

MAR 13 1923

FEDERAL LIBRARY
UNIV. OF MICH.

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

March 1, 1923

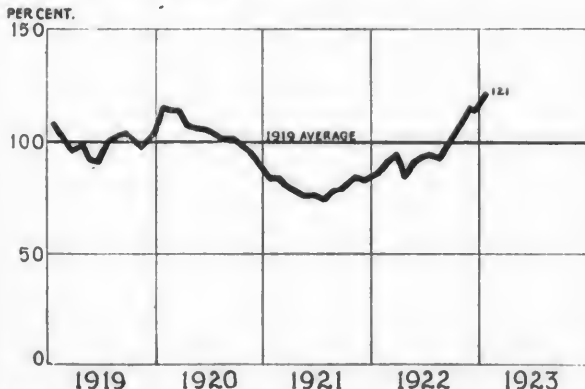
Business Conditions in the United States

FURTHER increase in the volume of production in basic industries to a level higher than in 1919 or 1920, a continued advance in the prices of many basic commodities, additional borrowing from banks for commercial purposes, and somewhat higher money rates are the principal recent developments in the business situation.

PRODUCTION

Production in basic industries, as measured by the Federal Reserve Board's index, was 6 per cent. higher in January than in December, and reached a volume exceeded only once in the past, in May 1917. Production of steel ingots and of anthracite coal and mill consumption of cotton showed particularly large advances, and most other important industries increased their output. Building operations have been maintained on a large scale.

The expansion in production during January was accompanied by a substantial increase in freight shipments. Car loadings of forest products, reflecting the continued building activity, reached the highest monthly total on record, and loadings of merchandise and miscellaneous commodities were higher than in any January of the past four years.

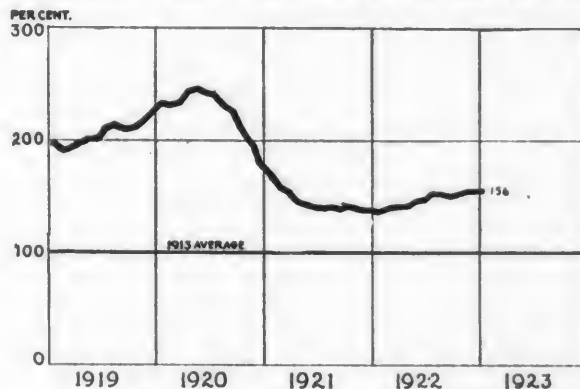


Index of Production in Basic Industries—Combination of 22 Individual Series Corrected for Seasonal Variation (1919 average = 100 per cent.)

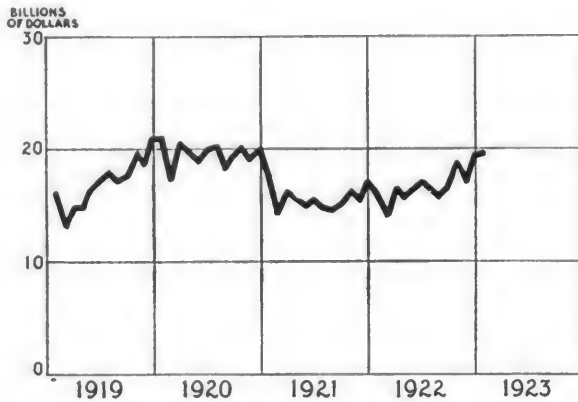
Industrial employment continued to increase during January, and shortages of both skilled and unskilled labor were reported by textile mills, steel mills, and anthracite coal mines. More wage increases at industrial establishments were announced than in December. There is still some unemployment in States west of the Mississippi. In industrial and commercial centers there has recently been a larger demand for office workers, although throughout the country there is much unemployment in this group.

PRICES

The index number of the Bureau of Labor Statistics, computed from the wholesale prices of about 400 commodities, including finished and semi-finished products as well as raw materials, showed the same average level of prices in January as in November and December. Between December and January the prices of clothing, fuel, metals, building materials, chemicals and house furnishings advanced, but these advances were accompanied by declines in farm products and food, so that the combined index remained unchanged. During recent weeks the prices of a number of basic commodities advanced rapidly and in many cases reached the highest points since 1920 or the early part of 1921. Among commodities reaching new high levels for the current movement were corn, beef, cotton, wool, silk, hides, lumber, rubber, linseed oil, copper, and pig iron.



Prices—Index Numbers of Wholesale Prices, U. S. Bureau of Labor Statistics (1913 average = 100 per cent.)



Volume of payments by Check—Checks drawn on banks in 140 centers (New York not included)



Bank Credit All Federal Reserve Banks

TRADE

An active distribution of goods for this season of the year is indicated by reports to the Reserve Banks, both of wholesale and retail dealers for the month of January. Sales of department stores in over 100 cities were 12 per cent. larger than in January 1922. Inventories for January show that there has been no large increase in stocks of goods held by department stores and the rate of turnover continues rapid. In wholesale lines there were particularly large sales during January of dry goods, drugs, hardware, and farm implements.

