

# MONTHLY REVIEW

## of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

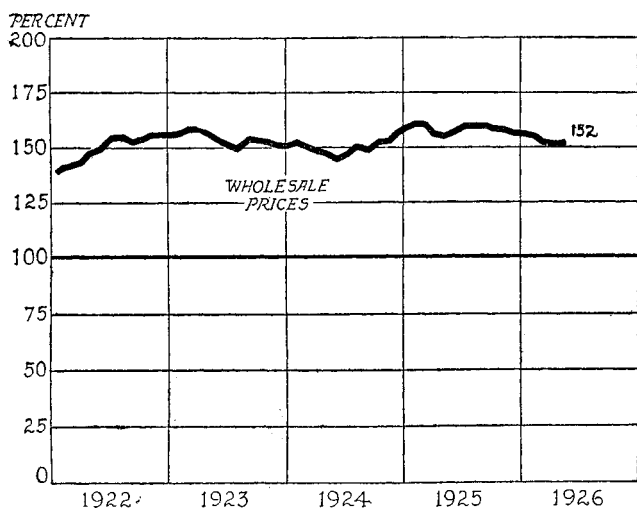
July 1, 1926

### Business Conditions in the United States

**P**RODUCTION in basic industries and factory employment declined further in May, while wholesale prices advanced slightly for the first time in seven months. The volume of trade at wholesale and at retail increased partly as the result of more favorable weather conditions.

#### PRODUCTION

Activity in most lines of industry was smaller in May than in April. The reduction was reflected in a decreased volume of output as well as in a decline in the number of factory workers and in total wage payments. The largest declines occurred in the textile, leather and shoes, and iron and steel industries. Production of automobiles continued large in May. In the lumber, cement, brick, and glass industries activity was maintained and there were seasonal increases in the output of certain food products. The volume of building contracts awarded declined further in May but continued larger than in May of last year. Figures for the first three weeks of June indicate further decreases and the volume of contracts awarded was smaller in that period than in the corresponding weeks of 1925. Recent declines in contracts as compared with last year have been particularly large in middle western and southeastern districts.

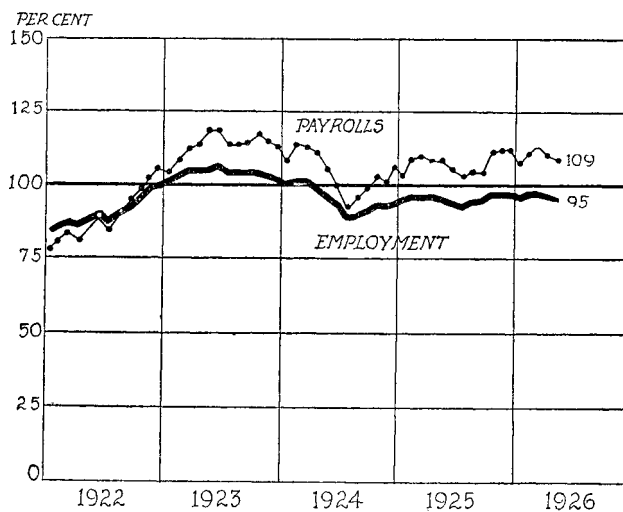


Index of United States Bureau of Labor Statistics. (1913=100; base adopted by Bureau). Latest figure, May.

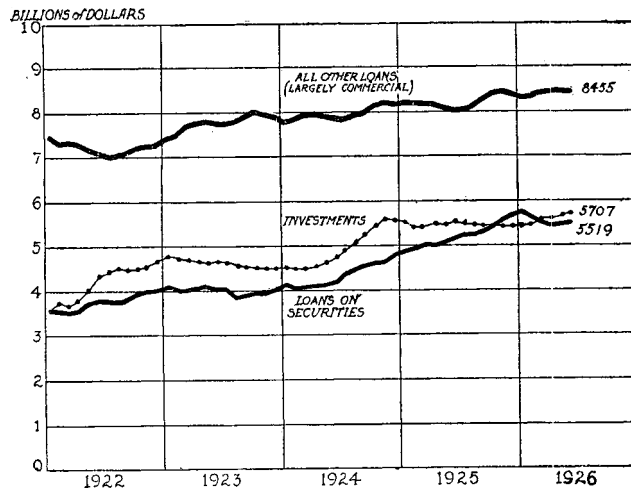
Reports by the Department of Agriculture indicate that the composite condition of crops on June 1 was 8 per cent below the average condition on that date for the past ten years, and somewhat lower than the average condition a year ago. On the basis of the June 1 condition the estimated yield of winter wheat was 543,000,000 bushels as compared with an estimate of 549,000,000 bushels made a month earlier and a final yield of 398,000,000 bushels in 1925.

