

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

July 31, 1938

	June 1938	June 1937	% Change
Debits to individual accounts (24 cities).....	\$1,177,683,000	\$1,358,798,000	—13
Number of business failures, 5th district.....	56	37	+51
Liabilities in failures, 5th district.....	\$ 673,000	\$ 442,000	+52
Sales, 52 department stores, 5th district.....	\$ 9,620,701	\$ 10,345,831	— 7
Sales, 167 wholesale firms, 5th district.....	\$ 10,281,000	\$ 12,324,000	—17
Registrations, new passenger autos.....	12,443	26,283	—53
Value building permits (31 cities).....	\$ 6,985,851	\$ 7,602,196	— 8
Value of contracts awarded, 5th district.....	\$ 29,981,000	\$ 40,321,000	—26
Cotton consumption, 5th district (bales).....	218,536	314,599	—31
Soft coal mined, U. S. (tons).....	22,850,000	31,776,000	—28

IN June and the first half of July, business in the Fifth Reserve district tended to improve slightly, although no marked change occurred. Increased demand for cotton textile products enabled a number of mills to start up after being closed for several weeks, and rayon manufacturers increased deliveries of yarn and reduced surplus stocks. Lumber mills in the Southern Pine Association reported orders materially above production in each week since June 4. Debits to individual accounts, reflecting transactions in banks in 24 Fifth district cities, rose 9 per cent in June over debits in May, and totaled only 13 per cent less than debits in June last year. Employment on the whole showed little change in June, but some improvement apparently occurred around the middle of July. Coal production in June rose 7 per cent over production in May, but continued much lower than in the corresponding month last year. Spot cotton prices rose more than \$5 a bale in June and the first week in July, although all of the gain was not held. Retail trade in department stores in June, while 7 per cent below the level of June last year, was not unsatisfactory, and a reduction of 11 per cent in department store stocks during the year was a favorable factor in the general situation. The outlook for agricultural production this year is good, judged by

July 1 condition figures, prospective yields for most crops exceeding 10-year average figures.

Developments in banking in the district in June and July were without special significance. A redistribution of System holdings of Government securities on July 1 reduced the amount of Governments held by the Federal Reserve Bank of Richmond, and needs for funds by rural member banks for early crop marketing and cultivation of later crops lowered member bank reserve deposits.

Commercial failures in June were more numerous and liabilities were greater than in June last year, the percentage increases being approximately the same in both the Fifth district and the United States. During the first half of 1938, however, the district insolvency record was materially better than the National record. Sales of new passenger automobiles fell further behind sales last year, and were 53 per cent below June 1937 sales. Construction work provided for in permits issued and contracts actually awarded in June 1938 was substantially less than construction provided for in June 1937, permit valuation declining 8 per cent and contracts awarded decreasing 26 per cent. Wholesale trade in 167 Fifth district firms averaged 17 per cent less in June this year than in June 1937, but inventories declined by 20 per cent during the same period.

BANKING CONDITIONS

RESERVE BANK STATEMENT: The statement of the Federal Reserve Bank of Richmond shows some material changes between June 15 and July 15, both this year, but most of them were due to daily shifts between various items and were not caused by changes in business. A decrease of \$12,755,000 in the Bank's holdings of Government securities occurred when System holdings were redistributed on July 1, but there was no decrease in total holdings by the Federal Reserve System. Member bank reserve deposits were less on July 15 than on June 15 by \$13,337,000, but reserve deposits fluctuate widely from day to day and the difference was without special significance. Total cash reserves of the Federal Reserve Bank of Richmond dropped \$11,930,000 between June 15 and July 15, the chief factor in this change being a reduction in the General account of the Treasurer of the United States. There was a moderate rise in the volume of Federal Reserve notes in actual circulation last month.

ITEMS	000 omitted		
	July 15 1938	June 15 1938	July 15 1937
Discounts held	\$ 692	\$ 627	\$ 869
Open market paper	23	23	51
Industrial advances	1,490	1,540	2,566
Government securities	127,224	139,979	133,035
Total earning assets	129,429	142,169	136,616
Circulation of Fed. Res. notes	189,571	188,523	191,320
Members' reserve deposits	206,975	220,312	211,189
Cash reserves	319,872	331,802	290,579
Reserve ratio	72.06	70.72	69.09

STATEMENT OF 41 REPORTING MEMBER BANKS: Reporting member banks in 12 leading Fifth district cities increased their investments in securities by \$2,277,000 and cash in vaults by \$2,418,000 between June 15 and July 13, this year, but total loans and discounts declined \$4,045,000, reserve balances at the Reserve bank dropped \$10,227,000, demand deposits declined \$7,203,000, and time deposits decreased \$806,000. During the past year, the chief changes were in holdings of securities, which decreased \$14,402,000, and in demand deposits, which went off \$24,543,000. Time deposits remained approximately constant during the year.