BANK CREDIT

The larger volume of commercial borrowing at member banks in recent weeks has been contrary to the usual trend of the season. Commercial loans of reporting member banks on February 14 were \$243,000,000, or 3 per cent., larger than at the end of December, and 7 per cent. above the level at the end of July, when the general demand for credit first showed an upward turn.

This increased demand for credit at the member banks has resulted recently in an increased volume of borrowing by the member banks at the Reserve Banks, chiefly Boston, New York, and Philadelphia. On February 21, the loans to member banks were \$628,000,000 or \$248,000,000 higher than in midsummer. During the same period the volume of Government securities and bankers acceptances held by all Federal Reserve Banks declined \$161,000,000, resulting therefore in a net increase of \$87,000,000 in the loans and security holdings of the Reserve Banks. The volume of Federal Reserve notes in circulation which showed the usual post-holiday decline in January, began to increase on January 31, a week earlier than last year.

Money rates also showed a tendency to become firmer, especially in recent weeks. The open market rate for commercial paper, which was 4 per cent. last summer, rose during February from a range of $4\frac{1}{4}$ - $4\frac{1}{2}$ to a range of $4\frac{3}{4}$ -5 per cent.

On February 23 the discount rate on all classes of paper at the Boston and New York Reserve Banks was advanced from 4 to $4\frac{1}{2}$ per cent.

Credit Conditions

The continuance during the early weeks of 1923 of the growth of business activity which marked the year 1922 makes it desirable at this time to examine the changes in business and finance which have occurred in the past year and a half. The month to month increases have been so gradual that the extent of the changes which have taken place is not generally realized.

The changes in principal aspects of industry and trade are summarized below. Comparisons are made between those months when low points were reached and the month of January 1923, unless figures for other available dates are given.

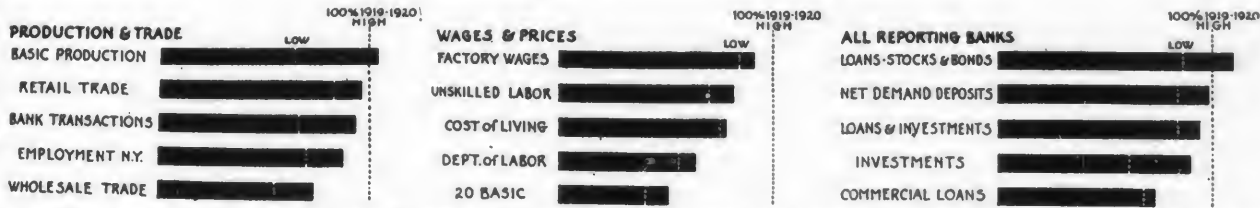
INDUSTRY—Production, measured by the index of output in 22 basic industries, has increased since July 1921.....54 per cent.
Employment, measured by the number of workers employed in New York State factories, has increased since July 1921.....23 per cent.

TRADE—Wholesale trade in this district, measured by the sales reported by representative dealers in 10 lines (with allowance made for seasonal changes), has increased since July 1921.....31 per cent.
Retail sales in this district, measured by the reports from 60 department stores (with allowance made for seasonal changes), has increased since September 1921.....13 per cent.

BANK TRANSACTIONS in 140 centers outside New York City, measured by debits to individual accounts (with allowance made for seasonal changes), have increased since July 1921.....32 per cent.

PRICES—This bank's index of wholesale prices of 20 basic commodities increased from June 1921, to February 24, 1923.....30 per cent.
The Department of Labor Index of wholesale prices increased from January 1922, to January 1923.....13 per cent.
The cost of living, measured by the index of the National Industrial Conference Board, increased from June 1922 to January 15, 1923.....2 per cent.

WAGES—The hiring rate of wages for unskilled labor in this district increased from April 1922 to January 15, 1923.....16 per cent.
Average weekly earnings of workers in New York State factories increased from April 1922 to January 15, 1923.....9 per cent.



Latest Figures for Production and Trade, Wages and Prices, and Bank Loans and Deposits, Compared with Highest Levels in 1919 and 1920, and Lowest Levels in 1921 and 1922

The differences between these various percentages of increase may be largely accounted for by the relation which the items measured bear to the immediate processes of consumption. In general, the nearer an item stands to immediate consumption the smaller will be the change which it shows in periods of business change. The consumption of goods goes forward with relatively little regard to the changes in business conditions, whereas processes far removed from the ultimate consumer, such as the production of basic commodities, are likely to move more widely and in close relation to the changes in business conditions.

