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MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

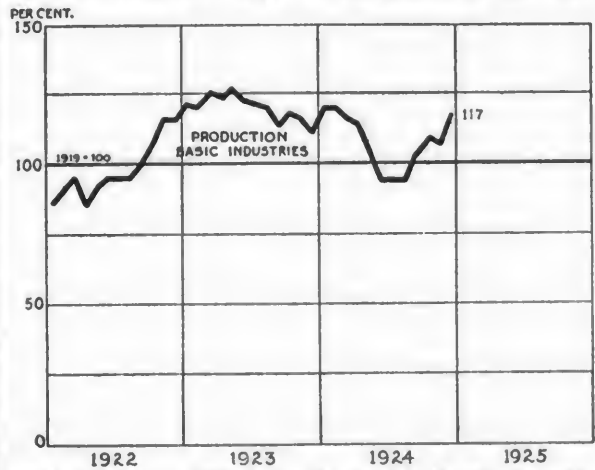
February 1, 1925

Business Conditions in the United States

PRODUCTION and employment in December continued the increase which began in the autumn and wholesale prices advanced further to the highest level for the year. Railroad shipments of goods continued in large volume and trade, both at wholesale and retail, was larger than a year ago.

PRODUCTION

The index of production in basic industries advanced about 10 per cent. in December to a point 25 per cent. higher than last summer but was still below the level of the opening months of 1924. Practically all of the 22 industries included in the index shared in the advance and the increases were particularly large in iron and steel, cotton manufacturing, coal mining, and meat packing. Among the industries not represented in the index the output of automobiles declined in December and was the smallest for any month in more than two years. Increased industrial activity was accompanied by an advance of about 2 per cent. in factory employment, with larger increases in the metal and textile industries, and by a growth of nearly 5 per cent. in total factory payrolls. Volume of building, as measured by contracts awarded, was less in December than in November, but continued unusually large for the season of the year.



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

TRADE

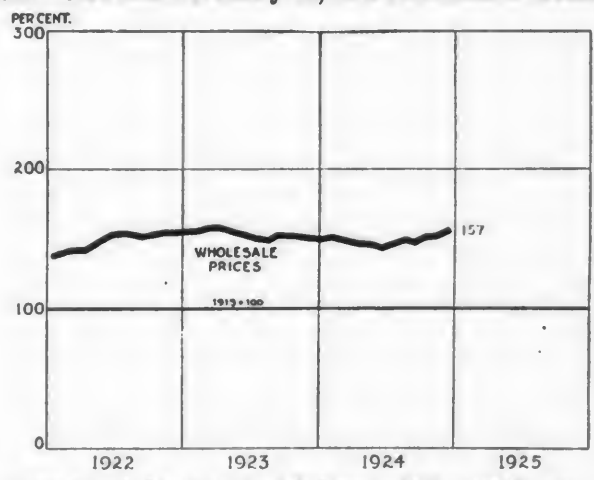
Distribution of goods was greater in December than in the same month of 1923, as indicated by larger railroad shipments and an increase in the volume of wholesale and retail trade. Christmas trade at department stores was greater than in the previous year, and sales by mail order houses and chain stores were the largest on record. Wholesale trade was seasonally less than in November but in practically all lines was larger than a year ago. Marketing of agricultural products was greater than for the corresponding month of any recent year.

PRICES

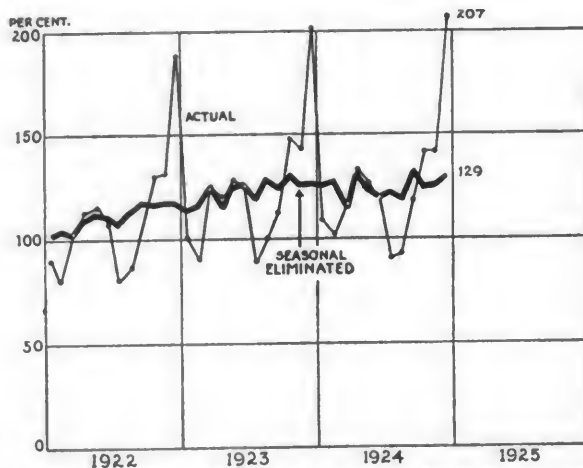
A further advance of more than 2 per cent. in the Bureau of Labor Statistics index of wholesale prices carried the average in December 8 per cent. above the low point of June and to the highest level since April 1923. Prices of all groups of commodities were higher, the principal increases being in farm products and foods. In the first half of January prices of grain, wool, coal, and metals increased further, while sugar, dairy products, silk, coke, and rubber declined.