#### TRADE

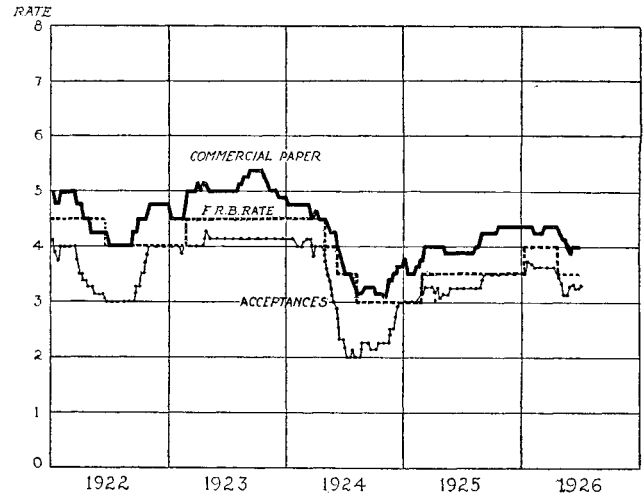
With more favorable weather in May than in the preceding month the volume of wholesale and retail trade increased and was larger than in May of last year. Department store sales exceeded those of earlier months of this year, and total sales for the first five months were larger than for the corresponding period of any preceding year. Merchandise stocks carried by wholesale firms were slightly smaller at the end of May than a month earlier. Stocks of groceries, hardware, and drugs were larger than a year ago, but those of meats, dry goods, and shoes were smaller. Stocks at department stores declined more than usual in May and were only slightly larger at the end of the month than a year ago. Railroad freight shipments increased, and in May and in the first two weeks of June were above those of the same weeks of previous years. Shipments of miscellaneous commodities were especially large.



Indexes of Factory Employment and Factory Payrolls in Manufacturing Industries (1919 average=100 Per Cent). Latest Figures, May.



Monthly Averages of Weekly Figures for Member Banks in 101 Leading Cities. Latest Figures are Averages for Three Weekly Report Dates in June.



Weekly Money Rates in New York Market. Commercial Paper Rate on 4 to 6 Months Paper and Acceptance Rate on 90 Day Paper.

### PRICES

The general level of wholesale commodity prices, according to the index of the Bureau of Labor Statistics, rose slightly in May for the first time since last August. Price advances were shown both for agricultural and non-agricultural commodities. Among the principal advances were those in the prices of gasoline, livestock, and meat, while prices of grains and cotton declined. In the first three weeks of June prices of grains, livestock, silk, and nonferrous metals advanced, while those of sugar, cotton, cotton goods, and pig iron declined.

### BANK CREDIT

Growth in loans on securities and commercial loans carried total loans and investments of reporting member banks in leading cities in the middle of June to a new high point above the total reached at the close of last year. The large reduction in the volume of loans on securities by New York City banks since the beginning of the year has been more than offset in the total of loans and investments of all reporting banks by increases in commercial loans and in investments of banks both in New York City and outside.

At the Reserve Banks changes in the volume of credit outstanding during the month ending June 23 reflected chiefly the financial operations of the United States Treasury around the middle of June. The temporary abundance of funds caused by the redemption of maturing United States obligations on June 15 caused a sharp decline in borrowings of member banks, particularly in New York City. As checks in payment of income taxes were cleared and collected, however, borrowings at the Reserve Banks rose to their previous level.

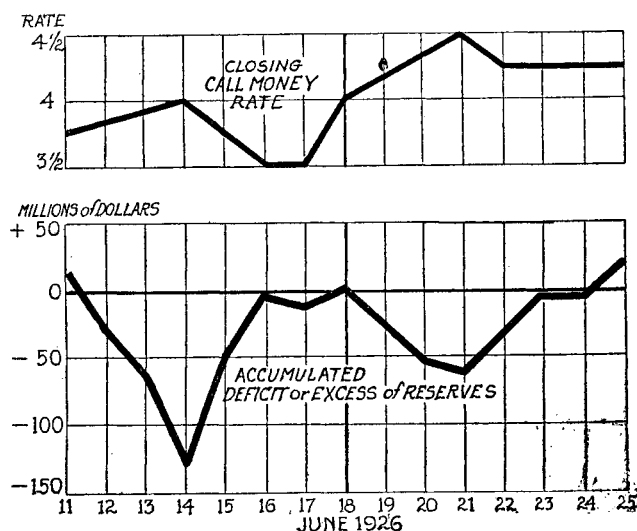
Money rates in general showed little change during the month. Rates on call and time loans were slightly lower around the middle of June, but in the third week were higher than in the latter part of May. Rates on acceptances and on commercial paper remained practically unchanged.

### Money Market

The principal developments of the past month in the money market centered about Treasury transactions in connection with the June 15 quarter day. Throughout the country these transactions included the redemption of 333 million dollars of Treasury certificates maturing on that date, the payment of 80 million dollars of interest, the receipt by the Treasury of about 80 million dollars of interest and principal payments on debts of foreign governments, and the receipt of about 440 million dollars of income and profits taxes. Thus in the aggregate the Treasury paid out about 400 million dollars and received about 500 million dollars. With the receipts thus more than 100 million dollars in excess of expenditures, the Treasury found it unnecessary to sell a new issue of certificates or notes, and found itself in possession of a balance in the Reserve Banks which could be partly employed in retirement of outstanding securities.

The result of these operations in the New York market was to put funds into the market on June 15 when the Treasury was redeeming maturing issues and paying interest, and to withdraw funds from the market in succeeding days, as income tax checks were collected. These tendencies were accentuated by a commercial movement of funds toward this center from other districts on June 15 and 16 and transfers away from this center in succeeding days. As has become usual, however, these tendencies, which would under other circumstances make for great ease in the money market on the 15th and 16th of June and severe firmness later on, were largely offset by changes in the amount of Reserve Bank funds employed in the market. The table at the foot of the next page shows the gains and losses to the money market for the tax period and indicates the way Treasury and commercial transactions were offset early in the period by the retirement of Reserve Bank credit, and thereafter by the employment of additional amounts of Reserve Bank credit.