The recent advances in business activity have brought industry and trade in a number of cases well up to the high points reached during the war or in the years 1919 and 1920. The index of production in basic industries now stands higher than in any month of 1919 or 1920, and is lower than in only one month of the past, May 1917. If in computing the volume of wholesale and retail trade it were possible to make accurate allowance for price changes, the volume of trade now being carried on in these lines would doubtless prove to be even higher than in 1919 or 1920. In aggregate, the present activity of industry and trade is probably only slightly, if any, below the maximum activity of the past.

This high activity has been reflected only recently in the commercial loans of the banks. Through a period of many months growing business activity did not involve any increase in commercial loans, largely because corporations and others financed themselves from funds previously accumulated or from the proceeds of securities issued. Since the late summer of 1922, however, increases from time to time have occurred in the volume of commercial loans, attended by gradual advances in open market interest rates, which, in the case of the rate on commercial paper, rose from 4 per cent. to a present rate of 4¾-5 per cent.

Other forms of bank credit have been largely employed. Investments by banks in Government and corporate securities, which increased rapidly during the period when the demand for commercial loans was light, remain high; and loans on stocks and bonds have exceeded the maximum level of 1919-20. These and other changes of importance are summarized below. Comparisons are made between those dates when low points were reached and February 14, 1923.

MEMBER BANKS IN LEADING CITIES—Total loans and investments have increased \$1,772,000,000 since March 8, 1922.....or 12 per cent. Investments have increased \$1,561,000,000 since July 27, 1921.....or 48 per cent. Loans on stocks and bonds have increased \$807,000,000 since September 7, 1921or 28 per cent. Commercial loans have increased \$502,000,000 since August 30, 1922.....or 7 per cent. Net demand deposits have increased \$1,779,000,000 since September 21, 1921... or 18 per cent.

In their earlier stages, these increases in the volume of member bank credit took place without material use of the credit-making powers of the Federal Reserve Banks. This was owing in large part to the importation of gold, which in the years 1921 and 1922 reached the net amount of \$906,000,000, and provided the banks with additional reserves upon which they were enabled as occasion required to expand their loans and deposits. More recently, however, the increasing demands upon the banks have resulted in their larger use of Federal Reserve credit, and the loans of the Reserve Banks have risen, as appears in the following summary, based upon figures for February 21.

ALL FEDERAL RESERVE BANKS—Earning assets have increased \$143,000,000 since August 9, 1922or 14 per cent. Loans to member banks have increased \$248,000,000 since July 26, 1922...or 65 per cent.

The item "earning assets" includes the Government securities and bankers acceptances held by the Reserve Banks as well as their loans to member banks. The volume of securities and acceptances owned is now considerably smaller than in midsummer, but as such holdings declined the loans to member banks increased by a somewhat larger amount, and earning assets in consequence have recently tended to rise.

As has been seen from the foregoing, both in this district and elsewhere in the country, industry and trade are at or near the maximum productivity of 1919-1920. Thus far the increased volume of credit required by the increased volume of production and the generally higher prices at which goods are being distributed, has been supplied by the banks without much borrowing from the Federal Reserve Banks.

It is, however, to be noted in connection with the present situation, when industry and trade are approaching

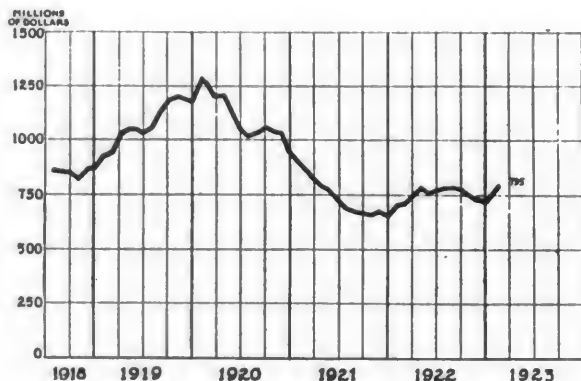
maximum productivity, that the effectiveness of further additions to the volume of credit and the stimulus of rising prices are of diminishing importance in promoting the production and distribution of goods.

Money Market

Following easing in money rates during January, rates in February again became firmer, both for commercial and stock market money. Ordinarily, it is customary for interest rates to begin to reflect in February the gradually increasing credit requirements of spring trade and agriculture, and this year the expansion of industrial activity has been of a character to accentuate these seasonal tendencies. The movement corresponds with the renewed rise of commercial loans at banks.

Open market rates for prime commercial paper rose from a range of $4\frac{1}{4}$ to $4\frac{1}{2}$ per cent. in January to $4\frac{3}{4}$ and 5 per cent. by the latter part of February. Firmness was more marked in New York City, where few of the large buyers were in the market. The market in the interior was somewhat more active and easier than in New York, but likewise showed a firmer tendency. The volume of paper offered was moderate, as the cost to business concerns of borrowing directly from their own banks was generally lower than the cost of borrowing through the open market.

