

Consequently the Department's investigation has, in the main, been divided into two sections—one relating to the general wholesale soft-goods trade, and the other dealing with what may be called the "tweed trade."

#### GENERAL SOFT-GOODS TRADE.

It is noteworthy that the wholesale warehousemen are not in that favoured position of being the sole channel through which retailers may secure their supplies. The fact is often overlooked that retailers may, and sometimes do, secure very large supplies per medium of indent and manufacturers' agents having touch with the actual producers of the goods in foreign countries. During the war period, however, circumstances tended—temporarily at least—to increase the hold which the wholesale warehousemen had upon the market, in so far as agents were unable to secure supplies during a period when production fell very much short of the demand. The large wholesalers, having their own branches in England, were in a much better position to buy and ship the orders remitted by their New Zealand houses.

The Department has previously stressed the fact that the only satisfactory method of determining whether or not any particular class of trader has dealt justly and fairly—from a profit point of view—with the subsequent handlers of goods and with the public is by an inspection of the financial and trading records, which present from year to year the total cumulative results of the trading operations for each period. To endeavour to analyse intensively the profit taken in respect of any individual line of goods, and to exclude consideration of other articles handled by the trader, is to follow a course which in many cases would lead to quite unfair and unjustifiable conclusions.

In order, therefore, to present a general view of the profit taken by the soft-goods warehouses, the annual accounts of a number of the wholesale firms have been analysed for the years ended, generally, in January, 1914, 1919, and 1920.

#### PROFITS IN RELATION TO TURNOVER.

The following table shows for each of the three years under review the turnover, gross profit, and percentage of gross profit on turnover :—

			Sales. £	Gross Profit. £	Percentage.
Trading-year 1914	..	..	2,381,402	452,088	18.98
" 1919	..	..	3,866,860	892,571	23.08
" 1920	..	..	4,936,807	1,077,367	21.82

A very substantial increase in turnover took place between 1914 and 1920—an increase of approximately 107 per cent. In the same period the gross profit increased by 138 per cent. The average percentage of gross profit on turnover was higher in 1920 than in 1914, and higher in 1919 than in 1920. This position is common to each of the firms covered by the above figures. None of the firms has exceeded in any of the three years a percentage of 24.33 on turnover. The highest percentage in 1920 was 22.67. The net profits *before deduction of income-tax* were as follows :—

			Sales. £	Net Profits before Deduction of Income-tax. £	Percentage on Turnover.
Trading-year 1914	..	..	2,381,402	82,072	3.44
" 1919	..	..	3,866,860	360,210	9.31
" 1920	..	..	4,936,807	453,565	9.19

It will be seen, therefore, that the net profits showed an increase as between 1914 and 1920 of approximately 450 per cent. The turnover, however, had increased by over 100 per cent., and the *rate* of net profit on sales in 1920 was approximately 170 per cent. higher than in 1914. This higher rate of net profit on turnover has been secured by reason of (1) the higher rate of gross profit, and (2) the reduced rate of overhead expenses (excluding income-tax) to sales. Figures already given show the increase in the rates of gross profit. The following figures indicate the decrease which took place in the percentage of overhead expenses to turnover :—

			Sales. £	Overhead Expenses (excluding Income-tax). £	Percentage.
Trading-year 1914	..	..	2,381,402	370,016	15.54
" 1919	..	..	3,866,860	532,361	13.77
" 1920	..	..	4,936,807	623,801	12.63

These figures show that while the overhead expenses increased considerably, they showed an appreciable fall relatively to turnover, and consequently the rate of net profit tended to increase.

The foregoing figures relating to net profits and overhead expenses were arrived at by disregarding income-tax paid or payable by the firms in each of the three years in question. The amount of this tax was as follows :—

					Income-tax. £
Trading-year 1914	..	..	..	..	5,863
" 1919	..	..	..	..	143,346
" 1920	..	..	..	..	176,089