BANK CREDIT

At the Federal Reserve Banks the rapid return flow of currency after the holiday trade resulted, during the four weeks ended January 21, in a reduction of earning



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



Department Store Sales. Index of Sales of 333 Stores in 117 Cities. (1919 = 100 Per cent. Latest figures, December.)

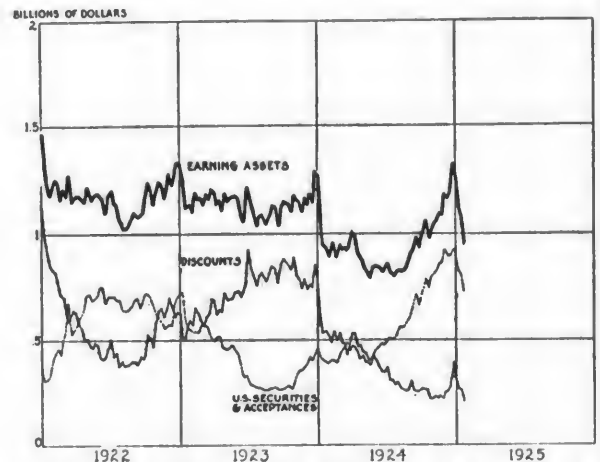
assets about equal to that for the same season a year earlier. The net outflow of currency from the Reserve Banks during the month preceding Christmas amounted to more than \$200,000,000, and the return flow after the Christmas peak, reflected both in the increase in reserves and in the decline of Federal Reserve note circulation, was in excess of \$300,000,000. Fluctuations in the earning assets of the Reserve Banks during the past two months have reflected chiefly these seasonal changes in the demand for currency. The decline in discounts brought their total on January 21 to a smaller volume than at any time in 1924, and acceptances also showed a seasonal decrease. Holdings of United States securities, which have declined for more than two months, were about \$175,000,000 below the level of last autumn and in about the same amount as at the middle of 1924. Net exports of gold, which gave rise to a demand for Reserve Bank credit, amounted to \$30,000,000 in December and were in larger volume during the first three weeks in January.

The growth of demand deposits at member banks in leading cities during the three weeks ended in the middle of January, which has been greater than the increase in their total loans and investments, has reflected the return of currency from circulation. In the same period there was some increase in commercial loans and a continued growth in loans secured by stocks and bonds. Holdings of investment securities have decreased somewhat since the middle of November, particularly at the banks in New York City.

Firmer conditions in the money market in December and the first few days in January were followed later in the month by declines in rates on commercial paper to $3\frac{1}{2}$ per cent.

Banking Conditions in the Second District

Passing of the autumn and holiday requirements for credit and currency, completion of January 1 financial settlements, and some inflow of funds from the interior, were followed during the first three weeks of January

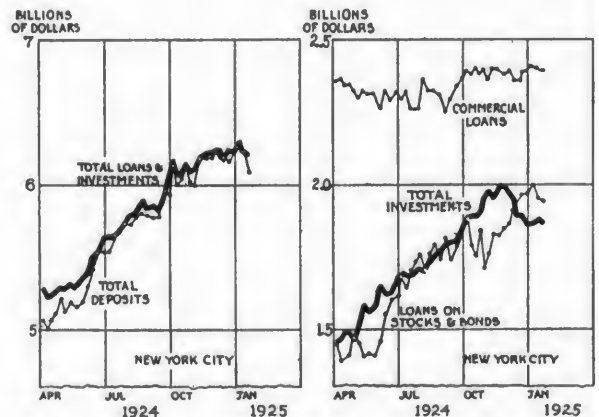


Reserve Bank Credit. Weekly Figures for 12 Federal Reserve Banks. (Latest figures, January 21.)

by the usual seasonal decline in the volume of Reserve Bank credit outstanding in the district. Between December 24 and the latter part of January the total earning assets of the New York Reserve Bank fell about \$150,000,000. The return of gold coin and certificates from circulation and the inflow of funds from other districts, resulted in a moderate increase in gold reserves of the bank, despite substantial withdrawals of gold for export.

