

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

June 1, 1925

#### Business Conditions in the United States

**P**RODUCTION in basic industries and factory employment continued at approximately the same level during April as in March. Factory pay rolls were smaller, and wholesale prices declined sharply. Distribution of commodities was maintained at higher levels than a year ago.

##### PRODUCTION

The output in basic industries declined less than one per cent. in April. Decreased production of iron and steel, flour, and copper was largely offset in the Federal Reserve Board's production index by increases in mill consumption of cotton and in the production of newsprint and petroleum. The output of automobiles which are not included in the index has increased rapidly since December and in April was the largest ever recorded. Automobile tire production was maintained at the high level reached in March. Number of men employed at industrial establishments remained practically the same in April as in March, but owing to less full time operation, particularly in the textile, leather, and food industries, total factory pay rolls decreased about 2 per cent. Building contracts awarded during April were the largest on record both in value and in square feet.

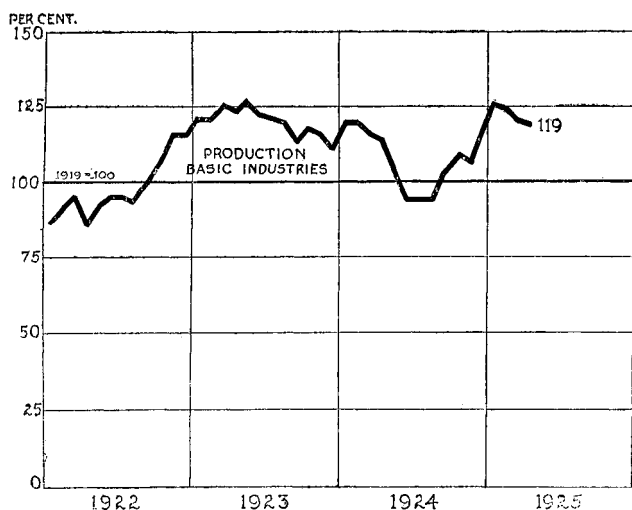
Estimates by the Department of Agriculture on May 1 indicated a reduction of 6 per cent. from the April forecast in the yields of winter wheat and rye. The winter wheat crop is expected to be 25 per cent. smaller than last year and the indicated yield of rye is 9 per cent. less.

##### TRADE

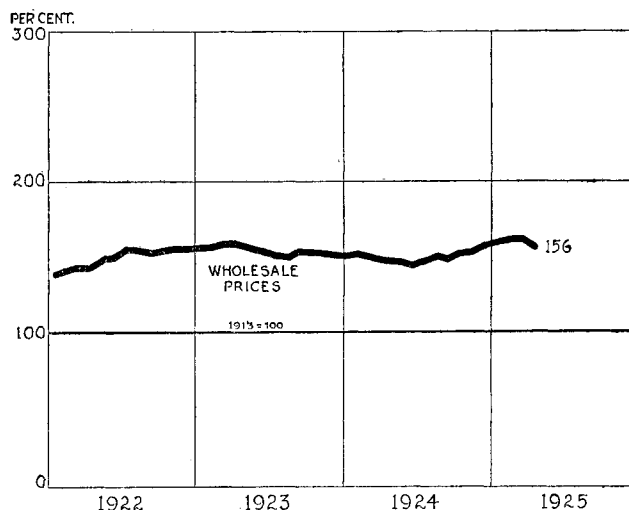
Wholesale trade was smaller in all lines except hardware during April than in March. Compared with a year ago sales of groceries and shoes were less but sales of meats, dry goods, and drugs were larger. Sales at department stores and by mail order houses showed more than the usual seasonal increase in April and were larger than during April 1924. Wholesale stocks of groceries, shoes, and hardware were smaller at the end of April than a month earlier, while dry goods were larger. Merchandise stocks at department stores showed less than the usual seasonal increase in April but were in about the same volume as a year ago. Freight-car loadings of merchandise were greater than in March and larger than in any previous April.

##### PRICES

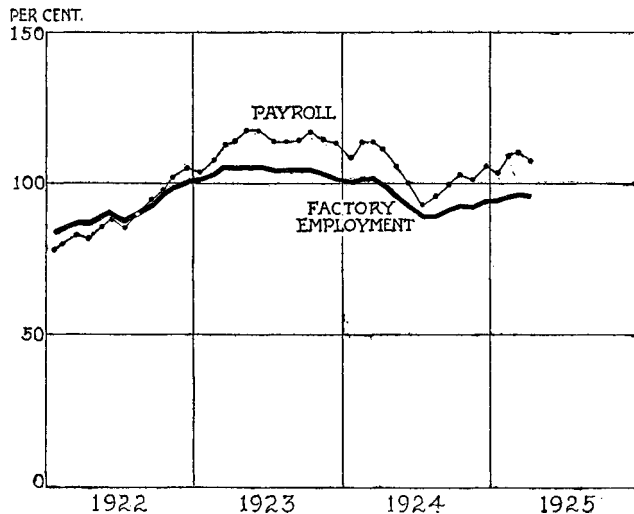
Wholesale prices, according to the index of the Bureau of Labor Statistics, declined 3 per cent. in April, following an almost uninterrupted rise since the middle of



Index of 22 Basic Commodities Corrected for Seasonal Variation (1919 = 100 Per cent. Latest figure, April)



Index of U. S. Bureau of Labor Statistics. (1913 = 100 Per cent. base adopted by Bureau. Latest figure April.)