The effects of these different transactions on the money market may perhaps best be illustrated by the move-



Reserve Position of Leading New York City Banks Compared with Closing Call Loan Rate.

ment of reserves of New York City banks and the movement of call rates, which are shown from day to day in the accompanying diagram. Just prior to the tax date these banks allowed their reserves to run off; then on June 15, when the Treasury paid into the market 154 million dollars, average reserves were increased sharply, and the following day call money dropped to 3½ per cent. As a result of losses to reserves in succeeding days through income tax collections, member banks were forced to increase their use of Reserve Bank credit in order to meet their reserve requirements at the end of the week, and call money advanced to 4¼ and 4½ per cent. The consequences of this large movement of funds were practically limited to this moderate change in rates.

The money market during this period was not materially affected by reason of the Treasury's putting out

no new issue of securities. The issue of securities by the Treasury does not as a rule have any effect upon the money market because these securities are not paid for to any extent by cash, but rather by deposit credits, which the Treasury receives on the books of member banks. The Treasury then draws upon these deposits as it has need to spend the money. The fact that the Treasury did not sell any new issue on June 15 did not in any way affect the money market, except as it reduced the supply of available Treasury certificates and affected the balance of supply and demand in that particular market.

Money rates during the greater part of June were fairly steady, despite the heavy shifting of funds incident to Treasury operations around the June 15 tax period, and showed little change from rates prevailing in May. Toward the close of the month the usual stiffening of rates accompanied preparations for heavy interest and dividend disbursements on July 1, mid-year statements, and holiday currency requirements. The following table shows money rates in New York on June 29 compared with those on May 28 and one year ago.

Money Rates at New York

	June 29 1925	May 28 1926	June 29 1926
Call Money.....	*4½	*4	*4½
Time Money—90 day.....	4	4	4½
Prime Commercial Paper.....	4	4	4
Bills—90 day unendorsed.....	3¾	3¾	3¾
Treasury Certificates and Notes			
5-7 months.....	3.06	3.21	3.05
8-10 months.....	3.17	3.37	3.22
Federal Reserve Bank of New York—Rediscount Rate	3½	3½	3½
Federal Reserve Bank of New York—Buying Rate for 90 day Bills.....	3¾	3¾	3¾

\*Prevailing rate for preceding week

BILL MARKET

Following the advance of 1/8 per cent in rates on 90-day bills late in May, bills moved more freely and a substantial liquidation occurred in dealers' portfolios. As the demand for bills was in excess of offerings to the market, offering rates on 90-day bills soon reverted to their former level of 3¼ per cent. At this level,

Gains and Losses to New York Money Market (In millions of dollars)

	June 1926										
	12	14	15	16	17	18	19	21	22	23	24
<b>Gains to Market</b>											
Treasury transactions (mostly certificates redeemed, interest paid, and securities purchased).....	2	5	154	12	4	4	2	12	12	22	2
Commercial transactions (mostly transfers)—net gain.....		4	59	24					27	1	
Reserve Bank transactions (mostly acceptances and securities bought and net increases in loans to New York City Banks).....		25	4		26	61		45	31	5	3
<b>Total gains.....</b>	<b>2</b>	<b>34</b>	<b>217</b>	<b>36</b>	<b>30</b>	<b>65</b>	<b>2</b>	<b>57</b>	<b>70</b>	<b>28</b>	<b>5</b>
<b>Losses to Market</b>											
Treasury transactions (mostly income taxes collected).....	4	5	15	81	20	18	12	4	3	3	2
Commercial transactions (mostly transfers)—net loss.....	1				27	26	19	15			18
Reserve Bank transactions (mostly acceptances and securities matured or sold and net decreases in loans to New York City Banks).....	17	52	53	23	11	5	13	10	31	31	5
<b>Total losses.....</b>	<b>22</b>	<b>57</b>	<b>68</b>	<b>104</b>	<b>58</b>	<b>49</b>	<b>44</b>	<b>29</b>	<b>34</b>	<b>34</b>	<b>25</b>
Net gain for day.....			149			16		28	36		
Net loss for day.....	20	23		68	28		42			6	20
Cumulative gain or loss.....	-20	-43	+106	+38	+10	+26	-16	+12	+48	+42	+22

however, the market was quiet, with the supply considerably greater than the demand, except for a few days around June 15, when bills were in active demand due to temporarily easier money conditions. Later in the month, as money was firmer and the distribution of bills continued limited, dealers again advanced their offering rates on 90-day bills to  $3\frac{3}{8}$  per cent.

#### COMMERCIAL PAPER MARKET

The amount of commercial paper outstanding through 26 commercial paper dealers at the end of May was \$668,000,000, less than 1 per cent larger than at the end of April and about 14 per cent smaller than in May 1925. In June borrowers continued to make relatively restricted use of the commercial paper market. Interior institutions remained the chief buyers of paper, at rates little changed from those of a month ago—4 per cent for most prime names.

### Reduction in the National Debt

On the June 15 tax day, for the first time since the war, the Treasury redeemed its maturing obligations without selling a new issue. As a result, the outstanding National debt was reduced by \$333,000,000, the amount of the maturing certificates.