Late in January there was an increase in rediscounts for member banks, accompanying reduction in holdings of Government securities by the New York Reserve Bank and by the System.

Changes in member bank credit in the district during the period included a decline in deposits and total loans and investments of the reporting banks to levels somewhat lower, in case of deposits, than at any time since the beginning of November. These decreases, which were in contrast to increases shown in other districts, were more than accounted for by decreases reported by the New York City banks. The accompanying diagram shows the changes in New York City, and indicates the character



Member Bank Credit Figures for 67 Reporting Banks in New York City. (Latest figures, January 21.)

of the reduction in loans and investments. As compared with the high level reached at the first of the year, most of the decrease has been in loans secured by stocks and bonds, but security investments, while practically unchanged since January 1, show a decline of approximately \$120,000,000 since the November high point. Commercial loans on January 7, on the other hand, reached a new high level since 1921, and were only slightly lower in succeeding weeks.

Money Market

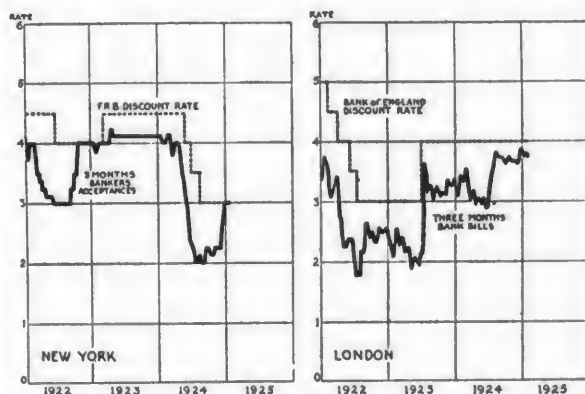
Easier money conditions in January reflected the conditions outlined in the preceding paragraphs.

Renewed buying of commercial paper, principally in the middle west, caused a slight decline in the open market rate to 3½ per cent. The amount of paper outstanding through 26 dealers at the end of December showed a reduction from November 30 of about 10 per cent. to \$798,000,000.

Easier conditions in the bill market were manifested in increased demand for bills, especially those of short maturity, a reduction in dealers' portfolios, and a decline in sales to the Reserve Bank. Dealers' open market rates, however, continued generally 3⅓ per cent. on their purchases of 90 day bills and 3 per cent. on their sales. Yields offered on short term Government issues were also practically unchanged.

In the stock exchange money market, rates for 60-90 days advanced to 3¾ per cent., compared with 3½-3¾ per cent. prevailing in December. Call loan renewals, after touching 5 per cent. at the end of December reverted in January to an average range of 3-3½ per cent.

The accompanying diagram, bringing up to date a comparison of money rates in New York and in London, indicates that while rates in London remain higher than in New York, the recent rise in this market has narrowed somewhat the spread between the two centers.



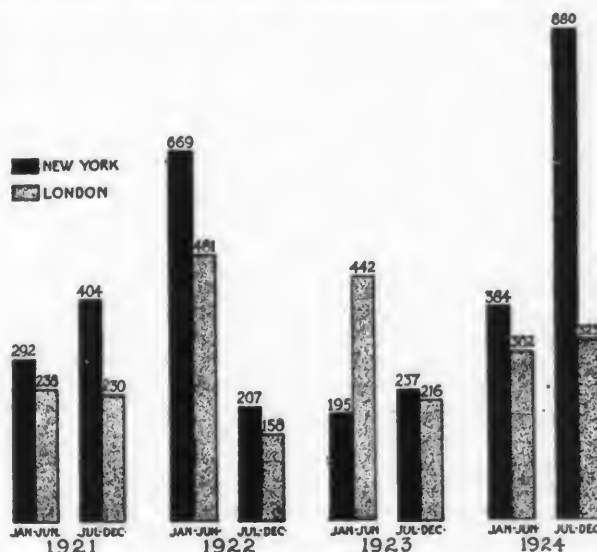
Money Rates—New York and London

Security Markets

The easier money conditions of early January were accompanied by increased activity and a firmer tone in the bond market. Price averages of high grade corporation issues advanced moderately to levels close to or above the high levels touched in November. Government bonds were also firmer, and foreign issues in a number of cases reached new high levels.