The accompanying diagram carrying forward the record of outstanding paper through January 31 indicates the increased volume of paper distributed during January. Owing to the withdrawal of one of the smaller firms from business the number of reporting dealers was reduced from 27 to 26.



The unusual activity that prevailed in the bill market in January likewise fell off in February, and several of the dealers who had reduced their buying and selling rates by $\frac{1}{8}$ returned them to their former levels, which were $4\frac{1}{8}$ per cent. for purchases and 4 per cent. for sales. The volume of new bills in the market was limited, partly a seasonal condition and partly a reflection of a falling off in the volume of export bills which has recently accompanied the marked advance in American commodity prices.

Increased firmness in the Stock Exchange money market was reflected by an average call loan renewal rate of approximately $4\frac{3}{4}$ per cent. for the first three weeks of February, compared with about $4\frac{1}{4}$ per cent. for the corresponding period of January. After the middle of the month renewals were frequently at 5 per cent. or above, and on several days rates for a portion of the new loans touched 6 per cent. for the first time since December. Stock market time money was quiet, but higher; rates rose from $4\frac{1}{2}$ to 5 per cent.

Security Markets

Accompanying further increase in business activity and increases in commodity prices, the stock market in February again became active and strong. Transactions averaging considerably more than a million shares a day were the heaviest since last June, and the price rise was the most rapid since early last fall.

Industrial stocks rose, on the average, 5 to 7 points to approximately the highest levels reached last October, and were within 22 points of the highest level of November 1919. Railroad stocks were also stronger, partly reflecting heavy rail traffic and larger net earnings, but prices did not fully recover the declines of last fall.

Bond prices were somewhat firmer in the early part of February, partly due to strength in stocks and to a falling off in new security offerings. Averages of corporation issues rose about $\frac{3}{4}$ of a point, and there were corresponding advances in Liberty bonds. French, Belgian, and Central European issues also rallied from the extreme low points reached at the end of January. Later, bond prices again reacted slightly, accompanying firmer money rates.

The volume of new financing fell again to moderate proportions following the high activity of January. A total of approximately \$200,000,000 for the first three weeks of the month, compared with \$726,000,000 for the corresponding period of January, a reduction which permitted more complete distribution of previous issues. The largest single offering of the period was \$25,000,000 Dutch East Indies $5\frac{1}{2}$ s, offered at a price to yield 7.20-6.40 per cent. Since a year ago, bonds placed in this market by that government have totaled \$125,000,000.

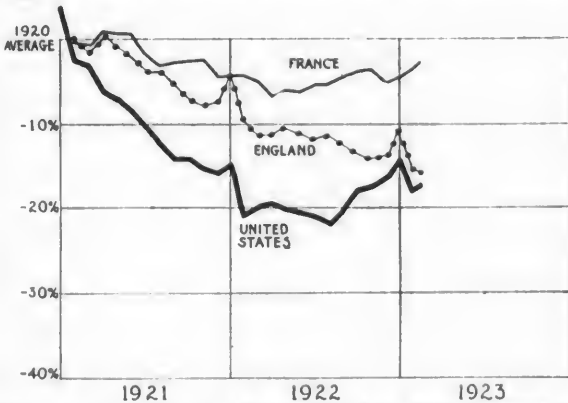
Foreign Exchange

Despite the unsettling influence of developments in the Ruhr, sterling exchange continued its advance in February and on the 21st demand drafts sold at 4.72, a new high point since 1919. A favorable factor of importance during the month was the British acceptance of the American debt funding terms, and their adoption by Congress.

Marks displayed sudden strength in February, and nearly doubled in value from .000024 to .000044, notwithstanding that the note circulation in Germany continued to increase at a more rapid pace. French and Belgian exchanges, on the other hand, dropped to the

lowest points in two years or more, and on February 20 showed a loss of about 1½ cents since the failure of the Paris Conference and entrance of troops into the Ruhr. Weakness in the Belgian rate was accompanied in the latter part of January by an advance in the discount rate of the National Bank of Belgium from 4½ to 5½ per cent.

The accompanying diagram, showing the note circulation in France, England, and the United States, indicates certain of the underlying factors in recent movements of exchange. British currency issues, after a seasonal increase in the fall, have decreased more rapidly than note issues in this country to the lowest point since January 1919. French currency issues are now slightly above the December level and only 2.7 per cent. below the 1920 average. There has recently been no increase in direct borrowing by the government from the Bank of France.



Volume of circulation of paper currency in three countries compared with the 1920 average

Gold Movement

Our exports of gold during January amounted to \$8,470,000, the largest gold exports since October 1922. Of the total, about \$6,000,000 was shipped to India.