This procedure was made possible by a budget surplus for the year ended June 30, 1926, of close to \$400,000,000, chiefly due to larger tax receipts than were anticipated. With the downward revision of income tax rates applicable to 1925 income it had been expected that the combined return from income and profits taxes would be slightly smaller than a year ago, whereas the return for the first half of 1926 actually proved to be nearly \$150,000,000 larger than in the first half of 1925, apparently as the result of the highly prosperous condition of industry and trade in this country last year. Customs and miscellaneous tax receipts have also been larger during this fiscal year than in the previous year. Tax collections from various sources in recent years have been as follows:

(In millions of dollars)

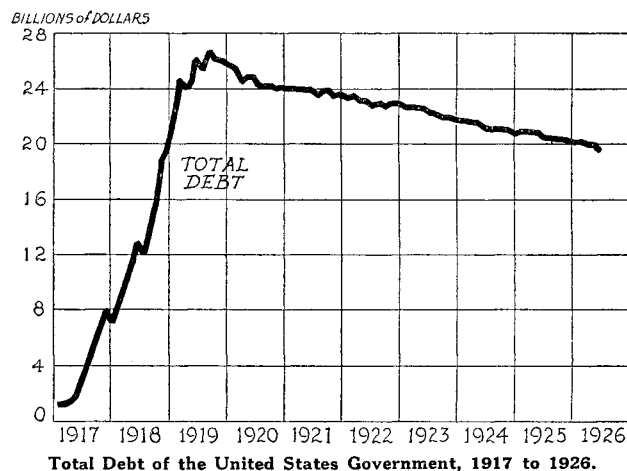
Year Ended June 30	Customs	Income and Profits Taxes	Miscellaneous Taxes†	Total
1920.....	324	3,957	1,442	5,723
1921.....	308	3,228	1,352	4,888
1922.....	358	2,087	1,121	3,566
1923.....	562	1,691	936	3,189
1924.....	545	1,842	953	3,340
1925.....	549	1,762	828	3,139
1926*.....	575	1,975	859	3,409

\*=Estimated †=Includes capital stock, estate, sales tobacco, stamp and special taxes

The application of the budget surplus to debt reduction, together with sinking fund operations, has made possible a total reduction in the National debt during the year of about \$873,000,000. As a result, the gross debt was reduced below \$20,000,000,000 for the first time since 1918, and is now nearly \$7,000,000,000 below the high point reached in the following year. The amount of the gross debt outstanding on June 30 of each of the last eight years, together with the reduction effected during the year, is shown in the following table.

	Gross Debt	Debt Retired During Fiscal Year
1919.....	\$25,482,000,000	.....
1920.....	24,298,000,000	\$ 1,184,000,000
1921.....	23,976,000,000	322,000,000
1922.....	22,964,000,000	1,012,000,000
1923.....	22,350,000,000	614,000,000
1924.....	21,251,000,000	1,099,000,000
1925.....	20,516,000,000	735,000,000
1926.....	19,643,000,000*	873,000,000*

\*=Estimated



### Gold Movement

Gold imports in small amounts from various countries during May totaled less than \$3,000,000. Exports were slightly over \$9,000,000, of which \$8,000,000 went to Canada. The May export balance of \$6,400,000 reduces the net import of gold during the first five months of the year to \$65,800,000. During the corresponding period of 1925 there was a net outflow amounting to about \$148,000,000.

During the first twenty-nine days of June, the movement of gold at the Port of New York was almost exclusively with Mexico and Latin America. Imports of about \$4,000,000 were reported, and exports of \$2,200,000. The largest items were the receipt of nearly \$3,500,000 from Chile and the shipment of \$1,000,000 to Colombia. In addition to receipts through this Port, shipments of \$5,000,000 were received from Mexico. It was recently announced that a fund of 10,000,000 pesos would be established at New York for the stabilization of Mexican exchange.

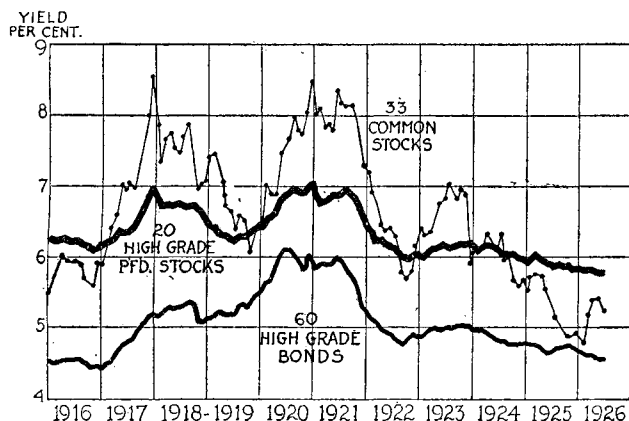
### Security Markets

Stock prices moved upward in June and trading again became active. Industrial stock averages recovered about two-thirds of the February and March decline, and a number of railroad stocks advanced to new high levels since 1913.

Corporation bond averages advanced to new high levels since early in 1917, following the announcement by the Treasury that there would be no refinancing issue on June 15, but later receded slightly accompany-

ing firmer money conditions. United States Government issues were in demand, the First 3½'s, Third 4¼'s, and Treasury 3¾'s advancing to new high prices for the year, and most other issues showing increases.

The accompanying diagram, based upon computations by the Standard Statistics Corporation, indicates that as a result of the steady advance in bond prices during the past three years, yields on high grade corporation bonds are now only slightly above the pre-war levels. Yields on high grade preferred stocks have followed bond yields closely in recent years, and are now considerably lower than in 1916. At the highest level of prices early this year, yields on dividend paying industrial common stocks averaged only slightly above high grade bond yields, and even during the spring reaction remained below the yields on preferred stocks.



Average Monthly Yield on Stocks and Bonds at Market Prices, and Current Interest and Dividend Rates, Including Extras (June 1926 estimated). Source—Standard Statistics Corporation.