In the stock market, continued heavy trading and rising prices during the early part of the month carried industrial stock price averages substantially above the 1919 high levels for the first time, and railroad stocks touched new high points since early in 1917. About the middle of the month, however, there was some reaction in prices and price movements thereafter became irregular.

New security offerings showed the usual seasonal increase after the first of January and in most cases were readily sold. Offerings included numerous stock issues, particularly of public utility concerns, and, in addition to securities sold in the open market, a number of the large New York banks announced increases in capitalization and offered new shares to stockholders. The offerings of new foreign issues in this market continued heavy and included an increasing proportion of private corporation issues as distinguished from Government securities. The accompanying diagram indicates the extraordinary increase in foreign financing in this country since the adoption of the Dawes plan. During the last six months of 1924, offerings of foreign securities of all kinds totaled approximately \$880,000,000, the largest for any six months in recent years. Offerings of foreign issues in the London market, on the other hand, showed comparatively little increase during this period, notwithstanding the floating in London of its share of the German loan and other reconstruction loans.



Par Value of Foreign Capital Issues Offered in New York and London by Six Months Periods in Millions of Dollars. (Pounds Converted at the Current Rates of Exchange.)

Foreign Movement of United States Currency

Continued return of United States currency from abroad was indicated by the figures for December, which showed net receipts by this bank and 14 other reporting banks in this city, amounting to \$9,150,000, the largest for any month since progress in the stabilization of European currencies resulted in the beginning of the return flow in April. This large amount was due principally to receipts from Germany which alone totaled over \$7,000,000. Since April net receipts from all countries have amounted to \$59,100,000, of which \$32,000,000 came from Germany, \$9,400,000 from England, \$4,800,000 from Holland, and \$3,700,000 from Switzerland.

Foreign Exchange

Further recovery in the foreign exchanges in January reflected generally growing confidence in European economic conditions, and continued large foreign borrowing in this country together with higher money rates abroad than in New York. Sterling at \$4.80 on January 20 stood within 2 per cent. of par and about 30 cents above the level prevailing at the conclusion of the London conference in August.

Norwegian, Danish, Belgian, and Spanish exchanges were also strong, and the Argentine paper peso rose to 40¼ cents, within 5 per cent. of par, compared with a depreciation of 25 per cent. at the beginning of 1924. French rates held comparatively steady, and Swiss, Dutch, and Swedish exchanges continued to be quoted close to or above par. Italian exchange, on the other hand, showed weakness, ascribed chiefly to internal political uncertainties and large purchases of wheat, and Canadian exchange was also somewhat lower, apparently due partly to the smaller wheat crop and reduction in exports.

Comparison of the foreign exchange situation at the outset of 1925 with that of a year ago reveals large progress during the year in the restoration of stable currency conditions in Europe. Sterling a year ago sold down to \$4.21. All of the European exchanges were below par with the dollar, and of the exchanges greatly depreciated only those of Austria, Finland, Latvia, and Lithuania had been stabilized. At the outset of 1925, on the other hand, sterling shows an advance of 14 per cent. Sweden has resumed gold payments, Dutch and Swiss exchanges stand at par, the currencies of Germany and Poland have been revaluated and, together with the new currencies of Latvia and Lithuania, held close to the new par, while those of Hungary, and Czecho-Slovakia have been substantially stabilized. In January the South African Government announced its intention to resume gold payments not later than July 1 of this year.

Gold Movement

During the first 24 days of January exports of gold from the Port of New York totaled \$56,547,000, compared with \$39,675,000 for the whole country for the month of December. Of the January shipments \$15,000,000 represented further withdrawals by Germany of

proceeds of the German loan. The exports, however, also included additional shipments of \$8,700,000 to England, and \$26,400,000 to India. The heavy exports of gold from this country to India, together with large shipments from South Africa follow a rise in India's merchandise export balance in the first eleven months of 1924 to the highest level since 1920.

Final figures on the country's gold movement for December indicated gold imports of approximately \$10,000,000, chiefly from France, Canada, and Argentina, so that the net export balance was somewhat less than \$30,000,000. This was the first export balance since August 1920 and follows a net gold import movement amounting to \$1,665,000,000.

