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and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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In the third week of July there were signs that business in the fourth district had improved slightly from the depressed condition which prevailed during most of the year to date. Some of the gains in recent weeks were only seasonal, but this was a welcome change to the sharply contracting trend that has continued through the past nine months. Comparisons with last year are still very unfavorable in practically every instance. Despite this fact, sentiment has greatly improved.

Except in a few cases, figures now available pertain to June, and from a purely statistical position they were little above the low point. The most favorable sign was to be found in the retail trade field. The index of department store sales, after allowing for seasonal changes, was up 3.5 points in June, and weekly figures in July revealed a further narrowing of the spread between current sales and last year. In the four weeks ended July 23, dollar sales at leading stores were 13 percent smaller than in the comparable period of 1937, whereas in the first six months the drop in sales was 15 percent, while in June alone it was 20 percent. Department store inventories continue to contract, and at mid-year they were 11 percent smaller than a year ago. Collections have held up well and installment buying is much reduced.

In the industrial field, the steel industry led in the amount of improvement shown. So far as primary steel production was concerned, operations were up sharply by the third week of July from the 24 percent low of the year. The national rate, however, was still only 37 percent of capacity, compared with above 80 percent last year, and demand for finished steel has not increased in proportion to basic production, although it has improved. Inquiries are more numerous and there is a slight disposition to buy a little further ahead. The rise in the price of scrap steel to \$15.25 a ton from a low of around \$10 in the trade was felt to have favorable implications.

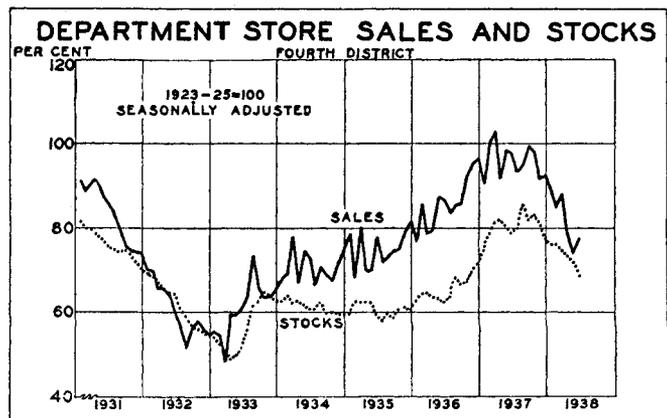
More lake vessels were operating in late July transporting ore, grain, and coal, than at any time this year, but the comparisons of loadings with last season were unfavorable. Coal loaded into vessels this year amounted to 12,085,000 tons, a drop of 43 percent from 1937, and ore shipments so far this season were approximately 80 percent smaller than the record for last year to July 1.

In other industrial lines some gains were evident, although partly seasonal. Machine tool orders advanced slightly; shoe production was up; there was a sizable demand for metal containers from miscellaneous users; clothing plants were more active; glass production has risen somewhat from extremely low levels; some auto parts plants curtailed operations, while others were recalling employees to begin work on small parts orders for 1939 models; rubber plants reported a gain in replacement sales and miscellaneous rubber products; and electrical plants experienced a slight rise in orders.

Employment figures for June were lower than in May by a moderate amount, although increases ranging from two to five percent were reported by the food products, stone, clay and glass, textile, and miscellaneous industries. The combined index dropped two percent in June in both Ohio and Pennsylvania. Reports of reemployment and more hours worked per week were more noticeable after the July holiday than for some time, although compared with last year employment indexes were still very low.

Building activity also reflected this better sentiment in June, for contemplated construction reported in this territory was more than double last year, and actual contracts awarded were 18 percent larger in June than in May. Residential work started in June was about equal to last year, but non-residential and public construction lagged.

In the agricultural field, crop prospects were very good,



in most cases, though lower prices and somewhat smaller demand have reduced income received, and prospects for the remainder of the crop year, in comparison with 1937. An unusually large wheat crop of excellent quality has just been harvested in this district with yields above average in most areas.

FINANCIAL

An increase, to the highest level since March, occurred in the amount of credit extended by weekly reporting member banks in leading cities of the fourth district, in the four weeks ended July 20. The rise, however, amounting to \$26,000,000, was entirely due to an expansion in the investment accounts, chiefly through purchase of Government and Government-guaranteed securities. Holdings of the latter have increased 50 percent since the beginning of the year. Government securities owned expanded \$20,000,000 to \$745,000,000 in the four latest weeks, the highest since late March. They are still 12.8 percent, or more than \$100,000,000 below last year. Investment holdings of other than Government securities on the latest date were larger than at any time this year, but they were slightly smaller than a year ago at this time.

Total investments of these banks on the latest date constituted 62 percent of all credit extended by them, compared with 60 percent at the end of the first quarter. A year ago, investment holdings of these banks represented 63 percent of total loans and investments, indicating that, although loans have declined quite steadily so far this year, they represent a slightly larger share of credit extended by banks in leading cities of the fourth district at present than they did in July 1937.

Commercial loans, after declining in June and the first week of July, showed a slight increase in the two following weeks, the first upward movement in ten weeks. Real estate, brokers', or other stock purchase loans showed practically no change in the four latest weeks, and all were lower than a year ago at this time.

Total deposits at the reporting member banks continued to increase in the four latest weeks, and on July 20 they were approximately \$100,000,000 above the recent low point in late March, and about the same as a year ago. Government deposits at these banks were unchanged since the beginning of 1938, but the paying out again of Government funds to individuals and corporations, in the many ways such funds are being distributed greatly in excess of receipts, causes individual demand deposits at banks to expand. These have now risen to the highest level of the year, \$61,000,000, or six percent, above the low point in March, and only three percent under last year at this time when demand deposits were close to their 1937 recovery peak. Time deposits also showed a further increase in the four latest weeks, and savings deposits at selected banks were two percent larger in June than a year previous.