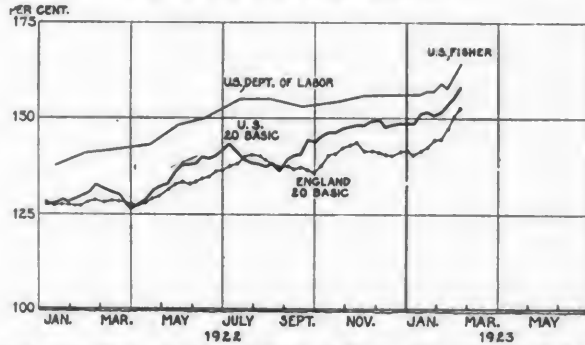
Total gold imports amounting to \$32,820,000 were also larger than for some months past and the excess of imports was \$24,350,000, about the same as in December.

Commodity Prices

Both in the United States and foreign countries the tendency of commodity prices was upward during the month of January and the early weeks of February. This movement was especially marked in the case of French prices, the index for which rose nearly 7 per cent. in January to the highest since January 1921.

The Department of Labor index number of wholesale prices for the United States was at the same level in January as in December; increases in seven of the groups of commodities were offset by decreases in the prices of certain farm products and foods. Early in February Irving Fisher's weekly index number, which includes many of the same commodities as the Department of Labor index number and is computed by a parallel method showed an increase to 164 from the level of 159 in January. This bank's index of 20 basic commodities in-

creased rapidly and there was an even more rapid advance in prices of basic commodities in England. These figures are illustrated by weeks for the year 1922, and thus far in 1923 in the following diagram.



Price indices of 20 Basic Commodities in the United States and England, and Dept. of Labor index for the United States brought to date by Irving Fisher's index for 200 commodities. (1913 = 100 per cent.)

Retail prices, as reflected in the cost of living index number of the National Industrial Conference Board showed practically no change between December 15 and January 15. A slight increase in the price of clothing was offset by a slight decrease in the price of food.

Wages and Employment

Wage rates continued to advance during January and February. A tabulation by the National Industrial Conference Board for the United States shows 42 instances of wage increases and no reported decreases between January 15 and February 14. This is the largest number of increases reported since October.

There was little change between December 15 and January 15 in the number of workers employed in the factories of this State. Increases in some industries were offset by seasonal decreases in others. The largest increases were in clothing and shoe factories, in textile mills and in the metal trades.

Employment agencies in this district report a continued heavy demand for unskilled labor and for factory workers. There has also been a considerable increase in the calls for office workers, particularly stenographers. One agency reports 25 per cent. more calls for office workers than in December. Another agency estimates that the current hiring rate of wages for stenographers is now 5 to 12 per cent. higher than a year ago.

Production of Basic Commodities

A higher rate of operations in the iron and steel industry and the textile industry, the larger production of coal, and increases in the production of a number of other basic commodities resulted in an increase of 6 points in the index of production prepared by the Federal Reserve Board from the figure of 115 in December to 121 in January.

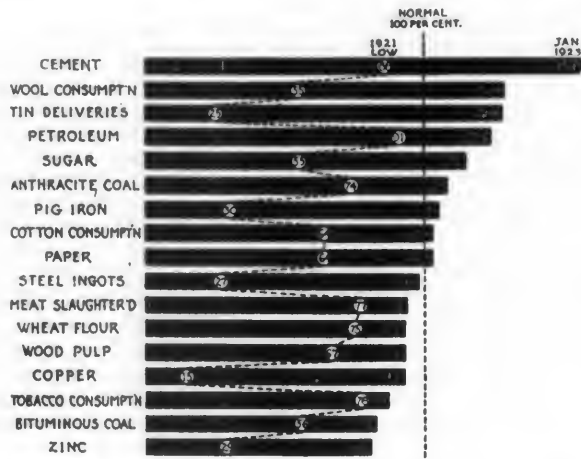
January production of iron and steel was the largest for a single month since 1920, and in the textile industry production was at a rate only slightly exceeded in any previous month.

The increases in production in the past few months have brought the rate of output in a considerable number of industries practically even with, if not ahead of, all previous high figures. The following table makes a comparison between the high points of production reached in recent months and previous high figures. The commodities are arranged in order, with those comparing most closely with previous records at the top.