Following the rather small volume of new issues offered in May, new financing again became active in June and the total was somewhat larger than for June 1925. The largest single offering during the month was a \$60,000,000 issue of Federal Land Bank 4¼ per cent bonds, yielding over 4½ per cent. Public utility issues formed the largest group of new offerings and included several important issues by electric companies throughout the country. Foreign offerings were more numerous than in May, but the issues were generally small, except for the flotation of \$30,000,000 United Steel Works Corporation of Germany bonds and the major part of \$25,000,000 United States of Brazil bonds. The total of foreign issues in the first half of 1926 was only slightly smaller than in the corresponding period last year.

### Foreign Exchange

The French franc, after a recovery to 3.28 cents, declined steadily to the low point of 2.74 cents at the middle of June. The Belgian franc, although fluctuating with the French currency, did not fall below 2.81 cents. The lira also was weak, declining to 3.54 cents.

Sterling remained strong, twice rising above par, and the advance in Danish and Norwegian quotations continued. For the first time since February, 1922,

Spanish pesetas rose above 16 cents. Other European currencies showed little change.

The Canadian dollar continued above par, and in the latter part of June was close to the gold export point. Brazilian rates advanced to 15.90 cents, the highest quotation since the latter part of 1920, and the Argentine peso continued well over 40 cents.

### Foreign Trade

An export balance of \$38,000,000 in May was the first favorable trade balance this year. The change from an import balance in April to an export balance in May was due, however, to diminished imports rather than increased exports. May imports, valued at \$318,000,000, were \$80,000,000 smaller than in April and \$10,000,000 smaller than in May 1925. Exports, valued at \$356,000,000, were \$32,000,000 less than in April and \$15,000,000 smaller than a year ago.

The sharp decline in imports of merchandise in May was due largely to smaller receipts of rubber and coffee. The quantity of crude rubber imported during the month was the smallest since last September, and the quantity of coffee was the smallest in a year.

Exports of raw cotton, which have been relatively small in recent months, showed a smaller decline in May this year than last and were equal in value to those of a year ago, while the quantity was 27 per cent larger. Grain exports were the largest since last September, but were \$10,000,000 below those of a year ago.

### Employment

A further decline of 2 per cent in factory employment in New York State from April to May was reported by the State Department of Labor, and the gain over a year ago was reduced to 1 per cent. For the country as a whole the May decrease was slightly over 1 per cent. There has been some evidence in June of a further curtailment of factory activity, whereas last year the general level of factory employment was virtually unchanged from May to June.

Working forces in New York State were reduced in May in all the principal branches of the textile industries,—silk goods, cotton goods, woollens and worsteds, knit goods, and carpets and rugs—and in most of these industries May employment was less than that of a year ago. Shoe factory employment also was reduced in May and was substantially lower than in May 1925.

The metal working industries in most cases reported slight reductions in May, but in general were operating at higher levels than a year ago. The iron and steel and railroad equipment industries showed especially large gains over May 1925, but employment in the automobile industry fell below last year's level. Operations in the building materials industries were at substantially higher levels than a year ago.

### Indexes of Business Activity

General business activity appears to have receded slightly in May from the high levels of previous months of the year. In banking centers throughout the country, bank debits averaged 5 per cent higher than a year ago,

compared with an average increase of 9 per cent in the first four months of the year. Postal receipts also were smaller than in April and showed less than the usual annual increase over last year.

Foreign trade showed more than the usual seasonal decline from April to May, but domestic retail trade, as reflected in the indexes of department store, chain store, and mail order sales, compared much more favorably in May than in April with that of a year ago.

The following table gives this bank's indexes of business activity in percentages of the computed trend, with allowance for seasonal variation and, where necessary, for price changes.

(Computed trend of past years=100 per cent)

	1925		1926	
	May	March	April	May
<b>Primary Distribution</b>				
Car loadings, merchandise and misc.....	106	103	103	105
Car loadings, other.....	108	102	111	107
Exports.....	94	87	94	89 <sub>p</sub>
Imports.....	110	133	129	106 <sub>p</sub>
Grain exports.....	141	51	75	121
Panama Canal traffic.....	83	109	92	...
<b>Distribution to Consumer</b>				
Department store sales, 2nd Dist.....	98	95	89	99
Chain store sales.....	96	89	92	99
Mail order sales.....	111	110	109	122
Life insurance paid for.....	114	116	112	106
Real estate transfers.....	112	109	107	101
Magazine advertising.....	97	99	100	100
Newspaper advertising.....	95	98	96	96
<b>General Business Activity</b>				
Bank debits, outside of N. Y. City.....	110	113	115	111
Bank debits, New York City.....	124	140	130	121
Bank debits, 2nd Dist. excl. of N. Y. City	103	106	105	102
Velocity of bank deposits, outside of N. Y. City.....	100	105	105	103
Velocity of bank deposits, New York City	112	128	124	114
Shares sold on N. Y. Stock Exchange*..	208	295	171	132
Postal receipts.....	99	101	101	96
Electric power.....	104	113	112	...
Employment, N. Y. State factories.....	99	101	100	99
Business failures.....	108	111	121	105
New corporations formed in N. Y. State	114	115	112	114
Building permits.....	141	147	147	128
General price level.....	184	186	156	185

\*=Seasonal variations not allowed for p=Preliminary

## Building

Contracts awarded for building and engineering projects in 37 states, reported by the F. W. Dodge Corporation, continued larger in May than a year ago, but were slightly smaller than in April. The principal gain over May 1925 was in the New York and Northern New Jersey district.