Reserve Bank Credit This bank's holdings of bills and securities were reduced by \$5,616,000 at the end of June through the quarterly reallocation of the Reserve System's holdings of Government Securities among the various reserve banks. With this exception, little change was evident in the condition figures of this bank in the four latest weeks. Repayment of industrial loans continued in excess of the rate at which new loans were being made, and discounts for member banks fluctuated at low, but also declining levels. In the latest four-week period

they touched the lowest point of the year. Demand for Federal reserve notes increased in early July, because of holiday requirements, but by July 20 circulation had dropped back to the level of late June. On the latest date, circulation of this bank's notes was about \$30,000,000 less than a year ago.

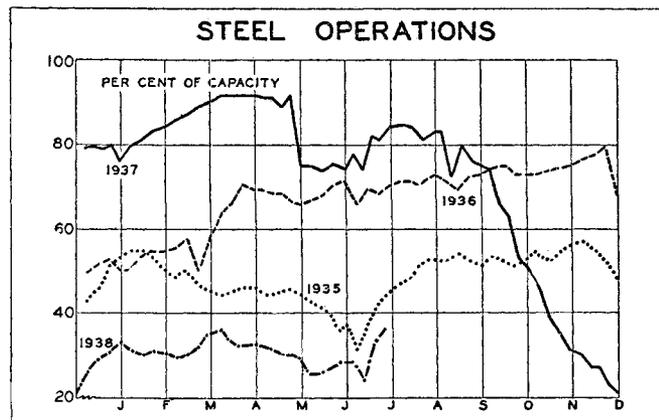
Member bank reserve deposits showed a slight net decline in the four weeks ended July 20, after increasing in the first two weeks of the month. There was practically no change in estimated excess reserves of member banks in the four latest weeks. They were close to \$174,000,000, or 58 percent above requirements. Country banks continued to show the largest excess, proportionately, 63 percent, while the estimated excess at reserve city banks was 56 percent.

MANUFACTURING, MINING

Iron and Steel Activity in the iron and steel industry improved abruptly during July, contrary to the usual seasonal trend. After dipping sharply early in the month as a result of holiday shutdowns, ingot production for the entire country recovered more than 50 percent from its very low level, to reach a new high for the year at 37 percent of capacity in the final week of the period.

Pittsburgh mills operated as high as 30 percent late in July, a gain of seven points since a month before and comparing with the year's low of 15 percent. Youngstown operations touched 35 percent, a seven-point gain, while Cleveland producers stepped up their schedules to 26 percent from 23 percent at the end of June. Wheeling and Cincinnati mills increased operations to around 50 percent in late July, the best rates of the year.

Sharing attention with the rise in steelmaking was the radical change in the industry's method of quoting prices, first announced late in June and elaborated by additional revisions in July. This change results in virtual abandonment of the last traces of the old "Pittsburgh-plus" method of quoting steel prices. Additional basing points for various products followed first announcements of the plan, with prices generally established at a parity with those at Pittsburgh. The new system is such an innovation in the steel industry that it will be some time before its full effect can be appraised. Steel men insist the change tends to localize markets and places at a disadvantage mills whose facilities are concentrated at points removed from consuming centers. Other mills are supposed to benefit by the change, only because freight rates



are lower to points of greatest steel consumption. From the consumers' standpoint, however, the revision is helpful since it represents a sharp drop in delivered steel prices, which eventually should lead to a greater consumption of goods and increased demand for primary steel.

Recovery in steel ingot production during July ran somewhat ahead of actual gains in finished steel sales and consumption, for the reason that producers found it necessary to bolster low stocks of semi-finished material. Ingot output, consequently, increased more rapidly than did steel buying, although there was a moderate, but diversified improvement in orders following the holiday period, and steel producers were encouraged by the fact that a turn for the better has occurred during what normally is a period of receding activity.

A somewhat better feeling pervades the steel industry, but it does not appear to be based on any marked gain in orders or inquiries, though both have increased some. Inventories are down, but buying of steel beyond immediate requirements for orders already on hand is limited and chiefly from miscellaneous steel users. The automobile, railroad construction, and agricultural implement industries are taking steel in small quantities at present. The importance of the miscellaneous steel industries as consumers is oftentimes overlooked, but last year more steel was used in this way than by the automobile and agricultural implement industries combined.

While a \$4 price reduction stimulated pig iron sales sharply in July, shipments and production showed little change, compared with June figures. Production in June was 1,055,597 tons, against 1,260,937 tons in May and 3,115,302 tons in June 1937. In the Cleveland district, June output of 56,999 tons compared with 61,876 tons in May and 176,041 tons a year ago. Seven fewer blast furnaces were active at the beginning of July than a month earlier. Iron ore shipments on the Great Lakes so far this season have shown little disposition to increase. In the first six months only 4,279,000 tons were shipped, less than one-fifth the amount transported in the comparable period of 1937. Large ore supplies remain at furnaces and on Lake docks.

Coal

There was a moderate increase in coal production at fourth district mines in June over May, chiefly a seasonal change, but actual output, at 8,467,000 tons was 37 percent less than last year at that time. In the first six months, local mines produced 38 percent less coal than in the first half

of 1937. While there has been a slight improvement in demand for soft coal from industrial users, the bulk of the increased production represented movement of coal to Lake ports for shipment to points of storage where it will be drawn upon during the winter months. This movement has been much smaller so far this year than in 1937, although a slight gain was evident in recent weeks. Retail yards also are building up supplies moderately. Industrial grades now are being purchased as needed, inventories having dropped more than 10,000,000 tons in the past year. Reflecting the sharp contraction in consumption, however, current industrial inventories of under 28,000,000 tons were sufficient to last 43 days at the present rate at which coal was being used, compared with 40 days' supply last year at this time when stocks were 38,000,000 tons.

