

ECONOMIC AND TRADE NOTES

Shanghai,

China,

October 2, 1931.

(City)

(Country)

(Date)

Submitted by: Paul F. Kops,Assistant Trade Commissioner.

(Name)

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The Shanghai leather market, after a very quiet month of August, was quite active during September, although little business has been done toward the close of the month due to the prevalent feeling of uncertainty concerning exchange. The recent fluctuations and fall in the value of sterling has stimulated local business in Australian leather, especially sole leather. For some time prior to England's suspension of the gold standard, the Australian pound was at a discount of 28 per cent, or about 22% less than sterling. When sterling fell the Australian pound rose in relation to it. However, on September 28th the Australian pound was again quoted at 28 per cent discount and dispatches from Australia indicated that firm offers could be closed at that price on contracts extending as long as the end of this year. Therefore as sterling is at a considerable discount and Australian pounds still 28% less than sterling, prices on Australian leather are quite attractive. However, it is not expected that sales of United States leather will be greatly affected, as Australia's principal item is sole leather, and on this, United

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States has been unable to compete for many months. Competition from Australia on upper leather, has never been strong in the Shanghai market, and America will doubtless be able to hold her position in this trade. Both upper and sole leather from Australia sells well in Hong Kong.

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P.S. By £28 percent discount is meant that £100 Sterling will buy £128 Australian, that is, that for a £100 Australian credit, London banks will pay £78 Sterling, or discount the Australian credit by what actually amounts to 22%.