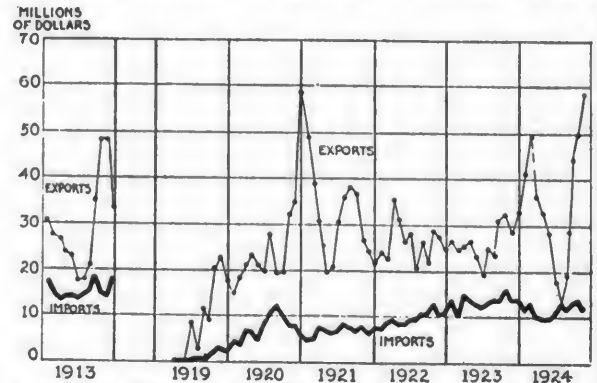
The table below shows the December gold exports of the United States by principal countries and the figures for the Port of New York for the first 24 days of January. In addition to these exports, substantial amounts of gold were contracted for in the latter part of the month for shipment to Australia.

Country	Exports of gold from U. S. December 1924	From Port of New York January 1 to 24, 1925
Germany.....	\$20,000,000	\$15,000,000
England.....	10,264,000	8,711,000
British India.....	5,674,000	26,430,000
Hong Kong.....	220,000
Mexico.....	466,000	250,000
Canada.....	188,000
Sweden.....	1,001,000	2,000,000
Netherlands.....	1,324,000	1,752,000
All Other.....	538,000	2,404,000
Total.....	\$39,675,000	\$56,547,000

Foreign Trade

Foreign trade figures for 1924 showed an increase of \$421,000,000 in exports, accompanied by a decrease of \$181,000,000 in imports, and the export balance, which had been \$375,000,000 in 1923, rose to nearly a billion dollars. Of the increase in exports, nearly two-thirds is accounted for by the rise in cotton and grain exports that occurred in the later months of the year.

During the four months ended November, German purchases of American cotton alone totaled \$93,000,000 or nearly 36 per cent. more than in the same period of 1923. The following diagram, of the foreign trade of



Exports of Merchandise from the United States to Germany and Imports from Germany 1913-1924 compared with 1913. (Latest figures, November.)

the United States with Germany since 1919, and for 1913, shows the recent increase in exports to Germany. The value of imports from Germany, however, after a gradual increase since 1919, declined somewhat in 1924 and was smaller than in 1913, notwithstanding that prices now are much higher.

During December slackening in the movement of cotton and grain caused a decline of \$50,000,000 in total exports of the month to a point \$84,000,000 below the October high level, but still about \$16,000,000 above the rather high figures of December 1923. Imports, on the other hand, which have been increasing since August, showed a further gain of \$38,000,000 to \$334,000,000, the largest figure since May 1923, and \$46,000,000 above December last year.

Production

The advance of 10 per cent. in the Federal Reserve Board's composite index of production in December was accompanied by increases in a majority of this bank's indexes for individual industries. In many cases the indexes shown in the table below were close to or above the computed normal.

A further increase of 14 per cent. in the average daily rate of pig iron output in December resulted in part from the blowing in of 23 additional blast furnaces. Notwithstanding an increase of 10 per cent. in daily steel output, which carried this bank's index slightly above the computed normal for the first time since March, unfilled orders of the United States Steel Corporation rose 785,000 tons. Buying in January was re-

(Computed trend of past years=100 Per cent.)