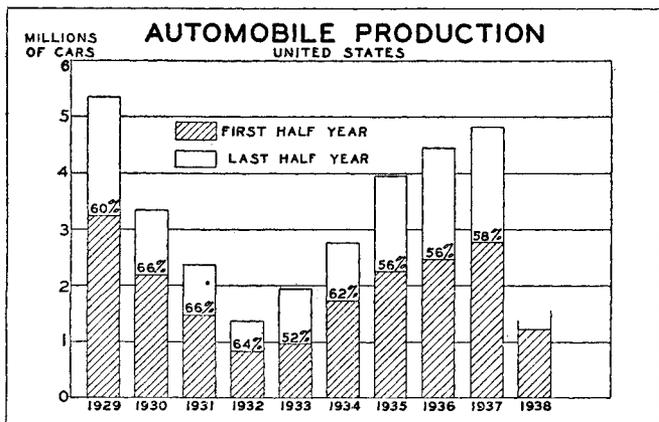
By-product coke production is about half what it was last year, and operations of beehive ovens have been sharply curtailed to about one-sixth of what they were at this time in 1937.

Automobiles Auto Parts

Earlier reports of an anticipated almost complete cessation of auto assemblies in July were premature. While operations tapered off after recovering from the holiday shutdowns, and, in comparison with last year, were at relatively low levels, they held up better than expected. The industry was reported to have been buoyed by improved retail sales following the change in general sentiment which caused new cars to move out at a rate in excess of production, and used car sales to increase in some areas. July new car sales figures for this district are not available. In June, however, they declined a little more than seasonally, and were off 70 percent from June 1937. Truck sales in June were down 63 percent in principal counties from last year, and 21 percent fewer were registered in June than in May. In the entire country, however, it was estimated that nearly 20,000 more new cars and trucks were sold in June than were produced in the same period.

Actual June output was reported at 174,667 cars and trucks by the *Department of Commerce*. This was a drop of nine percent from May, somewhat more than seasonal, and the Federal Reserve Board's index was 46 percent of the 1923-25 average, approximately one-third of what it was a year ago. Actual output in June 1937 was just under 500,000 cars and trucks. In the first six months of this year, 1,203,874 cars and trucks were turned out by American manufacturers, a drop of 57 percent from output in the corresponding period of last year, when 2,788,000 new automobiles were built. In 1937 the industry made 58 percent of its annual total in the first six months. Other percentages are shown on the accompanying chart. Drastic curtailment of production in the first half of 1938, and preparations to introduce new models earlier in the season than in either of the two past years might change the relationship somewhat in the two periods this year.

The reduction in new passenger car production in June from last year continued to exceed the drop in truck output. Passenger cars made in the latest month totaled 136,500 units, a drop of 67 percent from June 1937. Truck production in the same period, at 38,136, was off 56 percent from last year. In June, truck production represented 22 percent of total output, whereas last year it was 17 percent.



Auto parts plants in Ohio reported employment in June off 60 percent from last year, and down ten percent from May to 40 percent of the 1926 average. Scattered reports of slight increases in employment in July, or increases in number of hours worked, have been received. While these gains, representing expanding operations, are occurring earlier than in other recent years, they reflect moving forward of new-model activity and possibly in a few cases, fabrication of parts for cars to be produced in the remainder of the season, which a month ago were not reflected in the general picture.

Parts makers report increased orders and production of sample materials, and in some cases the placing of orders for small quantities of 1939 model requirements, but releases on these orders have not been received, and buying is being limited to 60-90 days at the outside. Sentiment is much improved, but this was not evident in the orders booked.

Rubber, Tires Consumption of crude rubber in June by domestic users increased 5.8 percent over May, to the highest rate since November 1937. At 30,629 tons, however, it was 41 percent under June last year when 51,860 tons were used. This increased use of crude rubber reflected in part greater demand for replacement tires in most sections of the country. With dealer stocks low, this was accompanied by heavier buying from factories, and a slight stepping up of production to round out manufacturers' stocks which were about 30 percent smaller than a year ago, and under 9,000,000 casings in June for the first time since 1936.

While June employment figures for the rubber industry, in both Ohio and the entire country, were down from May, and in Ohio were 32 percent less than a year ago, a rather spotty situation existed. From reliable sources in the trade, it was learned that companies relying chiefly on replacement sales were operating five to six days a week, at or close to capacity levels, while plants depending on the original equipment market for a good share of their business, were operating at somewhat lower levels. Demand for mechanical goods, rubber sundries, and footwear was less than a year ago, but it has held up fairly well, all things considered, and has improved in the last few weeks.

Interest recently has centered on the crude rubber situation and price developments. The sudden rise in rubber prices from a low this year of 10.3 cents to 15.5 cents a pound on July 25, appeared to be the more or less expected reaction to the improved rubber outlook and the anticipated smaller imports under the 45 percent export quota during the third quarter of this year. So far as the rubber industry was concerned the price advance removed two disturbing elements. It tended to quiet rumors of a possible reduction in retail tire prices. The rise also occurred just at the time of inventory taking and thus removed the necessity for making sizable downward adjustments in rubber stock values, since much of the present inventory was acquired at prices somewhat above the low of 10.5 cents a pound. Stocks of crude rubber on June 30 were 294,566 long tons, approximately 125,000 tons larger than a year ago at this time, according to the *Rubber Manufacturers' Association*. Rubber inventories declined slightly in the second quarter as imports receded. In June, only 26,011 tons arrived at United States ports, a decrease of 47 percent from the 48,956 tons imported last year. With the

45 percent quota now prevailing, instead of 60 percent in the second quarter, shipments from producing centers will be further reduced. World rubber stocks at present are 600,000 to 650,000 tons, over half of which are in the United States. In the first half year, domestic consumption was 171,344 tons, approximately 35,000 tons less than were imported in the period.