Commodity	Unit	High in 1922-23	Previous high		Per cent. of present to past high
			Production	Date	
Sugar meltings.....	Long tons	581,000	456,300	Mar. 1921	127
Cigarettes.....	Million	6,375	5,135	Aug. 1921	124
Gasoline.....	Thous. Gal.	569,711	465,788	Oct. 1920	122
Petroleum.....	Thous. Barrels	50,137	41,985	May 1921	119
Cement.....	Thous. Barrels	12,287	10,506	Oct. 1921	117
Wool cons.....	Thous. lbs.	77,685 ^e	74,672	May 1918	104
Cotton cons.....	Running bales	610,375	615,412	May 1917	99
Paper, Total.....	Thous. tons	644	659	July 1920	98
Steel ingots.....	Thous. gr. tons	3,252	3,352	Oct. 1918	97
Zinc.....	Short tons	46,317	48,256	Mar. 1920	96
Anthracite coal.....	Thous. sht. tons	8,757	9,382	Mar. 1918	93
Tin deliveries.....	Long tons	6,625	7,177	Jan. 1917	92
Tobacco cons.....	Thous. lbs.	38,021	41,486	Oct. 1917	92
Cigars.....	Thousand	791,037	872,596	Oct. 1917	91
Wool pulp.....	Thous. tons	332	364	May 1920	91
Swine slaughtered..	Thous. head	5,201	5,846	Jan. 1919	89
Bituminous coal....	Thous. sht. tons	50,123	56,243	Oct. 1919	89
Lumber.....	Million ft.	1,324	1,533	May 1917	85
Pig iron.....	Thous. gr. tons	3,230	3,883	Dec. 1917	83
Cattle and Calves slaughtered.....	Thous. head	1,267	1,557	Oct. 1918	81
Wheat flour.....	Thous. barrels	13,581	17,034	Dec. 1917	80
Sheep slaughtered..	Thous. head	1,028	1,514	Oct. 1913	68
Copper, U. S. mine	Thous. lbs.	110,589	185,525	Mar. 1918	60

^e Estimated.

The accompanying diagram compares the latest available figures for production of basic commodities with computed normal production, taking into consideration the usual year-to-year growth and seasonal fluctuations. It is clear that at present production is on the average considerably above computed normal.



Production of Basic Commodities in January, and the low point of 1921 compared with Normal Production. When January figures are not available those for December are used.

Industrial Recovery Abroad

It has been the common impression that this country has been almost unique in the extent of recovery in business activity which has taken place since 1921, and it appears to be commonly believed that there has been little, if any, recovery in the European countries.

Figures are not available to make possible any exhaustive measurement of European conditions such as is now possible in this country, with the wealth of statistics appearing currently. A few key figures, however, are available and they are presented in the accompanying table. Pig iron and coal production are so interrelated with all types of industry that they usually reflect rather closely the status of a country's industrial activity. The tonnage of ships cleared is moreover an excellent measure of the movement of foreign trade. The figures for these three factors are shown in the following table as percentages of the figures for the year 1913. It is clear that in these factors at least the recovery in 1922, as compared with 1921, has been practically, if not quite, as great in England and France as in this country, although current levels of activity are on the whole lower in relation to 1913 than they are in the United States. A number of the figures for 1922 are estimated on the basis of reports for 10 or 11 months.

	1913	1920	1921	1922	Per cent. Change 1921 to 1922
<i>Pig Iron Production</i>					
United States.....	100	119	54	87	+ 61
England.....	100	78	26	47	+ 86
France.....	100	66 ^a	66 ^a	95 ^a	+ 44
<i>Bituminous Coal Production</i>					
United States.....	100	119	87	85	- 2
England.....	100	80	57	86	+ 51
France.....	100	78 ^a	85 ^a	94 ^a	+ 11
<i>Tonnage of Ships Cleared</i>					
United States.....	100	126	116	120	+ 3
England.....	100	54	54	88	+ 63
France.....	100	65	83	101	+ 22

^a—Including Alsace-Lorraine.

Supplementing these figures for the United States, England and France, a table prepared by E. S. Gregg, of the Department of Commerce, indicates a substantial reduction since last year in the amount of shipping tonnage idle in the principal maritime countries of the world. The total shows a reduction of about 2,000,000 tons during the year. The United States is almost the only country showing no reduction in ship tonnage idle.

(In thousands of gross tons)

Country	Jan. 1, 1922	July 1, 1922	Jan. 1, 1923
United States:			
Shipping Board.....	4,314	3,978	4,411
Shipping Board tankers.....	*214	*214	214
Privately owned.....	781	523	703
United Kingdom.....	1,991	1,667	1,010
France.....	1,085	1,200	730
Italy.....	*585	585	472
Holland.....	327	330	330
Norway.....	207	112	53
Sweden.....	204	114	22
Greece.....	170	100	116
Japan.....	120	79	99
Belgium.....	*275	*275	275
Denmark.....	161	33	...
Spain.....	*530	530	520
Total.....	10,934	9,740	8,955

*—Interpolated from best available data.

The available figures indicate that the reduction in idle tonnage has reflected a corresponding increase in the amount of ocean-borne traffic. The heavy traffic accompanies exceptionally low freight rates and small shipping profits.