	1923	1924			1923 Yearly Average	1924 Yearly Average
	Dec.	Oct.	Nov.	Dec.		
Producers' Goods						
Pig iron.....	93	75	76	92	108	81
Steel ingots.....	84	86	87	102	106	87
Bituminous coal.....	89	94	89 ^r	97 ^p	104	88 ^p
Copper, U. S. mines.....	104	110	113	109 ^p	99	105 ^p
Tin deliveries.....	91	88	124	75	107	95
Zinc*.....	81	69	69	78	77	73
Petroleum.....	131	120	118	...	137	...
Gas and fuel oil.....	105	98	100	...	102	...
Cotton consumption.....	82	91	87	92	96	80
Woolen mill activity*.....	91	97	98	97 ^p	107	88 ^p
Cement.....	153	147	152	157	142	151
Lumber.....	122	123	116	...	125	...
Leather, sole.....	83	81	81	...	97	...
Consumers' Goods						
Cattle slaughtered.....	90	105	104	109 ^p	102	105 ^p
Calves slaughtered.....	140	161	146	174 ^p	131	139 ^p
Sheep slaughtered.....	83	84	77	81 ^p	87	89 ^p
Hogs slaughtered.....	109	110	110	119 ^p	127	121 ^p
Sugar meltings, U. S. ports.....	96	114	91	110 ^p	107	112 ^p
Wheat flour.....	91	111	96	93 ^p	108	114 ^p
Cigars.....	79	86	86	82	88	85
Cigarettes.....	80	78	69	84	87	82
Tobacco, manufactured.....	86	102	93	98	99	102
Gasoline.....	119	114	120	...	113	...
Tires*.....	116	198	158	...	134	...
Newsprint.....	104	113	107	106	111	110
Paper, total.....	90	95	96	102	100	97
Boots and shoes.....	73	96	80	81 ^p	99	86 ^p
Anthracite coal.....	93	83	78 ^r	85 ^p	96	90 ^p
Automobile, all.....	151	120	110 ^r	97 ^p	143	118 ^p
Automobile, passenger.....	153	124	112 ^r	92 ^p	149	122 ^p
Automobile, truck.....	145	104	104 ^r	118 ^p	118	103 ^p

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

ported less active, but calls for delivery against previous orders raised steel mill operations to nearly 90 per cent. of capacity and additional iron furnaces were put in blast.

Mill consumption of cotton in December increased 40,000 bales to within 8 per cent. of normal, as measured by this bank's index, and woolen mill activity was only 3 per cent. below normal. Mining of anthracite and bituminous coal increased contrary to the usual seasonal tendency, and in the week of January 10 bituminous output reached the largest total in over 4 years.

Indexes of Business Activity

Nearly all of this bank's indexes of distribution and general business activity were higher in December than in November and, as in the case of the production indexes, many were close to or above normal, as measured by the trend of past years. The following table gives the indexes after allowance for seasonal variation and, where necessary, for price changes.

(Computed trend of past years=100 Per cent.)

	1923	1924			1923 Yearly Average	1924 Yearly Average
	Dec.	Oct.	Nov.	Dec.		
Primary Distribution						
Car loadings, merchandise and misc.....	103	108	102	103	106	103
Car loadings, other.....	103	99	105	110	113	103
Wholesale trade, Second District.....	88	103	91	93	104	95
Exports.....	88	111	102	90 ^p	86	94 ^p
Imports.....	97	106	101	111 ^p	110	106 ^p
Grain exports.....	53	201	119	93	89	86
Panama Canal traffic.....	160	103	106	120	146	126
Distribution to Consumer						
Chain store sales.....	103	93	97	99	99	95
Mail order sales.....	85	103	90	104	93	95
Life insurance paid for.....	120	112	107	125	107	107
Magazine advertising.....	101	100	99	98	100	98
Newspaper advertising.....	97	92	92	...	100	...
General Business Activity						
Bank debits, outside of New York City.....	100	105	99	104	105	103
Bank debits, New York City.....	102	105	110	118	103	110
Velocity of Bank Deposits, outside of New York City.....	101	94	92	93	100	98
Velocity of Bank Deposits, New York City.....	107	92	102	102	106	107
Postal receipts.....	102	101	94	103	102	99
Electric power.....	103	105	100	...	105	...
Employment, N. Y. State factories.....	99	91	91	91	102	93
Business failures.....	101	105	102	111	94	103

p= Preliminary
r= Revised

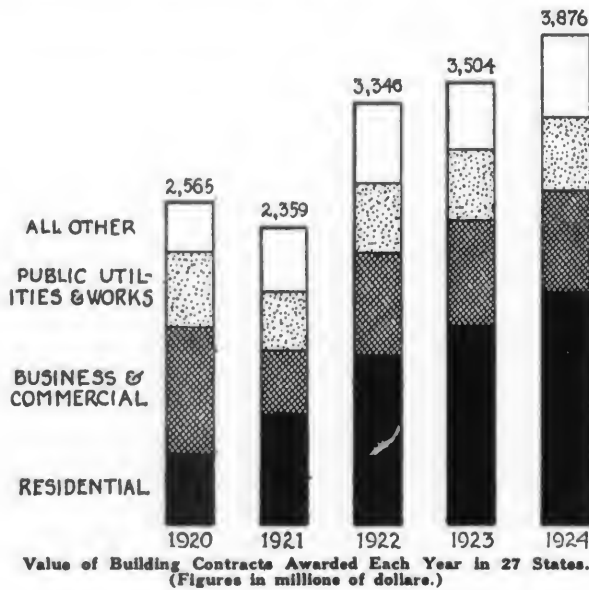
Building

The value of building contracts awarded throughout the country showed a further seasonal decline in December but continued substantially larger than a year ago. Permits applied for, which precede contracts, increased about 10 per cent. over November in 343 cities and were almost as large as a year ago.

