrivals of import cargo afloat before arrangements could be made to postpone shipment are being carried in most cases by the foreign importers, Chinese dealers being reluctant to accept delivery.

During the past week at least nine Chinese merchant ships were commandeered in Tientsin harbor by the military authorities. These vessels are small coasting ships of 350-400 tons. They are to be used as troop transports to carry some of Wu Pei-fu's forces northward.

During the latter part of August and early September Hankow buyers in the interior had export cargo which takes up to eight weeks or more to reach Hankow. This cargo was purchased with drafts which the buyers issued at interior points. With the knowledge that the cargo could not be sold upon arrival at Hankow it was necessary for these interior buyers to collect silver to ship to Hankow in order that the drafts might be met. This action depleted interior stocks of silver and created a panic with the natural hoarding of whatever silver was available at interior points.

There are very heavy stocks of export cargo assembled at the different transshipping points at the interior. There are absolutely no buyers for this cargo as money as a medium of exchange is not available for purchases.

Export cargo is increasing in volume at Hankow as it is taking from six to eight weeks for the cargo to reach the port and this cargo could not be stopped in transit. It has, therefore, been necessary to do a great deal of financing and with no outside money coming to Hankow for the purpose. This has overburdened the local market.

There can be no relief in the situation until export cargo is demanded from Hankow; if Shanghai would start to buy export cargo immediate relief could be expected.

If financial conditions were more normal and purchases could be made, it is believed that Hankow potentially this autumn would have one of the best seasons in many years.

Hankow prices on export cargo are approximately from ten to fifteen per cent below the purchase value of this cargo at interior points.

Chinese Government Treasury Note Issue Secured on Customs:-

It was announced at the beginning of the week that preparations had been completed for an issue of silver \$4,200,000 of Chinese Government Treasury notes to be secured on a portion of the Customs revenues formerly used to pay the German Boxer Indemnity. Sir Francis Aglen stated publicly that he intended to purchase half of the note issue for the Customs superannuation fund. The balance was underwritten by a group of Chinese banks. The arrangements for the release of the funds provide that the entire proceeds of the loan shall be subject to the supervision of the Inspector General of Customs, who shall release the funds during the next three months for specified uses such as payment of the police, and non-administrative, non-military expenditures necessary for the maintenance of order in Peking.

Money and Exchange:-

Funds in Peking are being held very closely. Practically no loans can be made from either native or foreign banks. The interest rates are not particularly high because no business is being done. Silver exchange value has continued to advance, quotations advancing nearly five points during the week.

Wool:- There has been some curtailment of rug production both in Peking and Tientsin on account of the shortage of wool stocks and the scarcity of arriving cargo. One large Chinese rug making firm in Peking has reduced its employees from 800 to 300 and contemplates further curtailment if the difficulty of obtaining wool is not lessened very soon.