Indexes of Factory Employment and Factory Payrolls in Manufacturing Industries (1919 average = 100 Per cent. Latest figures April.)

1924. All groups of commodities shared in the decline of prices except house furnishings and the miscellaneous group. The largest declines were in farm products and foods, which had shown the most rapid increases. During the first three weeks in May prices of grains, beef, hogs, flour, and rubber advanced, while declines occurred in cotton, lumber, and iron prices.

#### BANK CREDIT

At the middle of May total loans and investments of member banks in leading cities were near the level which has prevailed, with only minor fluctuations, since the first of the year. Loans chiefly for commercial purposes declined slightly between the middle of April and the middle of May, while loans on securities rose to a high point at the end of April and decreased somewhat during the first two weeks of May. Total investment holdings which increased considerably during the first half of March have declined somewhat since that time. Net demand deposits increased considerably from the low point at the end of March, but were still \$500,000,000 less than at the middle of January.

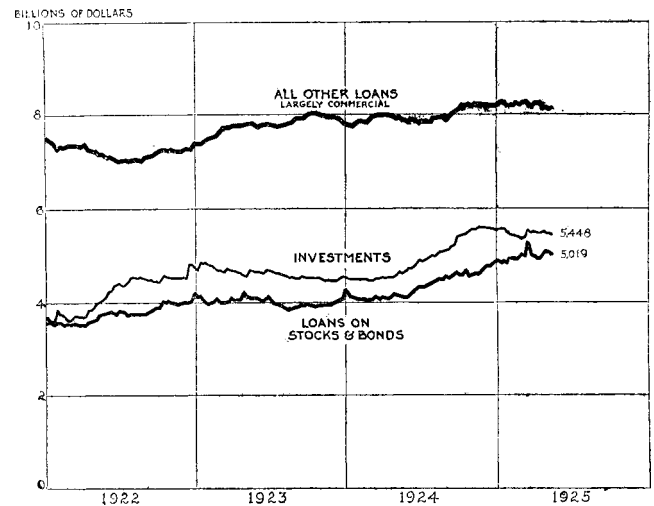
At the Reserve Banks there was a marked decline in the volume of member bank borrowing after the first week in May and total earning assets of the Reserve Banks on May 20 were less than \$1,000,000,000 for the first time since January. Acceptances and holdings of United States securities on that date were in about the same volume as a month earlier.

Money conditions continued relatively easy during the latter part of April and the first part of May. At 3¾-4 per cent. the open market rate for prime commercial paper was slightly below the level for the preceding month.

#### Money Market

Easier money during April and most of May reflected the moderate character of credit demands.

In New York City the commercial paper market remained quiet and generally firm at 4 per cent., but in

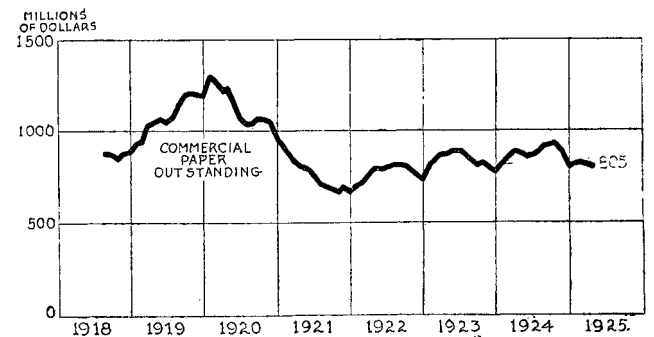


Member Bank Credit. Weekly figures for Member Banks in 101 leading cities. (Latest figures, May 13.)

the interior prime paper sold rather freely at 3¾ per cent., and in some instances, where the maturity was short, at 3½ per cent. Dealers continued to report small lists of paper, and at the end of April the total volume outstanding through 26 dealers showed a decline of 1 per cent. from March to only slightly above the low point of December.

In the bill market, on the other hand, the supply of bills was in excess of the demand, notwithstanding relatively easy money conditions and increased offerings to this bank. Reflecting this condition, dealers on May 20 advanced their rates ⅛ of 1 per cent. to 3⅜ per cent. on their purchases of 90-day bills and 3¼ per cent. on their sales. Yields offered on short term Treasury issues remained virtually unchanged.

Stock Exchange time money rates held unchanged and unusually steady in May at 3¾-4 per cent, or approximately ½ of 1 per cent. below the March level. Call loan rates were typically 3¾ per cent., though occasional advances occurred to 4 per cent. and in the latter part of the month the rate for new loans touched 4½ per cent.



Commercial Paper Outstanding—26 Dealers. (Latest figure, April 30.)

#### Security Markets

Stock trading increased in activity in May and prices continued the recovery begun in April. Industrial price

averages reached new high levels, and while railroad averages failed to make a full recovery, shares of some of the individual roads got close to or exceeded previous high levels.

Accompanying relatively easy money conditions the bond market continued strong. Government bonds reached new high levels for the year and high grade corporation bond averages attained new high levels since 1917.