Contracts for commercial buildings were smaller than a year previous for the first time this year, while contracts for public utilities and public works and for industrial structures were substantially larger than in May 1925. Residential contracts outside of the New York district were slightly smaller than a year ago.

Building permits issued in 484 cities throughout the country, as reported to the S. W. Straus Company, continued to be slightly smaller than a year ago. Building activity appears to be more strongly maintained in the smaller localities than in the larger cities. Permits issued in cities with 200,000 or more inhabitants at the time of the last Federal census averaged 10 per cent

smaller in May than a year previous, and, if New York City be excluded, the reduction was 18 per cent, whereas the total for the 484 cities showed a decline of only 3½ per cent.

## Production

The output of a majority of leading industries showed reductions from April to May after allowance for the usual seasonal changes. The textile, leather, and shoe industries showed especially large reductions. Automobile production continued to exceed that of previous years, but the increase over last year was smaller in May than in the early months of the year.

May indexes of production, in which allowance has been made for seasonal variations and year-to-year growth, are shown below:

(Computed trend of past years=100 per cent)

	1925		1926	
	May	March	April	May
<b>Producers' Goods</b>				
Pig iron.....	101	114	117	113
Steel ingots.....	99	112	113	110
Bituminous coal.....	87	102	109	96
Copper, U. S. mines.....	99	106	107 <sub>r</sub>	103
Tin deliveries.....	87	103	126	98
Zinc.....	96	98	101	100
Petroleum.....	132	109	110	...
Gas and fuel oil.....	107	105	101	...
Cotton consumption.....	93 <sub>r</sub>	106 <sub>r</sub>	100 <sub>r</sub>	89 <sub>r</sub>
Woolen mill activity* <sub>r</sub> .....	91 <sub>r</sub>	91 <sub>r</sub>	86 <sub>r</sub>	82 <sub>r</sub>
Cement.....	125	116	112	128
Lumber.....	105	110	111	...
Leather, sole.....	74	69	67	61
Silk consumption*.....	115	111	105	95
<b>Consumers' Goods</b>				
Cattle slaughtered.....	113	116	116	118
Calves slaughtered.....	97	109	93	87
Sheep slaughtered.....	110	127	113	102
Hogs slaughtered.....	86	93	92	83
Sugar meltings, U. S. ports.....	93	100	93	90
Wheat flour.....	88	94	97	92
Cigars.....	96	110	105	98
Cigarettes.....	79	83	81	76
Tobacco, manufactured.....	104	111	107	107
Gasoline.....	130	137	139	...
Tires.....	121	117	124	...
Newsprint.....	115	130	129	125
Paper, total.....	97	100	99	93
Boots and shoes.....	90	94	89	83 <sub>p</sub>
Anthracite coal.....	97	105	108	95
Automobile, all.....	132	131	130	129
Automobile, passenger.....	140	137	135	136
Automobile, truck.....	97	103	110	99

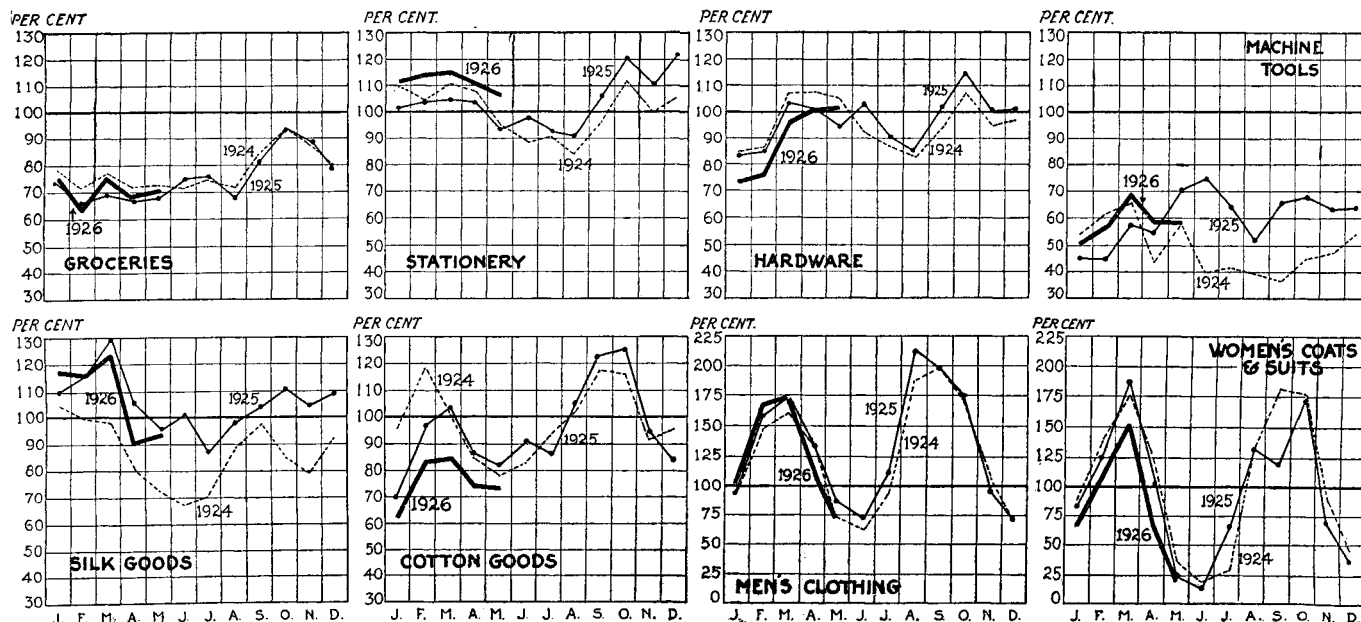
\*=Seasonal variation not allowed for p=Preliminary r=Revised

## Wholesale Trade

Wholesale trade in this district during May averaged 6 per cent below last year, a smaller decrease than was reported last month. Although sales of textiles and women's clothing continued below last year, the decreases were not so large as those reported in April. The year to year gain in stationery sales was the largest reported in that line so far this year, and hardware sales showed an increase for the first time since December, as indicated in the diagrams on the following page.

