

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

April 1, 1928

Money Market in March

MONEY rates continued to rise gradually in March. One factor was a renewed gold export movement, which in the first 28 days of March amounted to 92 million dollars, more than one-third of which, however, represented gold that had been taken out of the gold stock of this country previously through earmarking transactions. The other principal factor was an expansion of bank loans. As a result of these influences, open market money rates at the end of March were slightly higher than a month previous or at the end of March last year.

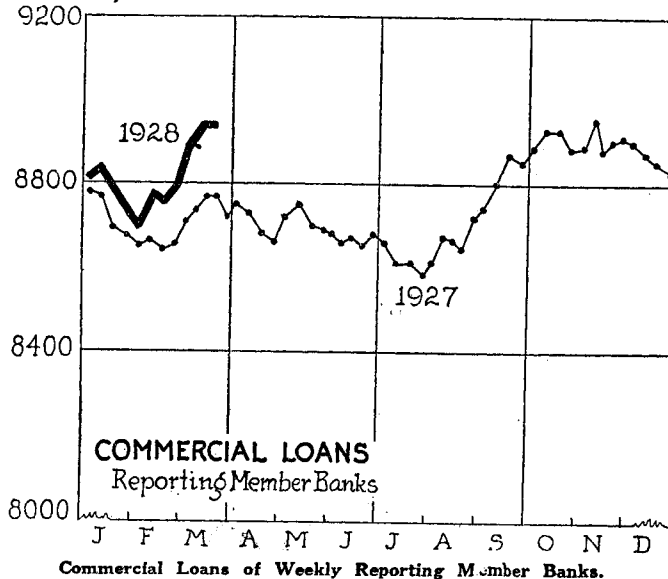
Money Rates at New York

	Mar. 30, 1927	Feb. 28, 1928	Mar. 30, 1928
Call money.....	*4½	*4¼	*4½-5
Time money—90 day.....	4½	4½-4¾	4¾
Prime commercial paper.....	4-4¼	4	4-4¼
Bills—90 day unindorsed.....	3¾	3½	3¾
Treasury certificates and notes			
Maturing June 15.....	3.31	3.30	3.24
Maturing December 15.....	3.36	3.28	3.33
Federal Reserve Bank of New York— rediscount rate.....	4	4	4
Federal Reserve Bank of New York— buying rate for 90 day bills.....	3¾	3½	3¾

*Prevailing rate for preceding week

An important element in the March credit expansion was a substantial seasonal increase in commercial loans.

MILLIONS of DOLLARS



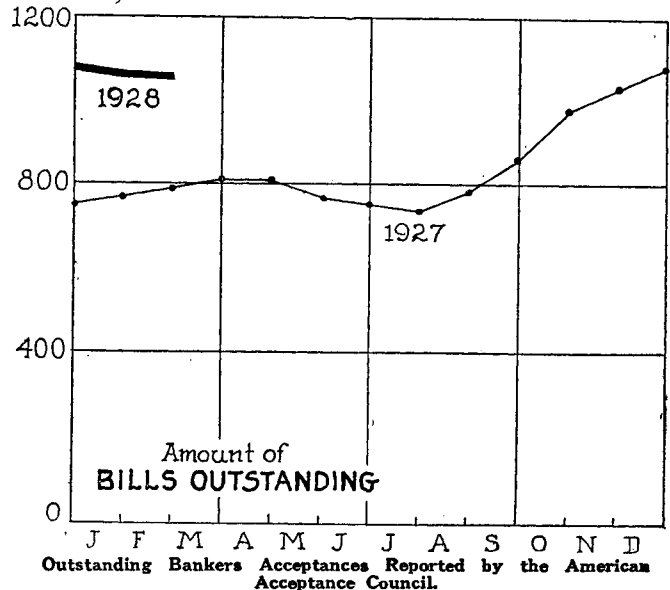
The increase since the beginning of February, as the first diagram below indicates, has been much larger than last year, apparently reflecting increasing industrial activity; in fact, the increase in commercial loans this year has been larger than in the corresponding period of any year since 1923. On March 21, these loans were 160 million dollars larger than at the same time in 1927. This increase follows a period during which commercial loans were little, if any, above the preceding year.

The second diagram indicates that the financing of trade through acceptances also is considerably higher than a year ago. A large part of the increased amount of outstanding acceptances is being carried by foreign funds invested in this market and thus does not appear in the loans and investments of domestic banks. Reports by the American Acceptance Council indicate that a considerable part of the increase in outstandings represents the financing of goods stored in or shipped between foreign countries or of American goods exported to foreign countries. A somewhat smaller part of the increase during the year represents the financing through the bill market of import trade and the domestic storage of goods.

LOANS ON SECURITIES

Loans of reporting member banks, secured by stocks and bonds, showed some increase in March, accompanying an unusually large volume of trading in securities and an advance in stock prices to new high levels. The

MILLIONS of DOLLARS



amount of these loans outstanding on March 21, though below the first of the year levels, was 700 million dollars, or 12 per cent, larger than a year previous. The entire reduction since the first of the year has been in the loans of New York City banks; security loans of reporting banks outside of New York on March 21 equaled the highest level previously reached. In addition, loans to brokers and dealers in securities placed by New York reporting banks for interests other than banks have increased 360 million since the beginning of January and are about 450 million larger than a year ago.

TREASURY TAX PERIOD OPERATIONS

Large disbursements and collections were made by the Reserve Banks for the Treasury around the March 15 tax period, without material effect on the money market. Redemptions of maturing certificates amounted to 514 million dollars, of which approximately 400 million were redeemed in New York; income tax collections in this district up to March 28 totaled 170 million dollars; and interest payments here were about 35 million. The substantial excess of disbursements over collections was covered in the usual manner by day-to-day special Treasury certificates of indebtedness issued to the Federal Reserve Bank of New York, which were gradually reduced, and within a week entirely paid off by income tax collections here and the transfer from other districts of funds obtained through tax collections.