Foreign Trade

Total shipments of merchandise from the United States in January, valued at \$339,000,000, were about \$5,425,000 less than in December, but 20 per cent. greater than those of January a year ago and 66 per cent. greater than those of January 1914.

The Department of Commerce also published during the month figures for the imports in November, the second full month under the new tariff rates. These amounted to \$294,000,000, an increase of \$18,000,000 over the October figure but about \$4,500,000 less than in September, when imports were unusually large in anticipation of the new tariff rates.

Wholesale Trade

Wholesale trade in January, as shown by sales reports in dollars from dealers in ten chief commodities, was about 23 per cent. above sales in January a year ago.

January sales in all lines were larger than those of a year ago. The largest gain was in the distribution of machine tools, mainly due to buying by railroads and railroad equipment plants. Hardware sales were about 40 per cent. above those of last year, a reflection of the large amount of new construction work now under way.

The figures are shown in detail in the table that follows.

Commodity	JANUARY NET SALES (In percentages)				
	1919	1920	1921	1922	1923
Machine Tools.....	646	599	322	100	292
Diamonds.....	274	308	100	100	160
Hardware.....	151	190	135	100	139
Shoes.....	120	304	93	100	133
Jewelry.....	143	297	112	100	132
Groceries.....	129	174	110	100	124
Clothing.....	106	154	106	100	121
(a) Men's.....	131	158	76	100	123
(b) Women's.....	90	150	126	100	120
Dry Goods.....	97	171	76	100	118
Drugs.....	97	114	91	100	117
Stationery.....	118	130	133	100	113
Total (Weighted).....	113	168	103	100	123

Department Store Business

The annual inventories of the department stores of this district taken recently, showed that as a result of active Christmas business and January clearance sales stocks were reduced to the lowest point since a year ago. The ratio of stock to sales considering the seasonal changes is now as low as at any time in the last 18

months. Increasing sales have fully kept pace with the somewhat freer placing of advance orders.

The dollar value of January sales was 10 per cent. above that of January a year ago. Some department store executives are of the opinion that prices at present are slightly above those of a year ago; others believe that there has been no change or that prices today are a little below those of January a year ago. Because of the wide variety of articles handled by the department stores it is difficult to estimate the relationship of prices this year to those of February 1922. Retailers assert that the price advances which have occurred in wholesale markets have not been fully reflected in the retail field. Retail prices are more stable and seldom go as high as wholesale quotations.

February sales of furniture have been large, partly because of the construction of many new homes.

Mail order sales in January were 36 per cent. above those of January 1922, about the same increase as shown in December over December 1921.

	JANUARY SALES (In Percentages)					STOCK ON HAND, FEB. 1 (In Percentages)				
	1919	1920	1921	1922	1923	1919	1920	1921	1922	1923
All Dept. Stores..	78	113	108	100	110	77	111	97	100	201
New York.....	78	117	108	100	111	75	110	95	100	101
Buffalo.....	84	113	119	100	110	87	122	106	100	99
Newark.....	76	108	101	100	113	78	124	100	100	109
Rochester.....	77	103	113	100	97	84	128	127	100	93
Syracuse.....	81	114	107	100	102	85	115	104	100	88
Bridgeport.....	88	142	117	100	113	113	115	95	100	97
Elsewhere in 2nd District.....	78	109	103	100	106	76	94	83	100	101
Apparel Stores.....	74	93	111	100	107	62	101	89	100	107
Mail Ord. Houses..	131	182	105	100	136	**	**	**	**	**

Chain Store Sales

The large distribution of merchandise, reflected in department store reports, is also evident in sales figures submitted by chain stores. Sales of apparel were nearly 30 per cent. larger than a year ago, while sales by five and ten cent stores and by grocery stores show substantial advances. There were smaller gains in sales of drugs, shoes and tobacco. The number of pairs of shoes sold by the reporting firms increased 7.7 per cent. from January 1922 to January of this year and the average price per pair declined 2.9 per cent. from \$3.50 in January a year ago to \$3.40 this year.

Detailed figures are shown in the following table.

Type of Store	Number of Stores		JANUARY NET SALES (In Percentages)					Per cent. Change in Sales per Store, Jan. 1922 to Jan. 1923
	Jan. 1922	Jan. 1923	1919	1920	1921	1922	1923	
Apparel.....	388	454	57	77	116	100	129	+ 10.4
Grocery.....	7,082	9,596	70	96	87	100	118	- 12.6
Ten Cent.....	1,733	1,761	74	92	91	100	123	+ 20.6
Drug.....	281	289	83	102	101	100	106	+ 2.8
Shoe.....	200	223	84	113	109	100	105	- 8.1
Cigar.....	2,230	2,754	67	96	108	100	104	- 15.7
Total.....	11,914	15,082	71	95	94	100	117	- 7.3

Business Profits in 1922

STATISTICS of production, sales, and shipments which appear currently furnish a fairly precise measure of the extent of the increase in business activity which has taken place in the past year and a half. No accurate measure exists, however, for that even more important aspect of business, the amount of net profits. In order to secure an approximate measure of the trend of profits this bank has tabulated, as they have been published, the statements of net profits for the year 1922 of 122 concerns engaged in production, wholesale and retail trade, and public service.