The increase in contracts recently has been mainly in the southeastern, central western, and middle Atlantic districts, while in the south permits have also increased

largely. In the New York district, however, contracts awarded continued lower than a year ago, when the marked expansion in winter construction was in progress, and in New York City the decline in permits was even more marked.

For the entire year 1924 total contracts let in 27 States were 11 per cent. larger than in 1923, due chiefly to increased residential building in the New York district early in the year. The following diagram, comparing contract awards during the last five years by types of construction, indicates the increased importance of residential building in the totals.



Wages and Employment

Replies from representative employers to this bank's quarterly inquiry indicate continued stability in this district in the hiring rate of wages for unskilled labor. While there was evidence of a considerable labor surplus and a much reduced labor turnover as compared with a year ago, few employers reported reductions in their hiring rates, and the average rate remained about 2 per cent. below the highest level of 1923. In the New England district, however, additional cotton mills reduced wages of operatives 10 per cent. upon resuming more active operations.

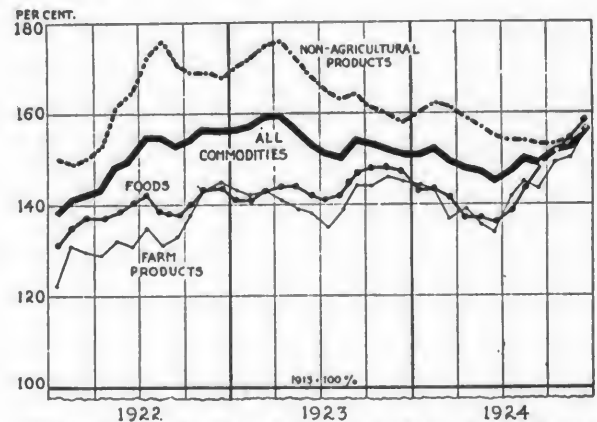
Increases in factory employment of 1 per cent. in New York State and 2 per cent. in the country as a whole, occurred in December, and brought the totals to a level about midway between the summer low point and high-point of 1924 reached last March.

During the first half of January, further increases in factory employment were reported by employment offices. The iron and steel industry continued to reemploy large numbers of men, and there were seasonal increases in factories making automobiles and automobile parts, and in the apparel industries. Notwithstanding these

changes the number of unemployed workers, especially unskilled labor, continues much larger than a year ago in practically all industrial centers of this district, and has resulted in rather difficult conditions in cities which lack diversification of industries.

Commodity Prices

Marked progress towards the reestablishment of a more normal relationship between agricultural and non-agricultural prices was indicated by the Bureau of Labor Statistics' index of wholesale prices for December. For the first time since 1920 the farm products and foods groups of this index stood at a level equal in relation to 1913 prices with that of all commodities of the index. This equalization reflects both the recovery in farm products, and also a declining tendency in non-agricultural prices during the greater part of the past two years. The accompanying diagram indicates the manner in which the various groups have come together. During recent months, however, it is noteworthy that non-agricultural prices also have shared somewhat in a general upward tendency.



Wholesale Prices of Farm Products and Foods Compared with Prices of Non-Agricultural Products and All Commodities of the Bureau of Labor Statistics Price Index. (In Percentages of the 1913 Average. Latest month December.)

Reflection of the rise in agricultural prices appeared also in other standard price indexes. Largely because of these increases, indexes both of the cost of living and of the general price level, including not only wholesale and retail prices, but also rents and wages, were substantially higher than in June, though not appreciably higher than a year ago. The following table shows the changes in a number of these indexes, and in the Economist's index of British wholesale prices, since June of this year and December of last year.