Clothing Makers of women's apparel in this district have resumed operations after a longer-than-usual between season shut-down, and men's wear manufacturers stepped up schedules slightly, although in each case the comparison with last year was unfavorable. Advance buying by retailers has been on a very conservative unit basis, from 15 to 40 percent below this season of 1937. Despite this fact sufficient orders have been obtained to keep production at about present rates until early fall when it is hoped store inventories of winter merchandise, carried over from last season, will have been liquidated sufficiently to permit reordering of winter goods in substantial volume. In some retail circles a modest improvement in sales has occurred recently, but declines from last year were still evident in most areas. Stores in this district reported sales of clothing in June from 20 to 30 percent smaller than in June 1937, with men's clothing sales showing the largest decreases. Clothing inventories at these same stores at the end of June were down 3.6 percent in the case of men's wear, and 12.3 percent in women's apparel from last year. Spring and summer clothing was purchased in very conservative volume by retailers and has moved well, which accounts for the favorable position, even though winter wear inventories are relatively large.

Reflecting the improved sentiment in the clothing situation wool buying by textile mills and purchases of wool goods by manufacturers has increased recently. Wool sales in mid-July represented one of the heaviest movements of the season.

Employment at 136 Ohio clothing and textile plants in June was up five percent from May, and further improvement was reported in July. This was entirely seasonal, however, and compared with last year, employment at these plants was down 25 percent.

Other Manufacturing A few signs of a reversal of the downward trend have become evident in recent weeks, even though most changes were seasonal in character. Miscellaneous Ohio manufacturing concerns reported an increase of two percent in employment in June over May, but the decline from last year was still 14 percent. This compared with a decrease of 25 percent in total Ohio industrial employment in June. Food product, stone, clay and glass, and textile industries also reported increased employment in June over May ranging from two to five percent. In some cases where no employment gains were evident, slightly larger payrolls, reflecting additional hours worked, were evident. Reports received from various lines indicate that an improvement in general sentiment has developed in recent weeks, based largely, as yet, on hopes for better business. Inquiries have become more numerous in some lines, but actual buying is proceeding quite cautiously.

Machine tool purchases in June, both from foreign and domestic sources, showed a minor gain over May, the combined index of new orders rising 3.5 points, or about five percent. The improvement in foreign buying was

greater than in domestic orders and the former constituted 49 percent of all orders received in June. A year ago foreign purchases were 28 percent of total orders. Combined buying was off more than 60 percent in June from last year at which time the industry was operating at peak rates on backlogs accumulated during the first half of 1937 when plants could not keep up with orders then being received. Small tool sales have shown little change in recent months, being about 60 percent of estimated normal, according to reports.

Foundry equipment orders declined about one-third from May to June, and some cancelations were reported. Buying was about 75 percent less than a year ago at this time. Unfilled orders continue to recede as shipments exceed new purchases, and while the former still were 140 percent of the 1922-24 base period in June, they were down 62 percent from last year at this time. Employment in the machinery and metal products industries in June was down four percent from May, and in the former was behind last year by 35 percent, while metal products plants were off 18 percent.

Electrical manufacturers reported a slight rise in unfilled orders in June, and a sizable railroad order was placed in July with two large local manufacturers. Comparisons with last year of employment, orders, both new and unfilled, were quite unfavorable in June. Inventories of raw materials were down considerably, and any increased activity would necessitate material purchases to replenish these supplies, according to reports.

Output of plate glass rose sharply in June from an extremely low level during most of the year to date, when monthly production was less than the 1932-33 average, but comparison of current operations with other recent years at this time was still quite unfavorable. The stone, clay and glass products industry reported a two percent gain in employment in June over May in this territory, but the decrease from June 1937 was still 24 percent. A further slight gain in July was indicated as factories recalled additional employees. China and pottery plants generally experience a falling-off at this season of the year, and despite recent reduced operations and sales this year was no exception. Operations in June and early July were at about 40 percent of capacity. Placing of orders at the New York houseware show was on a very conservative basis. The inventory situation is satisfactory, generally; one plant reported them at the lowest level in history of company.

Paper and boxboard plants report a slightly improved situation, in that inventories were further reduced, and orders received increased slightly in June and the first half of July. In June the paperboard industry operated at about 57 percent of capacity, while orders were placed for a slightly larger volume. Employment has not increased, but in June it was only 11 percent under last year, though a greater reduction in hours worked was evident.

Shoe factories in this district reported an increase of 7.8 percent in production in June over May. This was less than seasonal, however, and total output was 27 percent smaller than a year ago. In the first half of 1938 output was 17 percent smaller than in the comparable period of 1937. Low-priced footwear has been in much greater demand than other grades, and this has resulted in a rather spotty condition. Some plants are running

at or close to peak levels, while others are working part time. Higher leather prices have stimulated some footwear buying by wholesalers and retailers to round out inventories, but this has been moderate. Reports from retailers indicate that summer footwear has been moving in good volume and inventories are not large. Collections have held up well.