The excess of Treasury payments over collections in this district was temporarily prevented from creating a surplus of funds in the money market by the sale for one day of a \$115,000,000 participation in the Treasury special certificate of indebtedness, and by deferring for a few days purchases of securities to replace securities matured or sold on March 15 from the holdings of the Federal Reserve System. Within a week after the 15th, tax collections in this district and the withdrawal of funds from New York to replace tax collections in other districts had proceeded in sufficient volume to absorb the surplus funds.

BILL MARKET

The supply of new bills offered to the market was maintained in large volume in March and was slightly in excess of the amount of buying orders received by the dealers. The investment demand, while fairly steady, was of moderate proportions and took the form chiefly of buying for foreign account. These conditions resulted in an increase in open market portfolios, which by the end of the month were the largest since early in January. Market rates for bills were unchanged during most of the month, but were advanced $\frac{1}{8}$ to $\frac{1}{4}$ near the end of the month, and the 90 day maturity was offered at $3\frac{3}{4}$ per cent.

COMMERCIAL PAPER MARKET

Commercial paper rates advanced somewhat in March, and prime names were generally sold at a range of 4 to $4\frac{1}{4}$ per cent. The investment demand continued moderately active until after the middle of the month when dealers reported a lack of inquiry. Notwithstanding the reduced volume of sales, dealers' lists of paper remained quite moderate, reflecting the small amounts of new borrowing by users of the open market. This condition is similar to that of February, when outstandings through 25 dealers declined $1\frac{1}{2}$ per cent

to \$567,000,000 at the end of the month, an amount nearly 2 per cent smaller than a year ago, following increases over the previous year in each of the preceding four months.

Gold Movement

The outflow of gold during March exceeded that of any previous month in the history of the country; slightly over \$93,000,000 was exported through the Port of New York alone. Of this amount, however, \$35,800,000 was gold previously earmarked and so the net loss of funds to the money market from this cause was slightly over \$56,600,000, which is substantially less than the net loss in either November or December of last year. Exports to Argentina continued during March; the movement to Brazil was renewed; a large transfer of earmarked gold was made to France; there was a substantial flow of gold to Germany; and smaller shipments went to Italy, Poland, and England. The import movement at New York was negligible, comprising chiefly miscellaneous small receipts from Latin American countries.

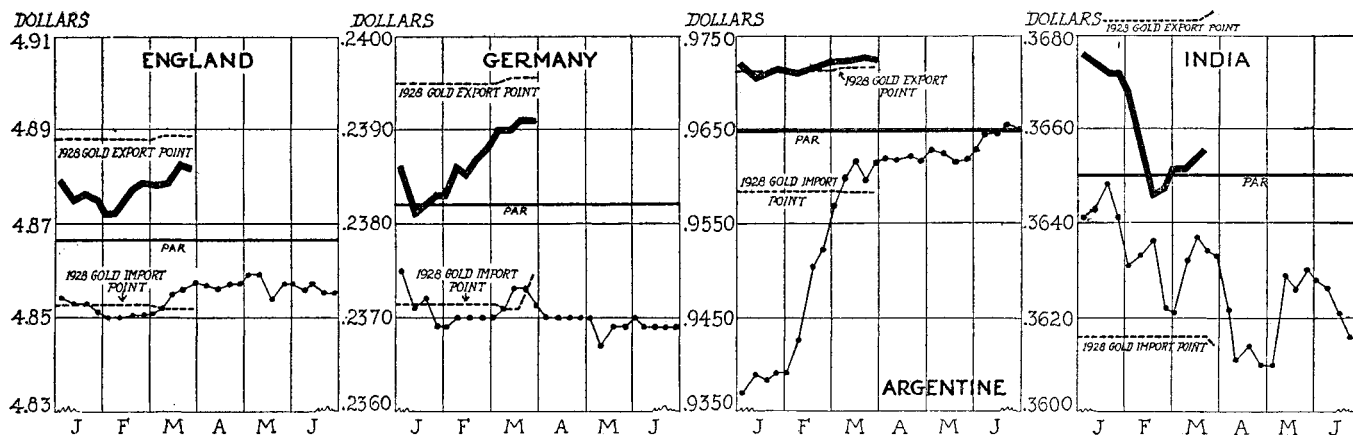
Final reports for the entire country for February showed exports amounting to \$25,776,000 and imports of \$14,686,000, resulting in a net export of \$11,090,000. This amount was partly offset by the release of \$3,000,000 of earmarked gold; so that the net loss for the month was \$8,090,000, as compared with a net loss of \$8,270,000 in January.

Since the beginning of the export movement last September the United States has lost \$300,000,000 net of gold through export movements and earmarkings. One-third of the exported metal, \$113,000,000, has gone to Argentina, in addition to substantial amounts shipped to that country from London and South Africa. France and Brazil together have taken one-half of the remainder. The Canadian movement during this period has resulted in a net inflow of over \$30,000,000.