New security issues continued in large volume and brought the total since the first of the year to over 2 $\frac{3}{4}$  billion dollars, compared with 2 $\frac{1}{2}$  billions in the corresponding period of last year. The chief issue was an offering of \$60,000,000 New York City bonds, which on a 4.045 per cent. basis was reported to have brought the highest price to the city in recent years. Foreign offerings during the month totaled only \$30,000,000, a decrease as compared with the previous month. Since the first of the year, however, the total of such issues was \$400,000,000, about \$35,000,000 larger than in the same period of last year.

### Foreign Exchange

Resumption of gold payments by Great Britain was followed by a further advance in sterling exchange to a new high point of \$4.86 in the latter part of May, within a cent of gold parity. Reports issued by the Bank of England indicated a loss of about £2,100,000 gold in the two weeks ended May 13 chiefly to India, Australia, and Switzerland, but as the return for May 20 showed an increase of £2,290,000, there was a slight net gain for the bank during the period.

Dutch exchange was also firmer during the month, and Swiss rates continued above par. French, Belgian, and Italian exchanges, on the other hand, tended lower.

Danish and Norwegian exchange continued strong at levels 23 and 29 per cent. above the low point of last year, though still 30 and 37 per cent. below parity. The Canadian dollar continued at or above par, while the Argentine peso advanced to 40.55 cents, the highest since July 1920. Japanese yen continued to fluctuate around 42 cents, and Indian and Chinese exchanges were slightly firmer.

### Gold Movement

The gold export movement, which began in December and reached a maximum in January, has continued to diminish steadily. During the first 25 days of May exports through the Port of New York totaled only \$9,400,000, while imports amounting to \$7,500,000, were the largest for any similar period since November.

The following table shows gold exports and imports for the country from December to April, and for the Port of New York only during the first 25 days of May. Of the export shipments, \$15,000,000 in both March and April, and \$6,250,000 in May, represented withdrawals by the Reichsbank of gold which had been earmarked here for its account for some time. Excluding these withdrawals, there would have been a small import

balance for the country in April and for the Port of New York at least in May.

(In thousands of dollars)

	Imports	Exports
December.....	10,274	39,675
January.....	5,038	73,528
February.....	3,603	50,600
March.....	7,337	25,104
April.....	8,870	21,604
May (1 to 25)*.....	7,470	9,419
Total.....	42,592	219,928

\*Port of New York only.

### Foreign Trade

In April both exports and imports of merchandise declined as compared with March, but continued substantially above the figures of a year previous. In the case of exports the decline from March was \$53,000,000, accounted for in large part by a decrease of \$35,000,000 in the value of cotton shipments, which, however, were 25 per cent. greater than in 1924. The value of grain exports continued large in April and was almost three times as great as a year ago.

In the case of imports, the decline from March was \$36,000,000, accompanying a substantial decrease in rubber receipts. Compared with last April the increase in imports was due in part to a 50 per cent. increase in the quantity of silk imports, and higher values for rubber imports, though in tons the figures for rubber were 35 per cent. smaller.

The following table, giving the foreign trade figures for each month in millions of dollars, reflects the substantial increase both in imports and exports thus far this year over last year.

(In millions of dollars)

	Imports		Exports	
	1924	1925	1924	1925
January.....	296	346	395	446
February.....	332	333	366	371
March.....	320	385	340	453
April.....	324	349	347	400
Total.....	1,272	1,413	1,448	1,670

### An Index of Trade in the Second District

In the Review of May 1 last year there was presented an index of trade in this country over the last 50 years, based upon bank clearings to 1919 and since that date upon bank debits. In this index allowance was made for seasonal variations, changes in the general price level, and growth of the country, so that its changes measured closely the variations in actual volume of trade or exchange of goods over this period.

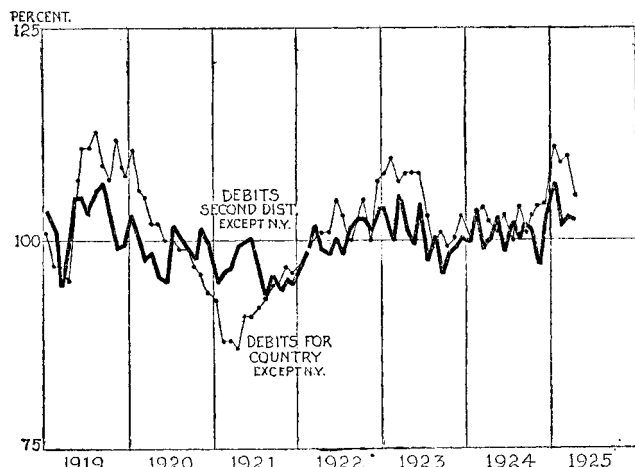
It has recently been possible to construct a similar index of trade since 1919 in the chief cities of this district, except New York City, where debits reflect so largely financial and Stock Exchange transactions. This

index is based upon debits in the following clearing centers:

Albany, N. Y.	Montclair, N. J.
Binghamton, N. Y.	Newark, N. J.
Buffalo, N. Y.	Northern N. J. Clearing House Assn.
Elmira N. Y.	Passaic, N. J.
Jamestown, N. Y.	Stamford, Conn.
Rochester, N. Y.	
Syracuse, N. Y.	

The accompanying diagram shows this index in percentages of variation from a line representing what has been the normal rate of increase. This line is here shown as a flat line, but in reality it is a line of gradual slope conforming with the growth of population and general volume of business. For comparison with this new index the index of trade for the country at large is also reproduced.