On the other hand, machine tool sales were smaller than a year previous for the first time in more than a year, and sales of men's clothing, which were unusually

FEDERAL RESERVE AGENT AT NEW YORK



Monthly Sales of Representative Wholesale Dealers in Second Federal Reserve District. (Average Sales in 1919 = 100 per cent).

large during the first three months of this year, have since fallen below last year's level, and in May were the smallest for that month in the past seven years. Cotton jobbers' sales were also the smallest for the month of May in recent years, and sales of commission merchants were the smallest for any month in nearly three years.

Shoe stocks showed the largest decline from the previous year's level since 1924, and decreases were also shown in all other lines except silk and hardware, in which the largest gains in over a year were reported.

Collections averaged slightly smaller, compared with last year, than in April. Outstanding accounts at the end of the month continued close to the level of a year ago.

Department Store Trade

Sales of department stores in this district during May were 6 per cent larger than last year, due partly to the fact that May business this year included sales which ordinarily are made earlier in the season but which were deferred this year on account of the cold spring. For the first time this year, increases over the previous year were reported in all sections of the district, and in Rochester, Newark, and Westchester the gains were the largest in more than six months. Apparel stores and mail order houses also reported their heaviest increases so far this year.

Stocks of merchandise in department stores at the end of the month were only 3 per cent larger than last year, so that the rate of turnover showed a slight increase,

Commodity	Percentage Change May 1926 from April 1926		Percentage Change May 1926 from May 1925			
	Net Sales	Stock end of month	Net Sales	Stock end of month	Collections	Acc'ts Receivable
Groceries.....	+ 2.6	- 7.3	+ 3.4	- 4.4	+ 4.1	+ 5.4
Men's clothing.....	-36.8	.....	-16.7	.....	+ 0.1	+ 6.2
Women's dresses.....	+11.3	.....	-25.2	.....	- 8.5	- 0.4
Women's coats and suits	-72.9	.....	-15.2	.....	-26.5	-27.6
Cotton goods-Jobbers..	- 2.2	+ 3.8	- 9.7	-10.3	- 5.7	-11.7
Cotton goods-Commission..	0	.....	-13.6	.....	.....	.....
Silk goods.....	+ 3.3	*+ 0.4	- 2.4	*+59.0	- 6.4	+ 1.3
Shoes.....	+ 1.3	-12.4	+ 2.4	-29.1	+ 5.0	- 6.5
Drugs.....	-24.1	+ 4.3	+ 2.2	- 1.1	.....	.....
Hardware.....	+ 0.8	- 2.4	+ 6.4	+11.6	+ 4.2	+ 4.9
Machine tools.....	- 1.1	.....	-17.4	.....	.....	.....
Stationery.....	- 3.7	.....	+13.8	.....	+34.7	+25.6
Paper.....	-12.4	.....	+10.8	.....	.....	.....
Diamonds.....	- 2.0	.....	+20.7	.....	.....	.....
Jewelry.....	+47.8	- 1.5	+ 1.3	- 3.4	+21.8	+13.5
Weighted Average...	-11.5	.....	- 6.3	.....	- 1.9	- 0.7

\*=Stock at first of month—quantity not value

Locality	Percentage Change May 1926 from May 1925			
	Net Sales	Stock on Hand end of month	Collections*	Accounts Receivable*
New York.....	+ 4.2	+ 2.8	-10.0	+13.4
Buffalo.....	+ 1.3	+ 0.2	- 3.7	- 4.4
Rochester.....	+14.0	+ 2.6	+12.7	+16.7
Syracuse.....	+ 1.1	- 2.4	- 5.4	- 1.7
Newark.....	+14.4	+ 8.0	+ 5.1	+ 9.4
Bridgeport.....	+14.4	+ 4.7	.....	.....
Elsewhere.....	+ 8.0	+ 4.3	+ 4.6	+ 5.0
Northern New York State.....	+ 5.3	.....	.....	.....
Central New York State.....	+ 9.2	.....	.....	.....
Southern New York State.....	+ 7.2	.....	.....	.....
Hudson River Valley District..	+10.7	.....	.....	.....
Capital District.....	+ 5.3	.....	.....	.....
Westchester District.....	+17.5	.....	.....	.....
All department stores.....	+ 5.9	+ 3.1	- 5.1	+10.8
Apparel stores.....	+ 9.9	+21.7	.....	.....
Mail order houses.....	+11.7	.....	.....	.....

\*=Exclusive of instalment accounts

but in apparel stores the increase in stocks continued to be much larger than that in sales.

Reflecting the slow business of previous months, regular collections during May were 5 per cent below those of last year, but following the increased sales in May, there was a substantial increase in the amount of outstanding accounts at the end of the month. Both installment collections and accounts receivable were smaller than last year, due to decreases in New York and Buffalo.