(In thousands of dollars)

Source or Destination	UNITED STATES		PORT OF NEW YORK*		TOTAL*	
	September 1, 1927 to February 29, 1928		March 1—28, 1928		September 1, 1927 to March 28, 1928	
	Imports	Exports	Imports	Exports	Imports	Exports
Argentina.....		93,140	....	19,700	....	112,840
Australia.....	9,746	....	....	....	9,746	....
Belgium.....	....	4,200	....	....	....	4,200
Brazil.....	....	44,810	....	8,504	....	53,314
British India.....	....	4,301	....	....	....	4,301
British Malaya.....	....	1,286	....	....	....	1,286
Canada.....	56,797	25,348	....	....	56,797	25,348
China and Hong Kong.....	....	5,018	....	....	....	5,018
Ecuador.....	1,646	....	....	....	1,646	....
France.....	36	25,000	....	35,799	36	60,799
Germany.....	....	315	....	21,156	....	21,471
Italy.....	5	....	....	3,000	5	3,000
Java and Madura.....	616	1,431	....	131	616	1,562
Mexico.....	2,674	3,405	130	371	2,804	3,776
Netherlands.....	....	12,055	....	....	....	12,055
Poland.....	....	5,000	....	3,000	....	8,000
Russia.....	5,200	....	....	....	5,200	....
Sweden.....	32	1,027	....	....	32	1,027
United Kingdom.....	11	8,548	....	1,020	11	9,568
Uruguay.....	....	8,000	....	....	....	8,000
Venezuela.....	238	3,100	72	410	310	3,510
All other.....	3,552	134	445	....	3,997	134
Total.....	80,553	246,118	647	93,091	81,200	339,209
Earmarked Account.....	26,700†	100,701‡	38,799†	3,000‡	65,499†	103,701‡
Total.....	107,253	346,819	39,446	96,091	146,699	442,910

*Preliminary. †Gold‡ released from earmark. ‡Additional gold earmarked.



Foreign Exchange Rates at New York in 1928, Compared with 1927 (Heavy line represents 1928 figures; light line represents 1927 figures).

The foregoing table sets forth by countries the principal gold movements since September 1, 1927, together with the totals of earmarking transactions. Although the import of about \$5,000,000 from Russia last month is included in the report of gold movements, it has not been added to the gold stock of the country through purchase by the Assay Office or the Reserve Bank.

Foreign Exchange

Sterling exchange continued strong during March, and a shipment of \$1,000,000 of gold was made to England on March 21. German marks at 23.92 cents again reached the high point of December. The Scandinavian exchanges were likewise stronger, Swedish and Danish rates rising above par and Norwegian quotations advancing to 26.71 cents, as compared with an average of 26.61 cents during February. Dutch guilders advanced to 40.25 cents and Swiss francs to 19.27 cents. French, Italian, and Belgian rates showed little change, but the Spanish peseta continued to decline, falling as low as 16.75 cents.

In the Far East, rates on Hong Kong and Calcutta showed little change during the greater part of March from the previous month, but the Japanese yen made a notable advance from 46.73 cents at the close of February to 47.82 cents on March 27, the highest point since the reaction caused by the banking crisis last May.

The Canadian dollar went to a premium on March 14 for the first time since December 2. South American rates continued strong throughout the month. The Argentine peso was quoted at 42.65 to 42.67 cents and the Brazilian milreis at 12.04 to 12.07 cents, the latter being the highest rate since December 1926.

The above diagram indicates the strength of foreign exchanges compared with last year.

Discount Rates Abroad

Two reductions in the discount rates of central banks were made during March. On the 5th, the Bank of Italy lowered its rate to 6½ per cent from the 7 per cent rate which had been in effect since June 1925. A rate of 5½ per cent was adopted by the Bank of Norway on March 27, following an increase from 5 to 6 per cent on February 2.

Security Markets

An exceptionally active and strong stock market developed in March, following the irregular decline of January and February. The turnover for the month was the largest on record, with trading on a number of days close to or above 4,000,000 shares. The entire industrial list moved irregularly higher throughout the period, and, toward the end of the month, representative price averages were up 11 to 24 points from the lowest points of February to higher levels than were ever before attained. Railroad stocks also shared in the advance with an average gain of about 8 points from the February lows, but remained several points below the high levels of the autumn of 1927.

Corporation bonds were fairly steady in March; prices eased slightly further early in the month, but a subsequent recovery occurred which carried average prices close to the highest points of the previous two months. Foreign bonds as a class were firm, and a substantial proportion of the active issues sold at the highest prices of the year. Liberty Loan issues showed net declines for the month, while Treasury long-term bonds advanced; near the end of the month the Government list as a whole was about ½ point below the highest levels of the year.

Following a reduction in the volume of new financing during the first two months of the year, securities offerings in March increased to the largest volume since December, and were considerably larger than in March 1927. The increase was primarily due to the flotation of a number of large issues, including principally \$100,000,000 of St. Louis-San Francisco Railway Co. 4½ per cent bonds, and \$52,000,000 of City of New York 4 per cent corporate stock. Both of these issues were for the purpose of refunding outstanding obligations. There were also two large foreign issues during the month; one a consolidation loan of \$30,000,000 of the Kingdom of Norway; the other the major part of a \$35,000,000 Republic of Colombia loan. For the first three months of this year, refunding issues have been in considerably larger volume than in the corresponding period last year, but the volume of new capital issues appears to have been somewhat smaller.

Foreign Trade

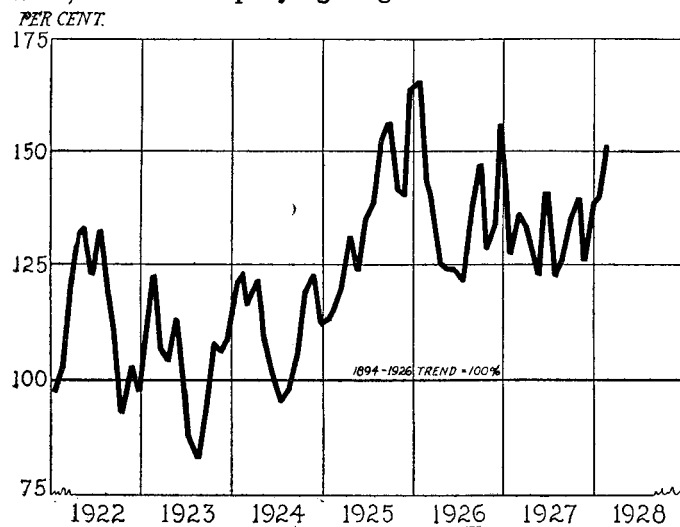
Merchandise exports showed a seasonal decline in February and the total valuation of 373 million dollars was about the same as a year ago. Imports, valued at 353 million dollars, showed an increase of 15 million over January, contrary to the usual seasonal movement, and an increase of 42 million over February 1927.