The similarity both as to direction and time of movement in the two lines reveals the close correspondence of business changes within the district with those for the country as a whole. It is noteworthy, however, that the extremes of high and low points are relatively small in this district, apparently indicating greater stability of business during this period than for the country as a whole. At the present time, both in this district and for the country, the indexes of debits are substantially above the trend.



Bank Debits in 12 Cities of the Second District and in 140 Cities of the Country, in both cases excluding New York City, in Percentages of the Computed Trend, After Allowance for Price Changes and Seasonal Variation.

## Production

Indexes of production for April computed by this bank show that, despite decreases in some lines, such as iron and steel and the woolen industry, production continued generally at high levels.

The output of 376,000 passenger automobiles during the month was larger than in any previous month, and truck production was also larger than ever before. Cement production and newsprint paper output were in excess of the corresponding month of any previous year, and copper production continued high, though less than in the preceding month.

In the textile industry, silk mills continued active while mill consumption of raw cotton was the largest since May 1923, and was slightly above estimated normal. In the woolen industry, on the other hand, the index of activity showed a further decline.

In the iron and steel industry, despite a decline of 9 and 15 per cent. in the output of pig iron and steel ingots and of 417,000 tons in the Steel Corporation's unfilled orders, this bank's indexes of production were close to estimated normal. While prices and production of pig iron declined further in May steel orders were reported somewhat larger than in April, and prices of scrap were firmer.

Mining of bituminous coal recovered steadily between the middle of April and the middle of May, and for the month of April was 11 per cent. above a year ago. The following table gives this bank's indexes of production for recent months in percentages of the computed trend, after allowance for seasonal variation.

(Computed trend of past years=100 per cent)

	1924	1925		
	April	Feb.	Mar.	Apr.
<i>Producers' Goods</i>				
Pig iron.....	101	106	105	99
Steel ingots.....	96	113	107	100
Bituminous coal.....	81	96	83	92
Copper, U. S. mines.....	99	111	107	104
Tin deliveries.....	143	119	111	122
Zinc.....	92	97	96	96
Petroleum.....	127	121	117	...
Gas and fuel oil.....	110	105	110	...
Cotton consumption.....	82	101	96	101
Woolen mill activity*.....	87	97	93	89 <sup>p</sup>
Cement.....	114	119	129	129
Lumber.....	117	115	112	...
Leather, sole.....	71	83	82	...
<i>Consumers' Goods</i>				
Cattle slaughtered.....	106	102	110	112
Calves slaughtered.....	130	158	143	134
Sheep slaughtered.....	89	85	98	103
Hogs slaughtered.....	126	103	88	92
Sugar meltings, U. S. ports.....	92	85	115	113
Wheat flour.....	107	104	89	90
Cigars.....	93	95	96	95
Cigarettes.....	85	78	80	82
Tobacco, manufactured.....	97	103	98	104
Gasoline.....	123 <sup>r</sup>	134 <sup>r</sup>	129 <sup>r</sup>	...
Tires.....	111 <sup>r</sup>	135 <sup>r</sup>	117 <sup>r</sup>	...
Newsprint.....	114	111	113	118
Paper, total.....	107	106	102	106
Boots and shoes.....	97	99	95	102 <sup>p</sup>
Anthracite coal.....	90	103	85	98
Automobile, all.....	125	110	119	134
Automobile, passenger.....	131	106	121	139
Automobile, truck.....	102	127	112 <sup>r</sup>	114

\*=Seasonal variation not allowed for  
<sup>p</sup>=Preliminary  
<sup>r</sup>=Revised

## Indexes of Business Activity

Indexes of business activity in individual lines computed by this bank showed mixed changes in April. Railway traffic continued at a high level, and in the first half of May actual loadings were above all previous years, due chiefly to the heavy movement of merchandise, miscellaneous freight, ore, and forest products. Large mail order sales reflected active retail distribution in agricultural sections but in this district indexes of both wholesale trade and department store sales were lower.

FEDERAL RESERVE AGENT AT NEW YORK

Bank debits, both in this district and for the country at large, continued at high levels, and there was a sharp increase also in the index of building permits. The following table gives this bank's indexes of business activity in percentages of the computed trend, after allowance for seasonal variation and, where necessary, for price changes.

(Computed trend of past years=100 per cent)