Increases were shown in sales of all principal departments except woolen goods, which have been running behind the previous year for many months, and musical instruments and radio, in which special sales were reported in May of last year.

	Net Sales Percentage Change May 1926 from May 1925	Stock on Hand Percentage Change May 31, 1926 from May 31, 1925
Toys and sporting goods.....	+22.9	+ 4.0
Furniture.....	+18.5	+11.4
Linens and handkerchiefs.....	+15.8	+ 0.8
Men's furnishings.....	+14.7	- 1.7
Shoes.....	+11.9	- 0.2
Books and stationery.....	+11.9	+ 3.9
Toilet articles and drugs.....	+11.7	+ 2.9
Hosiery.....	+10.5	- 2.0
Women's ready-to-wear accessories.....	+10.3	- 8.0
Silks and velvets.....	+ 9.5	- 5.1
Silverware and jewelry.....	+ 9.4	+10.8
Women's and Misses' ready-to-wear.....	+ 9.4	- 9.6
Men's and boys' wear.....	+ 9.3	+ 9.7
Luggage and other leather goods.....	+ 8.6	+ 6.1
Home furnishings.....	+ 6.7	+ 4.7
Cotton goods.....	+ 2.1	- 2.0
Woolen goods.....	-32.5	-30.2
Musical instruments and radio.....	-85.6	- 4.4
Miscellaneous.....	- 1.6	-10.9

### Earnings of Member Banks

A study of the earnings and expenses of member banks in 1925, published in detail in the June Federal Reserve Bulletin, indicates that gross earnings of member banks in 1925 showed an unusually large increase over the previous year, and exceeded even the high level of the year ended June 30, 1921.

Since 1922 gross earnings have been increasing steadily. Expenses have shown a closely similar rate of increase, but a substantial reduction in net losses has resulted in steadily increasing net operating profits, which in 1925 were larger than in any of the preceding six years.

(In millions of dollars)

	Total Loans and Invest- ments*	Gross Earnings	Total Expenses	Net Losses	Net Profits
Year ended June 30:					
1919.....	21,063	1291	877	80	334
1920.....	24,821	1636	1097	129	410
1921.....	25,384	1830	1268	216	346
1922.....	23,933	1669	1156	214	209
1923.....	25,783	1684	1190	149	345
Year ended Dec. 31:					
1924.....	27,662	1786	1281	145	361
1925.....	29,917	1918	1367	131	419

\*Averages of amounts from reports of condition during year

Of the various items of expense, interest paid on deposits has shown the largest increase during recent years, not only actually, but relative to the volume of

total loans and investments, due to the increasing proportion of time deposits. Wages and salaries also have increased accompanying the growth in volume of business, but the ratio to earning assets has shown little change since 1921. The amount of interest paid on borrowed money has greatly diminished since 1921, reflecting the much reduced borrowing from the Reserve Banks in recent years. Tax payments also declined steadily from 1921 to 1924, but increased slightly in 1925.

The proportions of earnings, expenses, losses, and profits to the volume of loans and investments, which may be considered as roughly representative of the volume of business done by the banks, are shown for each year in the following table. This table indicates considerable stability in the ratios of gross earnings and of expenses to loans and investments. The ratio of net profits to loans and investments has improved greatly since 1922, due to the reduction in losses.

	Percentage of Total Loans and Investments			
	Gross Earnings	Total Expenses	Net Losses	Net Profits
Year ended June 30:				
1919.....	6.13	4.16	0.38	1.59
1920.....	6.59	4.42	0.52	1.65
1921.....	7.21	4.99	0.85	1.36
1922.....	6.98	4.83	0.89	1.25
1923.....	6.53	4.61	0.58	1.34
Year ended Dec. 31:				
1924.....	6.46	4.63	0.52	1.31
1925.....	6.41	4.57	0.44	1.40

A similar analysis for individual Reserve districts shows that over the period as a whole, banks in the agricultural districts generally had the highest gross earnings relative to loans and investments, reflecting high interest rates, but that they also had much higher expenses and losses than the other districts, so that net profits were smaller than in other districts. The average net profit for the districts of Minneapolis, Kansas City, and Dallas, from 1919 to 1925 inclusive, was 0.99 per cent of total loans and investments, as compared with 1.41 per cent for the whole System. Since 1923, however, the agricultural districts have shown increasing percentages of net profits to total loans and investments. The average for Minneapolis, Kansas City, and Dallas districts nearly doubled in this period, increasing from 0.45 per cent in the year ended June 30, 1923, to 0.84 per cent in the calendar year 1925. The ratios of earnings, expenses, losses, and profits to total loans and investments in different districts for the year 1925 are as follows:

District	Percentage of Total Loans and Investments			
	Gross Earnings	Total Expenses	Net Losses	Net Profits
Boston.....	5.97	4.25	0.54	1.18
New York.....	6.02	4.06	0.33	1.63
Philadelphia.....	6.24	4.08	0.18	1.97
Cleveland.....	6.65	4.83	0.35	1.47
Richmond.....	6.45	4.68	0.51	1.27
Atlanta.....	7.47	5.14	0.69	1.65
Chicago.....	6.30	4.66	0.36	1.28
St. Louis.....	6.62	4.75	0.52	1.34
Minneapolis.....	6.38	5.10	0.73	0.55
Kansas City.....	7.28	5.58	1.02	0.68
Dallas.....	7.56	5.27	1.00	1.29
San Francisco.....	6.93	5.39	0.48	1.06