The results of this tabulation are shown below by 10 separate groups and in the aggregate. There is also shown the net operating income of the 193 Class I railroads. In each case 1919 figures are taken as 100 per cent.

In every group 1922 net profits were larger than net profits in 1921, but there is large variation between the different groups in the amounts of increase which they show. In 4 of the 10 groups, and in the case of the railroads as well, 1922 net profits were equal to, or larger than those of 1919. The aggregate figures for the 10 groups, however, show 1922 figures considerably below those for either 1919 or 1920, reflecting reduced earnings in the steel and other metal industries. In general, the figures show that 1922 net profits were highest in relation to 1919, in those industries which deal most directly with the individual consumer. This is true in the cases of food and food products, public utilities, tobacco, and clothing. On the other hand, in those groups in which production is directed to supplying industry rather than the final consumer, profits in 1922 lagged considerably behind those in 1919 or 1920. The railroads show consistent gains since the year 1920, but even so the percentage of net operating income to property valuation continues to be less than the 5½ per cent. specified in the law.

A further reflection of changing business conditions is found in the number of concerns which reported deficits. Of the 122 concerns reported, the number showing deficits in each year were as follows:

1919	5	1921	34
1920	9	1922	18

The dollar figures upon which the diagram is based are shown in the following table, together with the number of concerns included in each classification. Under the heading "stores" are listed mail order houses and other mercantile establishments. In taking a total, the dollar figures in each group have been added without any attempt to weight the figures. It should be borne in mind in interpreting these data that they are simply for a group of concerns figures for which were available and are not necessarily typical of all the concerns which deal in the products represented. In a few cases where it has been necessary, fiscal years not corresponding exactly with the calendar years have been used.

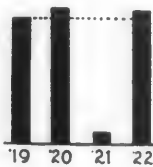
Computations of net profits have been before dividends, but after all fixed charges and tax deductions.

(Thousands of Dollars)

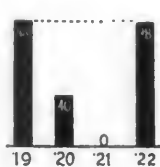
Group	No. of Corporations	1919	1920	1921	1922
Food and Food Products.....	15	51,501	55,255	10,270	54,408
Stores.....	7	41,447	16,658	*9,938	40,752
Motors and Accessories.....	11	53,767	25,757	*23,576	36,408
Miscellaneous Metals and Oils.....	5	10,851	7,544	959	2,313
Public Utilities.....	24	59,970	67,872	71,513	97,222
Steel and Railroad Equipment.....	14	140,626	176,661	50,466	62,738
Tobacco.....	9	29,118	30,822	31,007	39,902
Miscellaneous Metal Products.....	10	24,996	22,038	5,281	15,228
Clothing (Includ. Leather and Textiles).....	12	28,193	10,312	13,371	28,670
Miscellaneous Industrials.....	12	36,952	36,913	*13,025	17,175
Total 10 Groups.....	122	477,421	449,832	136,328	394,816
Class I RR's.....	193	516,290	58,152	615,946	776,421

*Deficit.

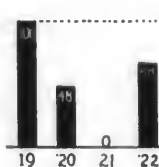
FOOD &
FOOD PRODUCTS



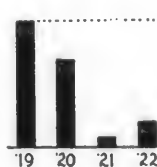
STORES



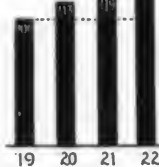
MOTORS &
ACCESSORIES



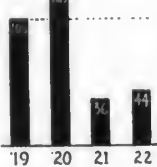
MISCL METALS
& OILS



PUBLIC
UTILITIES



STEEL & R R
EQUIPMENT



TOBACCO



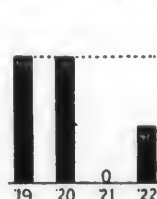
MISCL METAL
PRODUCTS



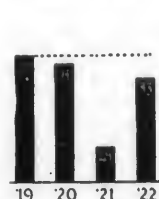
CLOTHING
INC. LEATHER
& TEXTILES



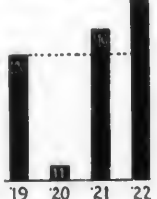
MISCL
INDUSTRIALS



TOTAL TEN
GROUPS



CLASS I
RAILROADS



Annual Net Profits of 122 Manufacturing and Merchandising Concerns and of the Class I Railroads (1919 profits = 100 per cent.)