	1924		1925	
	Apr.	Feb.	Mar.	Apr.
<b>Primary Distribution</b>				
Car loadings, merchandise and misc. . . . .	104	108	105	106
Car loadings, other . . . . .	102	101	94	108
Wholesale trade, Second Dist. . . . .	100	100	95	93
Exports . . . . .	90	90	103	96 <sub>p</sub>
Imports . . . . .	112	109	113	111 <sub>p</sub>
Grain exports . . . . .	75	65	104	...
Panama Canal traffic . . . . .	129	100	106	97
<b>Distribution to Consumer</b>				
Department store sales, Second Dist. . . . .	97 <sub>r</sub>	105 <sub>r</sub>	97 <sub>r</sub>	93 <sub>r</sub>
Chain store sales . . . . .	97	99	96	93
Mail order sales . . . . .	108	120	107	109
Life insurance paid for . . . . .	120	116	112	117
Magazine advertising . . . . .	102	98	97	97
Newspaper advertising . . . . .	100 <sub>r</sub>	96 <sub>r</sub>	97 <sub>r</sub>	95 <sub>r</sub>
<b>General Business Activity</b>				
Bank debits, outside of New York City . . . . .	102 <sub>r</sub>	109 <sub>r</sub>	110 <sub>r</sub>	106 <sub>r</sub>
Bank debits, New York City . . . . .	105 <sub>r</sub>	117 <sub>r</sub>	121 <sub>r</sub>	113 <sub>r</sub>
Bank debits, 2nd District, excl. N. Y. C. . . . .	100	102	103	102
Velocity of bank deposits, outside of New York City . . . . .	100 <sub>r</sub>	99 <sub>r</sub>	101 <sub>r</sub>	98 <sub>r</sub>
Velocity of bank deposits, New York City . . . . .	101 <sub>r</sub>	112 <sub>r</sub>	110 <sub>r</sub>	101 <sub>r</sub>
Postal receipts . . . . .	102	98	95	103
Electric power . . . . .	104	104	105	...
Employment, N. Y. State factories . . . . .	97	93	93	93
Business failures . . . . .	108	96	105	122
Building permits . . . . .	141	181	163	192

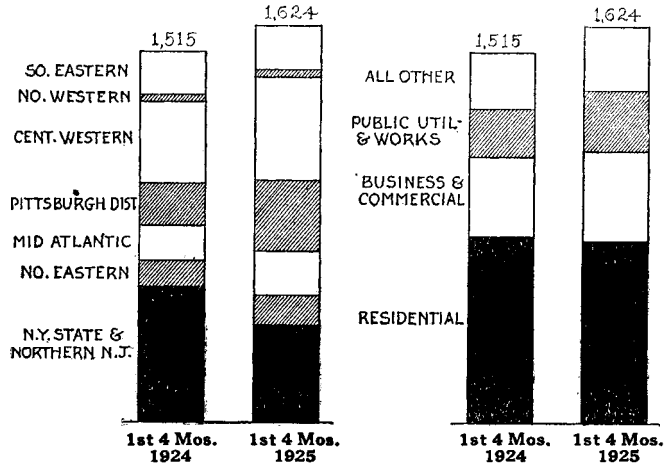
<sub>p</sub> = Preliminary  
<sub>r</sub> = Revised

**Building**

Contracts awarded in New York and Northern New Jersey in April were again much below the level of a year ago, and for the first four months of this year were nearly 30 per cent. smaller than last year. Due, however, to large increases in other districts, the April total for the country was the largest ever reported, and for the first four months of the year was 7 per cent. larger than in the corresponding period of any previous year.

Building permits, which precede contracts, also showed in April a large increase over last year for the country, and in the case of permits the increase was shared by New York City, where the April figures last year were relatively small due to expiration of the tax exemption privilege for residential building at the end of March. For the first four months of this year, however, permits for this city continued substantially smaller than a year ago.

Illustration of the recent tendencies in building is shown by the accompanying diagram, which compares contracts for the first four months of this year by districts and by types of construction. In all districts except New York the value of contracts has been equal to or larger than a year ago. Despite the heavy building of recent years, the volume of residential construction for the country as a whole continues close to the high level of last year.

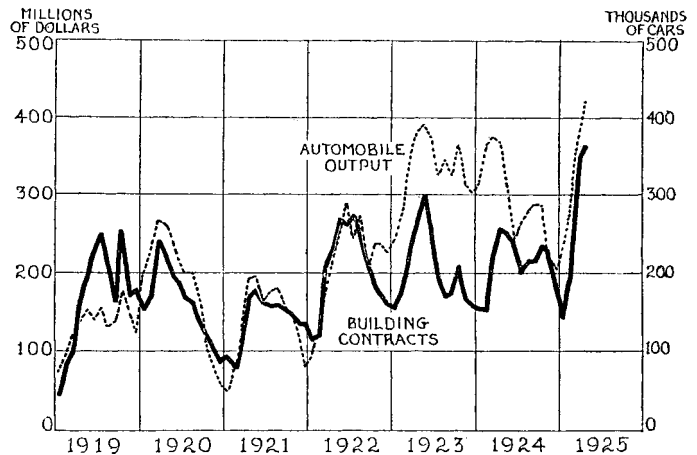


Value of Building Contracts Awarded in 36 States in First Four Months of 1924 and 1925, by Districts and by Types of Construction. (Figures in millions of dollars.)

**Automobile Output and Building**

In foregoing paragraphs figures were given showing that in April both automobile production and the value of building contracts awarded reached new high levels. The following diagram, comparing the figures by months since 1919, indicates that over almost this entire period there has existed a rather remarkable correspondence between the two sets of figures, even apart from seasonal variations, and notwithstanding that one is in terms of quantity and the other in terms of value.

Among influences tending toward a close relationship between the two industries are the construction of garages, service stations, factories, and other buildings related to the automobile industry itself, and the growth in suburban residential construction, which has been both a cause and result of the increased use of automobiles. In both industries also the increased practice of instalment buying has been a large factor in the recent rapid expansion.



Value of Building Contracts Awarded each Month in 27 States, and Monthly Production of Passenger Automobiles and Trucks. (Latest figures April.)