The quantity of cotton shipped abroad continued to decline seasonally in February and was almost 400,000 bales less than last year, and, notwithstanding the higher prices this year, the total value appears to have been somewhat smaller. Grain exports also were considerably smaller than in the previous month, or in February of last year. Exports of passenger automobiles increased considerably in number and value over January and over a year ago.

The increase in merchandise imports compared with last year appears to have been chiefly in receipts of raw silk and coffee. The quantity of both of these commodities received in February was nearly one-third larger than last year, and the value also was larger. Imports of crude rubber were larger in quantity but smaller in value than in February 1927.

Building

Due chiefly to a 34 per cent increase in the New York and Northern New Jersey District, awards of building contracts in the territory east of the Rockies during February were 18 per cent larger than a year ago, and were in fact larger than for any February in the past. The total reported by the F. W. Dodge Corporation for 37 states was 9 per cent larger in February than in January, whereas some decline frequently occurs at this season of the year, and this bank's index of construction contracts advanced to the highest level since December 1926, as the accompanying diagram shows.



Index of Building Contracts Computed by the Federal Reserve Bank of New York, Adjusted for Seasonal Variations and Changes in the Cost of Construction.

This index shows the level of current building relative to the long-term trend of building computed for a period of more than 30 years, after adjustment for changes in the cost of construction. It indicates that the volume of building during most of the past six years has been

above the trend of past years, probably due in part to the high per capita income in this country during recent years, which has left a larger margin of purchasing power, after provision for the necessities of life, than in any previous period.

The principal development in February was a large increase in residential building; residential contracts awarded in this district were nearly twice as large as in February of last year, and the total for 37 states was 47 per cent larger, following an increase in January over last year of 15 per cent.

Reports received by S. W. Straus & Company of building permits in about 550 cities and towns showed an increase of 7 per cent over February 1927, which also reflected chiefly the increase in residential building in this district. Excluding plans filed in New York City, the total for the remaining localities throughout the country shows a decline of 9 per cent.

Indexes of Business Activity

No consistent evidence as to the tendency of general business for February is given by this bank's indexes of business activity. The domestic movement of merchandise and heavy freight, and the foreign trade of this country showed increases, after allowance for the usual seasonal variations, and retail trade was more active than in January. Life insurance sales also increased substantially, and there was a considerable rise in our index of new incorporations. The indexes of bank debits, both in New York City and elsewhere throughout the country, declined, however, and business failures were more numerous than in January, after seasonal adjustment.

This bank's indexes, in which allowance is made for seasonal variations, year-to-year growth, and price changes, are shown below for February, together with comparative figures for the two months preceding and a year ago. (Computed trend of past years=100 per cent)

	1927		1928	
	Feb.	Dec.	Jan.	Feb.
Primary Distribution				
Car loadings, merchandise and misc.....	110	95	102	104
Car loadings, other.....	107	86	93	96
Exports.....	94	78	85	90 ^p
Imports.....	101	104	102	108 ^p
Panama Canal traffic.....	94	88	85	102
Wholesale trade.....	99	96	100	102
Distribution to Consumer				
Department store sales, 2nd Dist.....	104	108	99	104
Chain groceries sales.....	98	104	101	103
Other chain store sales.....	106	107	98	102
Mail order sales.....	99	119	96	98
Life insurance paid for.....	110	107	98	113
Advertising.....	104	97	87	98
General Business Activity				
Bank debits, outside of N. Y. City.....	107	106	107	102
Bank debits, New York City.....	124	138	142	135
Velocity of bank deposits outside of N. Y. City.....	108	104	109	104
Velocity of bank deposits, N. Y. City.....	134	136	140	138
Shares sold on N. Y. Stock Exchange ..	189	228	234	196
Postal receipts.....	98	98	88	95
Electric power.....	103	102	101	..
Employment in the United States.....	100	95	95	96
Business failures.....	107	108	108	114
Building contracts.....	136	138	140	151
New corporations formed in N. Y. State	116	116	117	127
Real estate transfers.....	102	95	93	101
General price level.....	170	174	173	173
Composite index of wages.....	221	223	221	221

^pPreliminary

Production

Productive activity in leading industries showed a further increase in February from the low levels that prevailed at the close of last year. The output of both pig iron and steel ingots continued to increase, and our indexes, after allowance for the usual seasonal variations, made substantial advances. Automobile production also increased further, and our combined index of the production of both passenger cars and trucks reached the highest level since September 1926. Lumber production showed a further increase of more than seasonal proportions, and remained considerably above the level of last year; and the index of bituminous coal output reached the highest point since April 1927, the beginning of the strike. There is evidence, moreover, that the advance was not confined to these few important industries, for of the 28 production indexes now available 23 increased while only 5 declined.

In March, steel mill operations have remained at the high level of February, and employment at Detroit has continued the expansion that has been in progress since the first of the year. Current reports indicate that the production of petroleum, lumber, and bituminous coal is holding at about the recent levels, but that the production of anthracite coal has shown a slight decline, and that cotton mill activity has been curtailed further. In general, it appears that, except in the automobile industry, productive activity in March did not increase as rapidly as in January and February.

This bank's indexes, in which allowance is made for year-to-year growth and for the usual seasonal variations, are shown below.