TRADE

Retail Judging by reports from department stores throughout the district, retail buying not only showed a smaller decrease in June from last year than was reported in May, but the contraction in dollar sales was less than usual for this time of year. The seasonally adjusted index of daily average sales rose 3.5 points, recovering a good share of the May decline, to 77.5 percent of the 1923-25 average. Dollar volume, however, was still 20 percent smaller than a year ago. Price reductions continue to be a factor in the smaller sales, for *Fairchild's* index of department store prices receded slightly further in June, to a level about seven percent under last year at this time. Lower prices were quite general, but not evenly distributed as to amounts. Stores in Columbus, Cincinnati, and the smaller cities of the district not reported separately, experienced smaller-than-average contractions in June dollar sales, but in these areas industrial activity is more diversified than in such cities as Toledo, Akron, Cleveland and Pittsburgh, where larger-than-average decreases were reported.

The slight improvement in June continued through the first half of July, judging by weekly sales reports, which for seven consecutive weeks showed smaller declines from last year than in the preceding week's comparison. Sales of wearing apparel and furniture stores in this district also showed less of a falling-off in June from last year than in May, although at the latter dollar volume was very much reduced, being 45 percent less than a year ago and off 42 percent in the first six months.

Credit sales in June represented a smaller share of total sales than in May, or in June 1937. The drop was entirely in installment sales which represented 6.4 percent of total sales in June, compared with 8.4 percent in May and ten percent last year at this time. Regular credit sales constituted a larger share of total sales than either in May or a year ago.

Department stores in this section reduced their inventories further in June by more than the seasonal amount, the adjusted index dropping over three points to 68.7 percent of the 1923-25 average. Dollar inventories at the end of June at fourth district stores were 11 percent smaller than a year ago, but stores in Akron, Cleveland, and Toledo reported larger reductions.

Collections have held up quite well. In June they represented 33.7 percent of all accounts receivable at the beginning of the month, about the same as in May, and compared with 35.1 in June 1937. The slight falling-off from last year was divided between regular 30-day and installment accounts.

Wholesale There was little change in dollar sales of wholesale firms in this district in June from May, and in three cities, Akron, Cincinnati and Mansfield, and the group of smaller towns, increases were shown over the preceding month.

Compared with a year ago, however, wholesale sales in June were down 27 percent. The decreases ranged from 10.6 percent in drug sales to 37 percent in hardware, and 56 percent in electrical goods, with tobacco sales showing an increase of nearly six percent. Inventories were further reduced by a moderate amount in June, and at the month end 85 wholesale companies reported stocks 15.5 percent smaller than a year ago. Inventories in all principal lines were down, although there was considerable variation in the amount of contraction shown. Collections were off in June from last year about in proportion to the decrease in sales volume.

CONSTRUCTION

Total construction contracts awarded in this district in June were just under the March figure, the high point so far this year. Valued at \$24,725,000, in the latest month, they were 18 percent larger than in May. Because of the small volume of non-residential work, compared with last year, total contracts awarded in this district were 29 percent smaller than in June 1937, and the decrease for the first six months was 23 percent.

The gain over May, slightly more than seasonal in this district, as well as in the entire country, reflected improvement in all classes of work, and in this district the gain in non-residential awards was greater than in the residential field. Home construction in this area in June was valued at \$9,369,000, the largest amount since last August, and the decline from June 1937 was less than one percent. In the first six months, residential construction in this district, valued at nearly \$40,000,000 was 27 percent under the comparable period of 1937.

Reflecting the improved sentiment and increased activity under the F. H. A. program, contemplated construction reported in this district in June was more than two and a half times as large as in June 1937. In the first half of this year the gain was about 50 percent. In the residential field practically all work started this year was privately-financed, but only 53 percent of all construction contracts awarded in this district in the first half of 1938 were privately-financed, compared with 72 percent in the comparable period of 1937. Relatively more construction in western Pennsylvania was financed with public funds in the first half of this year than in Ohio or Kentucky. This partly accounts for the fact that in western Pennsylvania a gain in construction over last year was reported for the first six months, whereas in other sections losses were experienced. Approximately the same number of residential projects were started in western Pennsylvania in the January-June 1938 period as in the comparable interval of 1937, and southern Ohio and Kentucky showed a gain in number of residential projects of about 20 percent, but dollar volume was under last year. In northern Ohio, both number of projects and dollar value of residential construction started in the first six months were off more than 25 percent from last year.

AGRICULTURE

The crop season generally has been very favorable, so far, and prospects for at least average crops are shared by nearly all States. According to the *Department of Agriculture*, yield per acre indications at the present time are higher than the averages for years preceding droughts, and some crops show larger prospective yields per acre than the generally excellent yields last season. Notwith-

standing a general reduction in acreages planted this year, it is evident that some large crops are to be expected. Where acreage reduction has occurred, the most productive land has been retained for harvest, which accounts for the high yields, in some cases.

Principal Crops—Fourth District

	(000 omitted)		% change 1938 from 1937	10-year average harvest 1926-1935	% change 1938 from 10-year average
	July 1, 1938 Estimate	1937 Harvest			
Corn, bu.....	184,626	207,157	-10.9	162,316	+13.7
Wheat, bu.....	52,272	53,646	-2.6	38,605	+35.4
Oats, bu.....	49,286	45,850	+7.5	68,327	-27.9
Tame Hay, tons.....	5,642	4,928	+14.5	5,236	+7.8
Tobacco, lbs.....	126,811	131,698	-3.7	130,156	-2.6
Potatoes, bu.....	20,684	18,603	+11.2	20,055	+3.1

The accompanying table shows the prospective yields of principal fourth district crops, based on the July 1 condition report of the *Department of Agriculture*, and the acreage remaining for harvest. Tobacco and oats productions in this district are expected to be less than the ten-year average, but other crops, except fruit and potatoes are expected to show rather large gains, and the latter crop is estimated slightly above the ten-year average, and 11 percent in excess of the 1937 harvest. The declines in grain crop estimates from last year are accounted for by reduced acreages, for the July 1 crop condition report was better than a year ago, in most areas of the district.