## Employment and Wages

Factory employment in New York State declined nearly 2 per cent. in April, thereby largely canceling the increase that occurred during the first quarter of the year. The April level of employment was 7 per cent. above the low point of last summer, but was still 4 per cent. below April 1924. In the country as a whole, as reported by the United States Department of Labor, there was little change from March to April, as increased employment in the production of automobiles and in seasonal industries such as building materials offset curtailment in other industries.

The decline in New York State appears to have been due in part to the usual seasonal slackening in apparel manufacturing, and in part to curtailment in other important industries such as iron and steel, railway equipment, and woollens and worsteds. The following table shows the changes in employment in a number of leading industries compared with March of this year and April a year ago.

	Percentage Change March 1925 to April 1925	Percentage Change April 1924 to April 1925
Iron and steel.....	- 8	-12
Machinery.....	- 1	- 6
Railway equipment.....	-11	- 3
Automobiles.....	+ 9	+ 4
Leather.....	- 5	- 3
Shoes.....	- 1	+ 3
Cotton goods.....	+31*	+23
Woollens and worsteds.....	- 9	-25
Carpets and rugs.....	0	+ 9
Furniture.....	- 4	- 3
Cement.....	+ 2	0
Brick.....	+30	-23

\*Labor troubles settled since March

Per capita earnings of factory workers in April were slightly below the high level of March, apparently due largely to reduced working time. Wage scales in general continue steady, but in the building trades throughout the country have been advancing gradually. Common labor hiring rates average only slightly lower than a year ago, and are close to the highest level since 1920.

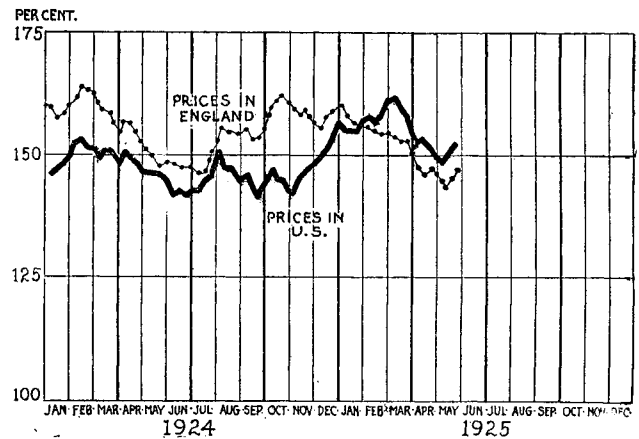
## Commodity Prices

The decline in commodity prices in April, reflected by the reduction of 3 per cent. in the Department of Labor's index, was followed by firmer prices in May. This bank's weekly index of 20 basic commodities, after reaching the lowest level of the year at the beginning of May, advanced nearly 3 per cent. in the succeeding three weeks.

By a further advance of 25 cents to 70 cents rubber reached the highest price since 1917. May wheat at Chicago advanced from around \$1.50 to above \$1.70, corn rose 15 cents, and hogs and cattle were likewise firmer. Among textile materials, silk tended upward, and wool steadied after the heavy decline of the two previous months. Cotton, on the other hand, dropped nearly to 22 cents, partly due to favorable crop prospects, but later recovered most of the loss.

Among the metals, copper, lead, and scrap steel recovered somewhat, but pig iron declined to the lowest

since November 1924. Prices of raw and refined sugar continued depressed. The accompanying diagram shows changes in this bank's weekly indexes of basic commodity prices in this country and in England.



Weekly Price Indexes of 20 Basic Commodities in the United States and in England. (1913 = 100 Per cent. Latest figures May 23.)

This bank's index of the general price level, including retail as well as wholesale prices, and also rents and wages, declined in April to 183 per cent. of the 1913 level, compared with 186 per cent. in March and 180 per cent. in April last year.

## Business Profits

An indication of the tendency of business profits during the first quarter of the year is provided by the following table, which gives net profits by quarters since the beginning of 1924 for a list of industrial and telephone companies whose statements are available, and for the Class 1 railroads.

During the first quarter this year the aggregate industrial profits shown increased considerably over the last three quarters of last year, but were below the first quarter of 1924. Oil, steel, and motor accessory companies showed the largest increases over recent quarters, and in the case of motors and accessories the profits were also slightly larger than in the first quarter of 1924. Telephone earnings continued to show an increase, and railroad earnings were slightly larger than a year previous, though below the seasonal high points in the latter part of 1924.

(Net profits in millions of dollars)

Group	No. of Corporations	1924				Yr.	1st Qtr.
		1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.		
Motor and accessories.....	13	31	17	17	19	84	32
Oil.....	12	19	14	13	5	51	15
Steel.....	12	42	29	17	19	107	30
Food and food products.....	11	11	13	14	11	49	11
Metal and mining.....	9	7	7	6	6	26	8
Machine manufacturing.....	12	5	5	5	4	19	6
Miscellaneous.....	9	3	4	5	6	18	5
Total 7 groups.....	78	118	89	77	70	354	107
Telephone.....	70	35	37	36	43	151	44
Class I railroads.....	193	208	188	287	309	987	204
Total.....	341	356	314	400	422	1492	355

**Wholesale Trade**

Sales of 200 leading dealers in 15 lines of wholesale trade in this district were seasonably smaller in April than in March and 2 per cent. smaller than in April last year, the same decrease as was shown for the first quarter of the year.