(Computed trend of past years=100 per cent)

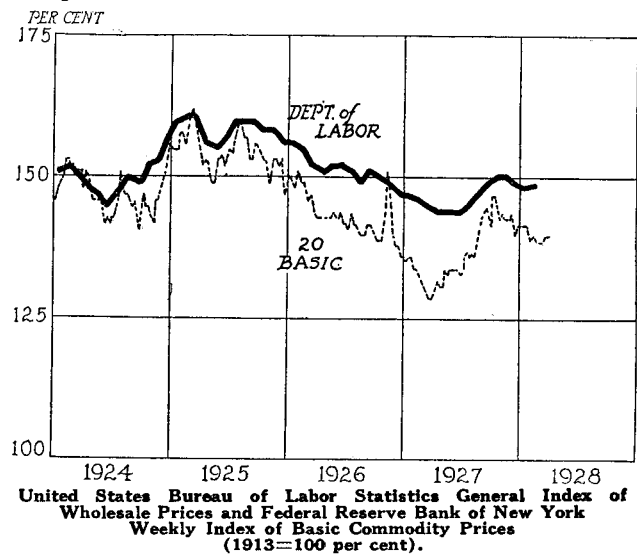
	1927		1928	
	Feb.	Dec.	Jan.	Feb.
Producers' Goods				
Pig iron.....	108	91	95	105
Steel ingots.....	111	94	101	115
Cotton consumption.....	108	97	94	104
Cotton movement.....	124	66	67	65
Woolen mill activity*.....	92	90	89	88p
Silk consumption*.....	121	115	131	...
Petroleum.....	125	114	111	...
Bituminous coal.....	117	79	84	86
Coke.....	102	93	99	100
Lumber.....	98	98	98	104p
Copper, U. S. mines.....	108	97	97	104
Lead.....	108	100	100	108
Zinc.....	98	102	90	93
Tin deliveries.....	94	75	90	88
Leather, sole.....	108	104	97	113
Cement.....	99	129	141r	114
Paper, total.....	106	101	100	110p
Wood pulp.....	106	99r	99	108p
Consumers' Goods				
Hogs slaughtered.....	76	89	103	126
Cattle slaughtered.....	106	87	89	100
Sheep slaughtered.....	111	103	108	114
Calves slaughtered.....	105	100	95	98
Farm produce shipped.....	103	93	101	...
Wheat receipts.....	96	77	108	...
Corn receipts.....	78	110	103	...
Wheat flour.....	94	99	101	115
Sugar meltings, U. S. ports.....	92	119	108r	76
Gasoline.....	106	99	93	...
Anthracite coal.....	92	84	84	85
Newsprint.....	104	94	89	95
Printing activity.....	104	102	105	...
Tobacco products.....	100	101	105	107
Boots and shoes.....	97	91	92	101p
Tires.....	107	99	111	...
Automobile, passenger.....	119	54	104r	128
Automobile, truck.....	116	86	89r	92

*Seasonal variation not allowed for pPreliminary rRevised

Commodity Prices

The tendency of this bank's weekly index of basic commodity prices was gradually downward in February for the fourth consecutive month. A further slight decline occurred early in March and at 138.6 on March 10, the index was 5½ per cent below the 1927 high point of 146.6 reached on October 8, but remained nearly 8 per cent above the lowest point of last year. In the subsequent two weeks there was a moderate recovery. The general index of wholesale prices computed by the Bureau of Labor Statistics showed practically no change in February following a moderate decline from October to January.

In the four months from October to February the principal declines in prices were in food products, textile products, fuel, and chemicals and drugs. Prices of metals and of hides and leather advanced somewhat during this period, and farm products showed no general change, although there were wide fluctuations in a few commodities, especially cotton. The upward tendency in our basic price index recently has been due chiefly to a moderate rise in raw cotton and smaller increases in grain prices.



Employment and Wages

After remaining for two months at the lowest levels in several years factory employment in the entire country increased 1.7 per cent in February, a slightly larger increase than is usual in that month. Our index, in which allowance is made for seasonal variations, showed an advance for the first time since last June.

In New York State, factory employment increased 1 per cent from the low level of January. There were increases in the steel, automobile, railway equipment and other metal industries, and in clothing and textiles, which more than offset seasonal declines, principally in the building materials industries. Factory employment remained lower than a year ago in a majority of industries, however, and the total was about 6 per cent lower.

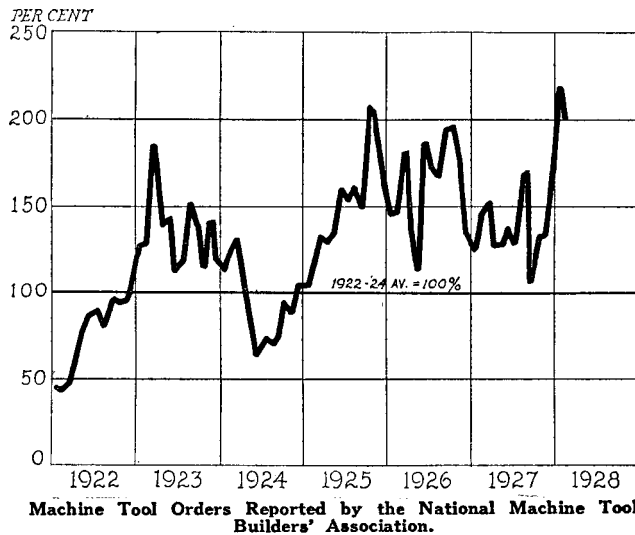
The ratio of orders for workers to applications for employment at New York State employment offices has shown an advance of something more than seasonal pro-

portions since the early part of February, but remains considerably lower than a year ago. The State Employment Service reports that there is still a considerable amount of unemployment, which continues to be principally among unskilled workers, and seems to be larger in New York City than in the remainder of the state. The building trades have not taken as many workers as was expected, but there are indications that this line is now showing a seasonal upswing. A substantial improvement in the employment of skilled laborers recently, particularly in some of the industrial cities upstate, is reported.

The expansion in the total of factory wage payments from January to February was slightly smaller than the increase in the number employed in New York State, but for the country as a whole the increase in total wage payments was substantial.