Wheat Estimated harvest of winter wheat in this district was placed at more than 52,000,000 bushels, of which, over 45,000,000 bushels were raised in Ohio, the fourth largest winter-wheat producing State in the country. Including spring wheat the State ranked sixth. This crop is only slightly smaller than last year's harvest from a larger acreage, and is the third largest harvested in this area in eighteen years. From a cash standpoint (and wheat is the farmer's chief cash crop) the 1938 crop in this section ranks well under last year. Wheat at local farms in mid-July, at the peak of the harvest season, was quoted around 62 cents a bushel, compared with \$1.17 a bushel a year ago. The wheat loan and acreage reduction programs have not been announced long enough to gain any idea as to how many farmers will store this year's wheat and take a Government loan on it for 70 cents a bushel, which is the rate for Ohio. The acreage reduction program on next year's plantings is to average around 33 percent for the entire country. Carry-over of 1937 wheat is larger than in recent years, producing a near record supply of this grain.

Corn Acreage planted to corn in the fourth district was about eight percent smaller than last year, which partly accounts for the 10.9 percent anticipated reduction in this year's crop. Estimated production, based on the July 1 condition for this district, is somewhat above the ten-year average harvest, but considerable irregularity in crop conditions was evident, resulting from rains in late May which necessitated much replanting in some areas. In mid-July, however, much excellent looking corn was to be found throughout the district.

Oats This year's fourth district oat crop looked slightly better on July 1 than a year ago, but indicated production is much below the ten-year average harvest in this section. For several years, oats have been a poor crop in this territory, and plantings consequently have

been reduced. The crop again has headed on short straw and has matured somewhat earlier than usual, again indicating a relatively light crop.

Hay Crops All tame hay crops in this district are estimated to be 14.5 percent larger than last year and nearly eight percent above the ten-year average harvest. Cool wet weather made excellent growing conditions for hay, and alfalfa and clover cut was good. Rains have been beneficial to the second cuttings of these crops.

Potatoes Late potatoes have made excellent progress and early July indications pointed to a crop 11 percent in excess of 1937, and three percent larger than the ten-year average harvest. Acreage planted is slightly smaller than last year, but increased anticipated yields more than offset this decrease. Approximately 20,000,000 bushels will be harvested in this district in 1938, of which about 60 percent will be raised in Ohio.

Tobacco At this early date fourth district tobacco production is estimated at 127,000,000 pounds, and much of the crop is more advanced than is usual at this season, although not at all uniform. Only slightly less acreage was planted to burley tobacco this year than in 1937, despite efforts to bring about a reduction, and the estimated crop

of this type of tobacco is less than one percent smaller than the 1937 harvest of 402,731,000 pounds. Other less important grades raised in this district show small declines from last year. Burley tobacco production this year is estimated to be 36 percent in excess of the ten-year average harvest and only six percent less than the record crop of 1931.

Wholesale and Retail Trade

(1938 compared with 1937)

	SALES June 1938	Percentage Increase or Decrease SALES first 6 months	STOCKS June 1938
DEPARTMENT STORES (53)			
Akron.....	-26.7	-24.5	-15.6
Cincinnati.....	-15.7	-9.2	-9.8
Cleveland.....	-20.1	-15.1	-14.6
Columbus.....	-12.7	-9.8	-12.4
Dayton.....	-23.7	-21.2	-8.5
Pittsburgh.....	-21.5	-15.9	-8.2
Toledo.....	-22.3	-19.7	-15.3
Wheeling.....	-22.3	-14.8	-7.8
Other Cities.....	-19.4	-17.4	-8.2
District.....	-20.3	-15.6	-11.1
WEARING APPAREL (12)			
Cincinnati.....	-25.1	-21.9	-2.9
Cleveland.....	-14.7	-15.2	-15.8
Pittsburgh.....	-16.9	-15.3	-1.3
District.....	-17.0	-16.3	-9.5
FURNITURE (40)			
Cincinnati.....	-45.7	-46.6	
Cleveland.....	-44.5	-42.8	
Columbus.....	-26.6	-22.1	
Dayton.....	-35.6	-39.7	
Toledo.....	-37.4	-47.4	
Other Cities.....	-37.4	-48.8	
District.....	-45.1	-41.8	
CHAIN STORES*			
Drugs—District (4).....	-5.3	-7.5	
Groceries—District (4).....	-4.3	-4.9	
WHOLESALE TRADE**			
Automotive Supplies (10).....	-16.7	-10.6	-4.0
Drugs (7).....	-10.6	-10.6	-6.2
Dry Goods (8).....	-28.4	-27.8	-24.3
Electrical Goods (18).....	-56.4	-43.9	-30.5
Groceries (48).....	-15.2	-13.7	-5.4
Total Hardware Group (32).....	-37.2	-34.0	-23.3
General Hardware (10).....	-29.2	-28.3	-25.3
Industrial Supplies (14).....	-54.3	-48.1	-19.3
Plumbing & Heating Supplies (8).....	-27.6	-28.9	-10.7
Jewelry & Optical Goods (9).....	-42.5	-42.5	-7.4
Leather & Shoe Findings (3).....	-13.5	-14.9	
Tobacco & Its Products (20).....	+5.8		+1.9
Miscellaneous (13).....	-34.1	-43.2	+42.8
District—All Lines (168).....	-26.9	-25.6	-15.5

*Per individual unit operated. **Wholesale data compiled by U. S. Department of Commerce.