Comparison by individual lines revealed the chief decreases from last year to have been in women's coats and suits, jewelry, groceries, shoes, drugs, and hardware. Trade in silk goods, on the other hand, continued unusually active, and substantial increases occurred also in sales of diamonds and machine tools.

Reports on wholesale stocks showed in April, as in previous months, substantial decreases from a year ago in stocks of cotton goods, silks, and hardware, but increases in stocks of groceries, and jewelry and diamonds.

Commodity	Net Sales Percentage Change		Stock at end of month Percentage Change	
	Mar. 1925 to Apr. 1925	Apr. 1924 to Apr. 1925	Mar. 1925 to Apr. 1925	Apr. 1924 to Apr. 1925
	Groceries.....	- 3.1	- 7.0	- 9.9
Men's clothing.....	-23.0	- 0.8	.....	.....
Women's dresses.....	-16.1	- 2.2	.....	.....
Women's coats and suits.....	-39.6	-18.7	.....	.....
Cotton-Jobbers.....	-16.6	+ 1.6	+ 0.7	-17.6
Cotton-Commission houses.....	-26.3	+ 0.9	.....	.....
Silk goods.....	-18.6	+31.8	- 6.9*	-20.3*
Shoes.....	+ 2.7	- 7.9	+ 6.4	+ 9.5
Drugs.....	-12.9	- 6.8	.....	.....
Hardware.....	- 1.6	- 6.1	- 2.6	-16.6
Machine tools.....	- 8.7	+18.2	.....	.....
Stationery.....	- 3.6	- 3.8	.....	.....
Paper.....	-10.6	- 2.2	.....	.....
Diamonds.....	-12.4	+18.6	{ + 1.6	{ +15.4
Jewelry.....	- 8.3	-13.2	.....	.....
Weighted Average.....	-17.8	- 2.2	.....	.....

\*Stock at first of month—quantity not value

**Department Store Business**

April department store sales in this district averaged nearly 3 per cent. larger than a year ago, a slightly smaller increase than occurred in the first quarter of the year, and somewhat less than the usual year to year increase. Apparel store sales were about equal to those of a year ago, following a large gain in March, when sales were increased by early Easter buying.

Department store stocks at the end of April showed an increase of 2.3 per cent. over a year ago, a slightly smaller increase than sales. The ratio of sales, however, to average stocks during the month, at selling prices, was 31.9 per cent., compared with 32.1 per cent. a year ago. The average amount of individual sales transactions was \$3.03, compared with \$2.94 in April 1924.

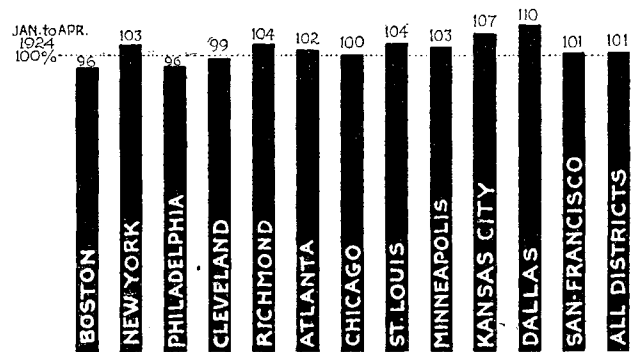
Whereas in March sales by departments showed the largest increases in wearing apparel, in April, as indicated in the second table, the largest increases were in luggage, linens, hosiery, and silver and jewelry. Mod-

	Net Sales Percentage Change April 1924 to April 1925	Stock on Hand Percentage Change April 30, 1924 to April 30, 1925
New York.....	+ 3.3	+ 1.5
Buffalo.....	- 2.1	+ 3.5
Rochester.....	+ 6.1	+ 7.3
Syracuse.....	+ 3.0	+ 5.0
Newark.....	+ 2.6	+ 6.3
Bridgeport.....	0	+ 4.8
Elsewhere.....	0	- 3.1
Northern New York State.....	- 2.3	.....
Central New York State.....	- 4.5	.....
Southern New York State.....	- 3.4	.....
Hudson River Valley District.....	+ 4.6	.....
Capital District.....	+ 4.3	.....
Westchester District.....	+ 0.7	.....
All department stores.....	+ 2.6	+ 2.3
Apparel stores.....	0	+ 0.3
Mail order houses.....	+ 4.1	.....

erate increases were reported also in furniture and home furnishings, women's apparel, and silk and cotton yard goods.

	Net Sales Percentage Change April 1924 to April 1925	Stock on Hand Percentage Change April 30, 1924 to April 30, 1925
Luggage and other leather goods.....	+ 8.8	+ 7.5
Linens and handkerchiefs.....	+ 8.2	+ 4.9
Hosiery.....	+ 7.9	+ 0.5
Silverware and jewelry.....	+ 7.6	+ 0.1
Home furnishings.....	+ 6.9	- 1.0
Silk goods.....	+ 6.8	- 7.0
Women's and Misses' ready to wear.....	+ 6.5	+ 1.8
Furniture.....	+ 6.4	+ 5.5
Cotton goods.....	+ 6.0	+ 2.6
Shoes.....	+ 5.5	+ 3.8
Toilet articles and drugs.....	+ 5.2	+10.5
Men's furnishings.....	- 0.1	+12.4
Women's accessories.....	- 0.4	- 1.8
Men's and Boys' wear.....	- 0.7	+ 8.9
Woolen goods.....	- 8.3	- 2.4
Miscellaneous.....	+ 6.7	+ 1.8

The diagram below, comparing department store sales by Federal Reserve districts in the first four months of this year with the corresponding period of last year, indicates department store trade tendencies in different parts of the country. Excepting this district, sales in the industrial northeastern section of the country have been generally smaller than last year, while sales in some of the agricultural districts of the south and west have shown substantial increases.