Wholesale Trade

Total February sales of reporting wholesale houses in this district showed a small increase over a year ago, but after allowance for the extra business day this year, the average daily volume of business appears to have been slightly smaller. The largest increase over last year again was in sales of machine tools, which in the past two months have been the largest in several years, as the accompanying diagram shows.



Moderate increases were reported also in sales of groceries, men's clothing, cotton goods, drugs, and paper. Sales of women's clothing showed a substantial seasonal increase over January, but remained smaller than last year; sales of shoes and diamonds also were considerably smaller. Silk goods, jewelry, and hardware sales were close to those of a year ago.

Shoe stocks, which had been running substantially larger than a year previous, showed less than the usual seasonal increase in February, and at the end of the month were slightly smaller than a year ago. Grocery stocks were considerably smaller than in February 1927, but stocks held by cotton goods jobbers were substantially larger.

Commodity	Percentage Change February 1928 compared with January 1928		Percentage Change February 1928 compared with February 1927		Per cent of Accounts Outstanding January 31, Collected in February	
	Net Sales	Stock end of month	Net Sales	Stock end of month	1927	1928
Groceries.....	- 3.0	- 0.7	+ 3.6	- 8.1	68.5	71.3
Men's clothing.....	+67.3	...	+ 3.9	...	45.1	39.2
Women's dresses.....	+19.7	...	-11.2	...	...	...
Women's coats and suits	+43.6	...	- 5.2	...	...	...
Cotton goods—Jobbers	+41.3	+ 2.1	+ 7.6	+15.0	30.4	31.5
Cotton goods—Com- mission.....	+ 9.4	...	+ 3.9	...	...	...
Silk goods.....	+ 0.2	- 4.9*	+ 0.9	...	47.3	48.3
Shoes.....	+ 5.3	+ 6.4	-15.5	- 2.8	36.3	35.0
Drugs.....	- 9.6	+ 0.3	+10.4	- 2.0	46.9	44.9
Hardware.....	+ 9.4	+ 6.9	+ 0.3	+ 2.9	39.0	41.8
Machine tools**.....	- 7.8	...	+40.4	...	...	...
Stationery.....	+ 2.4	...	- 3.2	...	77.2	74.5
Paper.....	- 2.3	...	+ 9.9	...	70.6	66.0
Diamonds.....	-22.4	...	-11.7	...	25.2	27.6
Jewelry.....	+16.8	+ 1.1	+ 1.0	- 1.8	...	...
Weighted average.....	+17.9	...	+ 1.2	...	50.3	49.9

*Quantity not value. Reported by the Silk Association of America.
**Reported by the National Machine Tool Builders' Association.

Department Store Trade

February sales of leading department stores in this district averaged 4.6 per cent larger than a year ago, apparently due largely to an extra selling day this year. The daily rate of sales was approximately the same as in February 1927, whereas January sales were 3 per cent smaller than last year. Apparel stores sales showed an unusually large increase, and mail order houses reported somewhat larger increases than in January.

Increases in the rate of stock turnover and in the rate of collections, compared with February 1927, appear to have been due largely to the extra business day this year.

Locality	Percentage Change February 1928 compared with February 1927		Per cent of Charge Accounts Outstanding January 31, Collected in February	
	Net Sales	Stock on hand end of month	1927	1928
New York.....	+ 5.2	- 1.5	44.7	49.6
Buffalo.....	+ 1.2	+ 4.8	49.3	49.4
Rochester.....	- 3.6	+ 3.1	37.3	40.2
Syracuse.....	+ 2.8	+ 1.3	...	...
Newark.....	+ 6.5	+ 1.8	45.6	45.0
Bridgeport.....	- 8.5	- 6.5	...	...
Elsewhere.....	+ 5.1	- 8.1	30.7	31.0
Northern New York State.....	+ 9.7	...	...	...
Central New York State.....	+13.3	...	...	...
Southern New York State.....	- 2.3	...	...	...
Hudson River Valley District.....	+ 7.3	...	...	...
Capital District.....	+ 2.3	...	...	...
Westchester District.....	+18.8	...	...	...
All department stores.....	+ 4.6	- 1.0	43.8	46.7
Apparel stores.....	+14.6	+ 9.3	43.4	48.0
Mail order houses.....	+ 7.4	...	...	...

The largest increases in department store sales, compared with last year, were in books and stationery, sporting goods, shoes, and toilet articles and drugs. Sales of women's apparel, furniture, and home furnishings also showed moderate gains, but sales of men's wear and silk goods were slightly smaller than a year ago.

	Net Sales Percentage Change February 1928 compared with February 1927	Stock on Hand Percentage Change February 29, 1928 compared with February 28, 1927
Books and stationery.....	+16.1	- 2.2
Toys and sporting goods.....	+13.8	- 1.2
Shoes.....	+11.0	+ 4.9
Toilet articles and drugs.....	+10.6	- 1.7
Women's and Misses' ready-to-wear.....	+ 7.4	- 1.0
Cotton goods.....	+ 5.6	- 2.2
Home furnishings.....	+ 5.3	+ 3.7
Men's furnishings.....	+ 4.9	+ 3.9
Hosiery.....	+ 3.7	+ 7.4
Furniture.....	+ 3.2	+ 1.1
Women's ready-to-wear accessories.....	+ 2.1	- 5.7
Woolen goods.....	+ 2.0	-14.0
Luggage and other leather goods.....	+ 1.9	-23.8
Silverware and jewelry.....	+ 0.7	- 1.1
Linens and handkerchiefs.....	- 0.2	+ 2.0
Men's and Boys' wear.....	- 1.3	+ 8.2
Silks and velvets.....	- 3.2	- 7.6
Musical instruments and radio.....	-22.0	-36.4
Miscellaneous.....	- 2.0	- 4.3

does not publish statements of earnings. In other lines of business, however, there were equally substantial increases; clothing and textile companies reported net profits almost twice as large as in 1926; leather and shoe concerns had an exceptionally good year; rubber companies reported profits 50 per cent larger than in 1926; and earnings of chemical and drug companies, stores, and miscellaneous companies were all above the totals for 1926.