	Dec. 1923	June 1924	Dec. 1924
20 Basic Commodities (F. R. B. of N. Y.).....	146.8	142.3	*155.2
General Price Level (F. R. B. of N. Y.).....	183	180	184
Wholesale Prices, Dept. of Labor.....	151	145	157
Cost of living in U. S., Dept. of Labor.....	173	169	173
Economist (British).....	170.1	168.2	180.3

*January 24, 1925

MONTHLY REVIEW, FEBRUARY 1, 1925

New York Reserve Bank Operations in 1924

THE following table presents in comparative form for the past three years the volume of the principal operations of the Federal Reserve Bank of New York, which are of such character that they can be expressed in quantitative terms. About one-third of all the banking resources of the country are within this Federal Reserve district, and the New York Reserve Bank conducts about one-third of the business of the entire Federal Reserve System. At the close of business on December 31, the total personnel of the New York Reserve Bank, including the Buffalo Branch, numbered 2,653 persons.

SUPPLYING CURRENCY AND COIN

	1922	1923	1924
CURRENCY PAID OUT, RECEIVED, OR REDEEMED.			
Individual notes counted.....	412,347,000	477,257,000	512,097,000
Dollar amount paid and received *.....	\$4,952,308,000	\$5,807,207,000	\$6,014,938,000
COIN PAID OUT OR RECEIVED, a service previously performed largely by the Subtreasury, but now entirely in the hands of the Federal Reserve Bank.			
Number of coins handled in paying, receiving and counting *..	2,269,651,000	2,545,487,000	2,767,828,000
Tons of coin handled in paying, receiving, and counting *.....	10,812	12,456	13,491
Dollar amounts paid out and received.....	\$186,500,000	\$228,798,000	\$274,869,000

MAKING LOANS AND INVESTMENTS

BILLS DISCOUNTED FOR MEMBER BANKS, either discounted customers' paper or advances against the notes of member banks secured by collateral in the form of Government securities or commercial or agricultural paper.			
Number of bills discounted.....	61,000	72,000	40,000
Dollar amount.....	\$9,206,364,000	\$17,951,843,000	\$7,031,000,000
ACCEPTANCES AND GOVERNMENT OBLIGATIONS purchased for the account of this bank and other Federal Reserve Banks.			
Dollar amount.....	\$3,750,000,000	\$3,528,000,000	\$3,672,000,000

COLLECTING CHECKS, DRAFTS, NOTES, AND COUPONS

CASH ITEMS, mostly checks, handled for collection for banks in all parts of the country.			
Number of items.....	118,589,000	128,396,000	136,166,000
Dollar amount.....	\$62,280,122,000	\$65,518,030,000	\$68,397,734,000
NON-CASH ITEMS, handled for collection, including drafts, notes, and coupons.			
Number of items.....	1,741,000	2,177,000	2,429,000
Dollar amount.....	\$1,519,894,000	\$1,920,719,000	\$1,873,743,000

SUPPLEMENTARY SERVICES

SECURITIES HELD in safekeeping for the United States Government, the War Finance Corporation, and others.			
Average dollar amount.....	\$1,000,000,000	\$1,010,000,000	\$979,000,000
ACCEPTANCES AND OTHER SECURITIES BOUGHT OR SOLD for member banks, and foreign banks.			
Dollar amount.....	\$302,000,000	\$237,712,000	\$173,682,000
FUNDS TRANSFERRED BY TELEGRAPH to and from all parts of the country for the Treasury Department and member banks.			
Number of transfers.....	236,000	284,000	286,000
Dollar amount.....	\$25,126,090,000	\$28,031,500,000	\$35,042,000,000

SERVICES IN CONNECTION WITH GOVERNMENT LOANS

UNITED STATES GOVERNMENT SECURITIES issued, redeemed, or exchanged, including Government bonds, notes, and certificates of indebtedness.			
Number of items.....	7,030,000	8,247,000	2,987,000
Dollar amount.....	\$6,449,625,000	\$3,148,870,000	\$3,522,486,000
COUPONS PAID ON GOVERNMENT SECURITIES.			
Number of coupons.....	22,685,000	17,684,000	14,055,000
Dollar amount.....	\$336,468,000	\$337,344,000	\$332,369,000

(In addition to these operations for the Treasury, the bank performed other work for the Government connected with the currency, the collection of checks, the custody, purchase and sale of securities, the transfer of funds, etc., which have been referred to under their respective headings.)

* Buffalo Branch operations excluded.