Department Store Sales in the First Four Months of this Year in Percentages of the Corresponding Period of 1924, by Federal Reserve Districts.

## The Return to Gold Payments in Europe

**T**HE announcement on April 28 of the decision of the British government to restore gold payments in Great Britain is one of the most important of a series of events leading gradually to the reorganization of world trade and finance on a more normal basis.

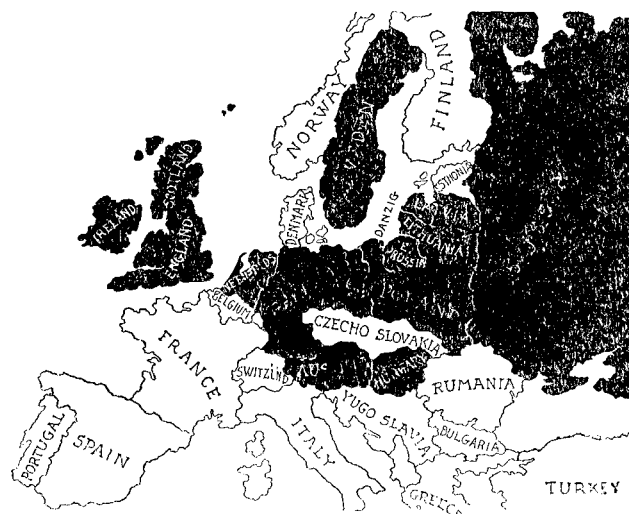
A large part of Europe is now included by countries whose currencies and exchanges are effectually stabilized, government budgets balanced, and whose production and trade have been restored to approximately the pre-war volume.

In the map on this page the shaded portions show the countries of Europe which have returned to a gold or gold exchange basis. In addition, the Swiss exchange is quoted above par, and the exchanges of a number of other countries have been held to fluctuations of very narrow limits.

Some of the more important steps which have led gradually to this world recovery are indicated in the following table:

1922	
September	Bank of Lithuania established and new currency unit adopted, based upon gold.
October	Russian Soviet State Bank authorized to issue the chervonetz, based upon gold.
November	Bank of Latvia established and new currency created, to become convertible into gold one year after the resumption of gold payments by the Bank of England
1923	
January	Austrian National Bank established.
October	German Rentenbank established, and currency stabilized.
1924	
January	Bank of Danzig established and currency stabilized with reference to sterling.
April	Sweden removes restrictions upon gold exports and resumes specie payments.
April	Bank of Poland established, and new currency introduced, based on gold.
June	Hungarian National Bank established and currency stabilized with reference to sterling.
September	Reparations Commission proclaims the Dawes Plan to be in effect.
October	German Reichsbank reorganized under the Dawes Plan and new reichsmark introduced.
December	Germany removes restrictions on the export and import of gold and silver.
1925	
January	South Africa announces intention to resume gold payments July 1, 1925.
March	Austria announces adoption of new currency.
April	Great Britain reestablishes free gold market. Holland, Australia, New Zealand and Dutch East Indies withdraw embargo on gold exports.

The return to a free gold market in Great Britain is a peculiarly important step, because England for many years has been such an international banker, and so large



Shaded Parts Represent Countries Which Have Returned to a Gold or Gold Exchange Basis.

a part of the trade of the world always has been carried on in sterling. Certain exchanges, as indicated above, have previously been stabilized with reference to sterling, and hence the return of sterling to par will automatically bring those exchanges to a gold parity.

The benefits likely to accrue from stabilized currencies and exchanges are so many and so great that they can only be summarized briefly in an article of this sort.

Instability of the exchanges has been a constant hazard and a serious obstacle to world commerce. The lessening of exchange risks will aid greatly in the restoration of a free flow of world trade.

A further advantage likely to result from the return of gold payments is greater price stability. When gold is moving freely it tends to be exported from a country when commodity prices rise above the world's levels; the credit volume tends to be reduced, and prices to fall. Conversely, when prices in a country fall below the world's level gold tends to be imported, with the result that the credit volume is increased and prices tend to rise. There are, of course, many limitations and exceptions to the free operations of these influences, but at least the free movement of gold provides an automatic tendency toward price adjustment, which does not exist when gold movements are restricted.

Free gold movements also tend to greater stability of interest rates, since gold tends to flow from the cheaper to the dearer markets, and there is thus an automatic readjustment in the capital markets.

But more important than all else, the return of Great Britain and other countries to gold payments marks a return to international confidence. Confidence is at the basis of successful world trade. Since the war, all international trade has been carried on in the midst of constant uncertainties. Every step in lessening these uncertainties is a stimulus to international trade.