Earnings of telephone companies continued to show a steady increase, and other public utilities reported even larger increases. Class I railroads, on the other hand, reported net operating income about 12 per cent smaller in 1927 than in 1926 and slightly smaller than in 1925, reflecting largely the reduction in traffic.

Net earnings of a number of important groups of companies for the past three years are shown in the diagram below in percentages of the 1926 earnings.

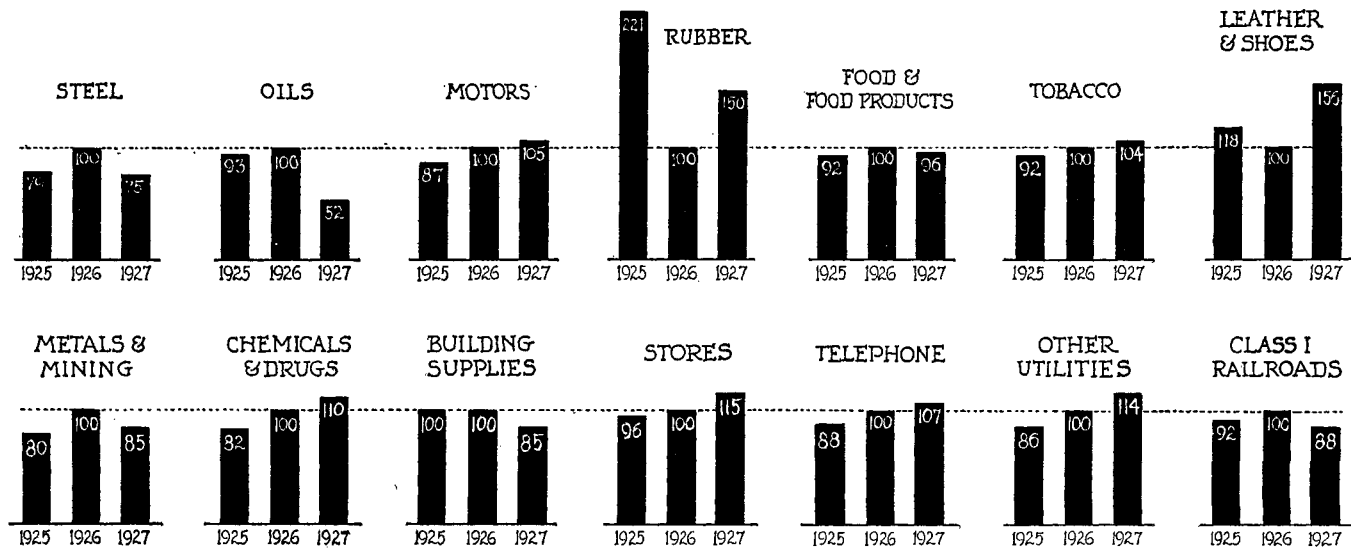
Business Profits in 1927

Earnings reports of 381 industrial and mercantile concerns now available indicate that net profits of these companies in 1927 averaged about 8 per cent smaller than in 1926, but were larger than in any other recent year. The reduction in industrial profits from the 1926 level was due primarily to declines in a few large industries, especially oil and steel. If these two groups be excluded from the tabulation, the net profits of all other manufacturing and commercial companies would show some increase in 1927 over the previous year.

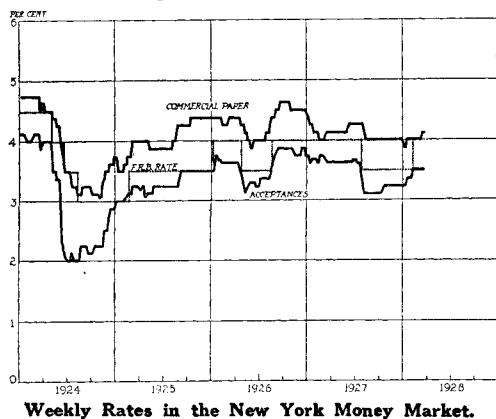
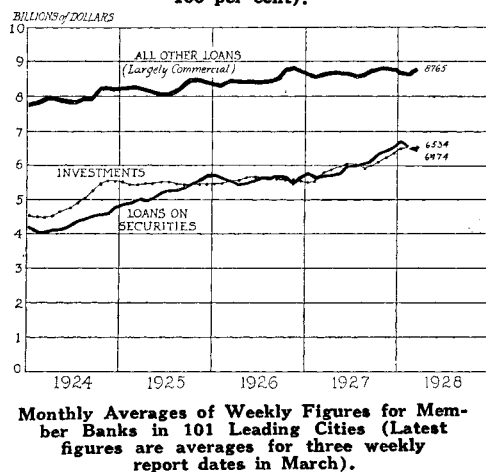
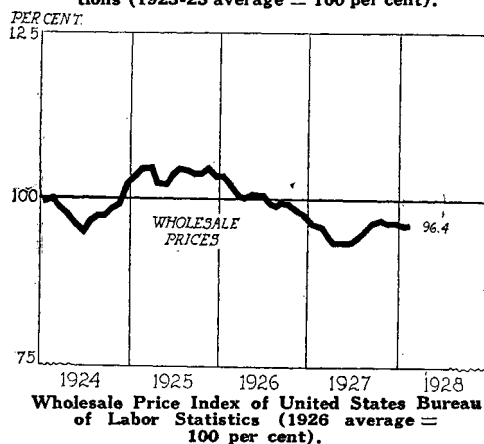
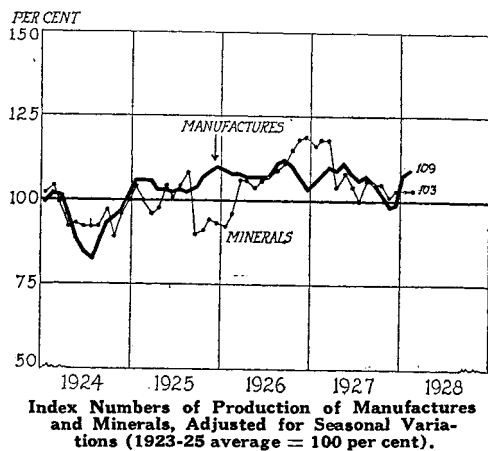
Profits in the oil industry were reduced by nearly one-half in 1927, reflecting lower prices, and steel company profits declined by about 25 per cent. There were also smaller reductions in railroad equipment, motor accessories, metal and mining, and building supply companies; and the coal companies had a very poor year, owing to the strike. The automobile industry as a whole showed slightly larger profits in 1927, but when the very large earnings of the General Motors Corporation are subtracted from this group, the remaining companies show a reduction of 24 per cent from the 1926 figure. This figure is exclusive of the Ford Company, which