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	June 1938	% change from 1937	Jan.-June 1938	% change from 1937
Bank Debits—24 cities.....	\$2,007,000	-24.2	\$11,935,000	-22.0
Savings Deposits—end of month 40 banks, O. and W. Pa.....	\$ 773,701	+ 2.1	1	
Life Insurance Sales:				
Ohio and Pa.....	\$ 69,085	-27.2	419,232	-25.8
Retail Sales:				
Department Stores—53 firms.....	\$ 18,505	-20.3	110,468	-15.6
Wearing Apparel—12 firms.....	770	-17.0	4,529	-16.3
Furniture—40 firms.....	663	-45.1	3,937	-41.8
Building Contracts—Total.....	\$ 24,725	-29.2	122,510	-23.2
—Residential.....	\$ 9,369	-0.6	39,747	-27.3
Commercial Failures—Liabilities \$	1,739	+137.9	6,818	+53.2
—Number.....	85 ²	+73.5	511 ²	+56.7
Production:				
Pig Iron—U. S. tons	1,056	-66.1	7,926	-59.9
Steel Ingot—U. S. tons	1,638	-60.9	10,819	-62.4
Auto—Passenger Car—U. S.	136,531 ²	-66.8	936,517 ²	-59.1
Auto—Trucks—U. S.	38,136 ²	-55.6	267,357 ²	-46.7
Bituminous Coal, O., W. Pa., E. Ky. tons	8,467	-37.4	55,405	-38.2
Cement—O., W. Pa., W. Va. bbls.	959	-13.8	3,387	-26.0
Elec. Power, O., Pa., Ky., thous k.w.h.	1,434 ³	-10.0	6,306 ⁴	-22.9
Petroleum—O., Pa., Ky. bbls.	2,257 ³	-5.2	11,226 ⁴	-0.7
Shoes pairs	5	-26.6	5	-16.9
Tires, U. S. casings	3,112	-25.3	16,466	-49.4
Bituminous Coal shipments:				
L. E. Ports. tons	4,076	-35.5	9,712	-45.9
Iron Ore Receipts:				
L. E. Ports. tons				

1 not available 4 Jan.-May
2 actual number 5 confidential
3 May

Fourth District Business Indexes

(1923-25=100)

	June 1938	June 1937	June 1936	June 1935	June 1934
Bank debits (24 cities).....	74	98	90	74	69
Commercial Failures (Number).....	58	34	37	47	49
“(Liabilities).....	39	17	16	31	67
Sales—Life Insurance (O. and Pa.).....	72	99	93	91	100
—Department Stores (48 firms).....	75	95	84	75	70
—Wholesale Drugs (7 firms).....	98	109	96	80	81
— “ Dry Goods (8 firms).....	36	51	48	41	43
— “ Groceries (48 firms).....	75	88	75	69	68
— “ Hardware (10 firms).....	72	102	88	68	66
— “ All (73 firms).....	69	86	74	64	64
—Chain Drugs (4 firms)**.....	89	94	89	78	73
Building Contracts (Total).....	52	73	43	32	24
“(Residential).....	54	55	45	40	10
Production—Coal (O., W. Pa., E. Ky.).....	47	75	68	69	63
—Cement (O., W. Pa., E. Ky.).....	80	94	105	83	81
—Elec. Power (O., Pa., Ky.)*.....	171	190	170	147	141
—Petroleum (O., Pa., Ky.)*.....	122	129	120	121	111
—Shoes.....	86	117	102	101	87

*May **Per individual unit operated.

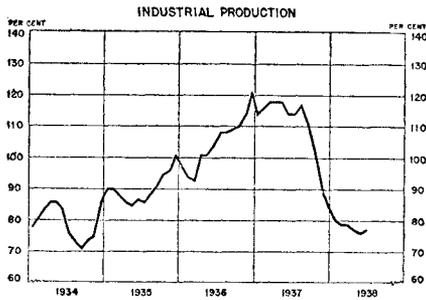
Debts to Individual Accounts

(Thousands of Dollars)

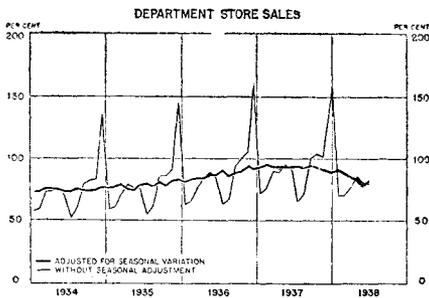
	4 Weeks ended July 20, 1938	% change from 1937	Year to Date Dec. 30, 1937 to July 20, 1938	Year to Date Dec. 31, 1936 to July 21, 1937	% change from 1937
Akron.....	\$ 50,967	-23.1	\$376,410	\$466,086	-19.2
Butler.....	7,461	-20.4	56,553	71,061	-20.4
Canton.....	26,966	-31.2	197,702	270,619	-26.9
Cincinnati.....	275,904	-19.0	2,025,116	2,428,326	-16.6
Cleveland.....	446,605	-26.8	3,284,495	4,240,363	-22.5
Columbus.....	138,894	-15.9	1,079,472	1,275,344	-15.4
Dayton.....	57,124	-20.6	410,111	514,046	-20.2
Erie.....	22,819	-29.1	165,820	223,260	-25.7
Franklin.....	2,346	-28.4	18,865	24,629	-23.4
Greensburg.....	7,009	-4.7	44,673	49,940	-10.5
Hamilton.....	9,234	-25.1	68,270	86,395	-21.0
Homestead.....	3,008	-18.1	19,483	22,950	-15.1
Lexington.....	18,925	-12.8	162,113	178,949	-9.4
Lima.....	13,637	-8.4	93,877	96,569	-2.8
Lorain.....	4,407	-18.0	30,335	36,184	-16.2
Middletown.....	7,848	-29.0	56,893	73,110	-22.2
Oil City.....	8,226	-17.5	63,920	76,683	-16.6
Pittsburgh.....	537,022	-27.0	3,984,614	5,282,527	-24.6
Sharon.....	7,000	-26.1	48,221	61,955	-22.2
Springfield.....	14,655	-18.0	109,652	128,674	-14.8
Stuebenville.....	7,997	-25.7	55,407	75,013	-26.1
Toledo.....	93,998	-26.8	708,772	931,210	-23.9
Warren.....	7,280	-23.2	53,124	71,335	-25.5
Wheeling.....	25,118	-27.5	180,413	240,245	-24.9
Youngstown.....	34,696	-29.2	253,147	362,430	-30.2
Zanesville.....	7,081	-14.0	49,125	56,943	-13.7
Total.....	\$1,836,237	-24.4	\$13,596,583	\$17,344,846	-21.6