(Net profits in thousands of dollars)

Corporation Groups	Number	1924	1925	1926	1927
Steel companies.....	26	137,918	170,759	217,313	163,010
R. R. equipment.....	12	27,848	18,013	40,567	31,518
Oils.....	31	153,600	267,164	287,621	150,342
Motors.....	22	135,599	260,182	299,481	314,977
Motor accessories (excl. tires).....	18	31,872	41,102	36,647	29,554
Rubber.....	11	43,755	83,098	37,639	56,597
Food and food products.....	39	155,876	160,991	175,112	167,530
Tobacco.....	16	90,128	100,149	108,562	112,666
Leather and shoes.....	9	19,878	22,593	19,103	29,740
Paper.....	9	11,431	11,439	11,395	11,317
Amusement.....	6	6,691	7,875	11,069	9,578
Clothing and textiles.....	24	5,744	21,181	12,574	23,754
Stores.....	19	83,387	105,186	109,542	126,353
Metals and mining.....	19	47,650	67,019	83,314	70,475
Coal.....	11	723	2,692	5,729	29
Machine & mach. mfg.....	18	25,855	36,489	45,129	45,079
Chemicals and drugs.....	14	50,171	56,542	69,039	75,735
Building supplies.....	19	58,824	64,262	64,461	55,124
Miscellaneous industries.....	58	137,088	175,548	187,903	206,512
Total 19 groups.....	381	1,224,038	1,672,284	1,822,200	1,679,890
Telephone.....	78	150,708	186,426	212,225	226,383
Other public utilities.....	51	181,015	215,058	250,754	286,436
Total public utilities.....	129	331,723	401,484	462,979	512,819
Total 21 groups.....	510	1,555,761	2,073,768	2,285,179	2,192,709
Class I R. R.	183	987,133	1,136,973	1,233,003	1,085,342



Annual Net Profits of Industrial, Mercantile, and Public Utility Corporations, and Net Operating Income of Class I Railroads, in Percentages of 1926.



Business Conditions in the United States

(Summarized by the Federal Reserve Board)

PRODUCTION and distribution of commodities increased further in February, while wholesale commodity prices remained practically unchanged. Commercial loans of member banks showed a larger increase in February and the first half of March than at the same season in other recent years.

PRODUCTION

Production of manufactures in February, as indicated by the Federal Reserve Board's index, increased 3 per cent over January and was 2 per cent larger than a year ago, while production of minerals declined slightly and continued to be substantially smaller than last year. Factory employment and payrolls showed a seasonal increase in February but continued at a lower level than a year ago. Output of iron and steel, automobiles, and agricultural machinery has increased considerably since the first of the year. Daily average production of steel ingots in February was larger than in any other month since last March, and current reports indicate that output was sustained in the first three weeks in March. Production of nonferrous metals also increased in February. Activity in the textile industries has shown little change since the first of the year. Production of bituminous coal and crude petroleum, which decreased in February, increased slightly in the first half of March. Building contracts awarded were larger in February than in the corresponding month of any previous year, reflecting chiefly a large volume of awards for residential construction in the New York and Chicago Districts. Contracts let in the first two weeks of March were in approximately the same volume as in the corresponding period of last year.

TRADE

Sales of wholesale firms in leading lines increased in February and were slightly larger than a year ago, while sales of department stores, after allowance for the customary seasonal changes, were in about the same volume as in January and somewhat smaller than a year ago. Stocks of merchandise carried both by wholesale firms and by department stores showed a seasonal increase in February.

Freight car loadings have shown somewhat more than the usual seasonal increase since the beginning of the year, but have continued to be in smaller volume than in the corresponding period of last year, owing chiefly to much smaller shipments of coal. Loadings of merchandise in less than carload lots and of miscellaneous commodities have been less than in the corresponding period of the last two years, while loadings of livestock and grain products have been larger.

PRICES

The general level of wholesale commodity prices, as indicated by the Bureau of Labor Statistics index, remained practically unchanged in February at approximately 96 per cent of the 1926 average. There were decreases in the prices of cotton, sugar, nonferrous metals, chemicals, and rubber, as well as a seasonal decline in dairy products. Increases occurred in prices of grains, metals, hides and leather products, and steel. In the first two weeks in March, prices of grains, hogs, and cotton advanced, while those of cattle and rubber showed further declines.

BANK CREDIT

From the middle of February to the middle of March the loans and investments of member banks in leading cities increased by \$200,000,000, reflecting a growth in the banks' commercial loans. The banks' loans on securities and investments showed little change for the period.

The volume of Reserve Bank credit outstanding increased somewhat from February to March, chiefly in consequence of increased borrowings by member banks, which in part reflected further withdrawals of gold for export.

During the four weeks ended March 21 conditions in the money market were firmer; the rate on prime commercial paper increased from 4 to 4-4/4 per cent and there were advances in time rates on security loans.