Summary of National Business Conditions

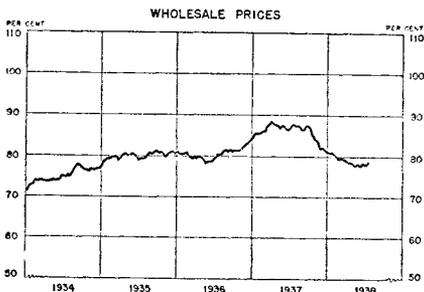
By the Board of Governors of the Federal Reserve System



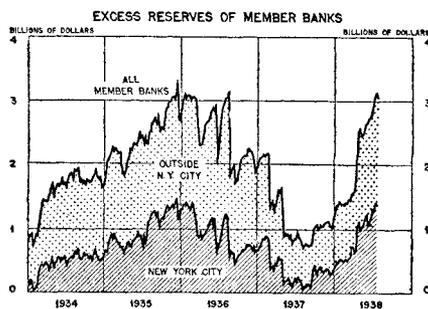
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to June 1938. Latest figure 77.



Indexes of value of sales, 1923-25 average = 100. By months, January 1934 to June 1938. Latest figure Adjusted 82, Unadjusted 79.



Index compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending July 16, 1938. Latest figure 78.9.



Wednesday figures of estimated excess reserves for all member banks and for selected New York City banks, January 3, 1934, to July 20, 1938.

Industrial activity showed little change in June and increased in the first three weeks of July, although there is usually a considerable decline at this season. Prices of most staple commodities advanced sharply in the latter part of June and early July and there were substantial increases in prices of stocks and lower grade bonds.

Production

Volume of industrial production, as measured by the Board's seasonally adjusted index, was at 77 percent of the 1923-1925 average in June as compared with 76 in May and an average of 79 in the first quarter of the year. Available data indicate that in July the index will show a considerable rise.

In June activity in the textile industry increased, reflecting chiefly a further rise at woolen mills. Output at cotton and silk mills, which usually declines at this season, showed little change. Shoe production declined, following a considerable increase earlier in the year.

Automobile output decreased further in June; sales of new cars continued in excess of production, however, and stocks were further reduced. Steel production declined seasonally in June, and lumber production showed little change, although some increase is usual. Output of plate glass rose sharply from an exceptionally low level. Coal production remained in small volume in June, while output of crude petroleum, which had been sharply reduced in May, declined somewhat further.

In the first three weeks of July activity at steel mills increased, although there is usually a decline in that period, and in the third week of the month ingot production was estimated at 36 percent of capacity as compared with an average rate of 28 percent in June. Crude petroleum output also rose sharply, reflecting chiefly a return to production on a six-day week basis in Texas. Automobile production declined seasonally.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a decline in June, following a considerable increase in May. Changes in both months reflected chiefly fluctuations in awards for publicly-financed construction. Awards for private residential building were maintained in June at about the same daily rate as in May, although there is usually some decline at this season.

Employment

Factory employment and payrolls decreased further from the middle of May to the middle of June. Employment in the automobile, steel, machinery, and clothing industries continued to decline, while at woolen mills there was an increase and in most other manufacturing lines changes were small.

Agriculture

A total wheat crop of 967,000,000 bushels was indicated by July 1 conditions, according to the Department of Agriculture. A crop of this size would be considerably larger than average and a Government program was announced for loans at close to current market prices. Cotton acreage on July 1 was estimated at 26,900,000 acres as compared with 34,500,000 acres last year when a record crop was harvested.

Distribution

Distribution of commodities to consumers was maintained in June at about the May level, although a decline is usual at this season. Sales at department and variety stores showed little change and mail order sales increased. In the first half of July department store sales decreased less than seasonally.

Freight-car loadings showed little change from May to June and were slightly above the low level of April.

Commodity Prices

Prices of industrial materials, particularly rubber, hides, nonferrous metals, and steel scrap, showed advances from the middle of June to the third week of July, and there were also increases in prices of livestock and products. Wheat prices declined, following a rise early in June. Prices of iron and steel were reduced and there were also declines in some other industrial products.

Bank Credit

Excess reserves of member banks increased substantially in June and the first half of July, rising to above \$3,000,000,000, as compared with \$1,730,000,000 just prior to the reduction in reserve requirements the middle of April. The largest gain in excess reserves occurred at city banks through the retirement of Treasury bills and the continued growth of Bankers' balances.

Total loans and investments of reporting member banks in 101 leading cities, which had increased sharply in the first week of June, declined during the remainder of June, reflecting largely redemption of Treasury bills held by New York City banks and a decrease in loans to security brokers and dealers. During the first three weeks of July total loans and investments at reporting banks showed little net change.