ITEMS	000 omitted		
	July 13 1938	June 15 1938	July 14 1937
Loans and discounts	\$229,016	\$233,061	\$236,404
Investments in securities	379,721	377,444	394,123
Reserve bal. with Fed. Res. bank	131,787	142,014	126,786
Cash in vaults	19,211	16,793	18,747
Demand deposits	433,280	440,483	457,823
Time deposits	198,459	199,265	199,056
Money borrowed	0	0	1,500

MUTUAL SAVINGS BANK DEPOSITS: Deposits in 10 mutual savings banks in Baltimore declined slightly during June, probably due to vacation withdrawals. Total deposits on June 30, 1938, amounting to \$219,222,718 compared with \$219,376,413 on May 31, 1938, and \$217,192,727 on June 30, 1937.

DEBITS TO INDIVIDUAL ACCOUNT: Checks drawn against depositors' accounts in the banks in 24 Fifth district cities in June totaled 9.4 per cent more than debits in May this year, but amounted to 13.3 per cent less than debits in June 1937. All but 5 of the 24 cities reported higher debits figures in June than in May, but Durham, N. C.,

was the only city which showed larger debits in June 1938 than in June 1937. Last month was the second one in succession in which Durham made the only gain over 1937 figures.

Debits to individual accounts in the reporting cities in the first half of 1938 totaled \$6,775,477,000, a decrease of 13.1 per cent in comparison with total debits of \$7,798,357,000 in the first six months of 1937. The largest decline occurred in May, being 14.5 per cent under May 1937 figures, and the smallest decrease occurred in January being 11.6 per cent.

CITIES	000 omitted			% of Month	Change Year
	June 1938	May 1938	June 1937		
Maryland					
Baltimore	\$ 334,683	\$ 306,043	\$ 379,827	+ 9.4	-11.9
Cumberland	8,316	7,213	10,700	+15.3	-22.3
Hagerstown	8,309	7,410	9,215	+12.1	- 9.8
Dist. of Col. Washington	278,184	232,636	317,445	+19.6	-12.4
Virginia					
Danville	6,962	6,318	8,666	+10.2	-19.7
Lynchburg	13,309	12,850	15,826	+ 3.6	-15.9
Newport News	7,941	7,784	9,511	+ 2.0	-16.5
Norfolk	45,409	41,473	52,314	+ 9.5	-13.2
Portsmouth	4,069	3,775	4,567	+ 7.8	-10.9
Richmond	136,609	128,301	147,108	+ 6.5	- 7.1
Roanoke	23,749	25,245	32,318	- 5.9	-26.5
West Virginia					
Charleston	43,856	42,441	59,820	+ 3.3	-26.7
Huntington	18,129	16,455	20,682	+10.2	-12.3
North Carolina					
Asheville	10,335	11,020	13,882	- 6.2	-25.6
Charlotte	50,884	47,497	58,681	+ 7.1	-13.3
Durham	26,466	24,413	26,121	+ 8.4	+ 1.3
Greensboro	16,111	16,117	18,978	- 1.1	-15.1
Raleigh	37,664	32,587	37,883	+15.6	- 6
Wilmington	10,171	9,361	11,346	+ 8.7	-10.4
Winston-Salem	34,655	33,629	43,211	+ 3.1	-19.8
South Carolina					
Charleston	16,515	16,248	20,837	+ 1.6	-20.7
Columbia	22,518	24,474	31,910	- 8.0	-29.4
Greenville	14,989	15,812	19,153	- 5.2	-21.7
Spartanburg	7,850	7,426	8,797	+ 5.7	-10.3
District Totals ..	\$1,177,683	\$1,076,528	\$1,358,798	+ 9.4	-13.3

EMPLOYMENT: The trends of employment in June and early July were conflicting, the net results showing little change. While reports of increased operations in industrial plants were fairly numerous, about as many reports of further curtailment were noted. There appeared to be a slight gain in favorable reports at mid-July, the textile industry leading in the improvement. Employment on highway and street work is at approximately the same level as a year ago. Gathering of early crops and cultivation of fall crops increased the need for agricultural workers in June. Seasonal employment at vacation resorts also increased in June and early July. The following figures, compiled for the most part by the Bureau of Labor Statistics from reports furnished by a large number of identical industries, show the trends of employment and payrolls in the Fifth district geographical divisions from May to June 1938, the latest available figures:

STATES	Percentage change from May 1938 to June 1938	
	In number on payroll	In amount of payroll
Maryland	- 1.4	- 1.9
Dist. of Columbia	- 2.1	- .7
Virginia	+ .4	+ .7
West Virginia	- 4.0	- 1.7
North Carolina	+ 1.3	+ .2
South Carolina	+ 3.3	+ .9

COMMERCIAL FAILURES: Commercial failures in June in the Fifth Reserve district showed approximately the same percentage increase over failures in June last year as the average for the United States. The number of

bankruptcies in the district in June was 51 per cent above the number in June 1937, while the United States total bankruptcies last month exceeded insolvencies in June last year by 52 per cent. Aggregate liabilities involved in Fifth district failures in June 1938 were 52 per cent and total liabilities in the Nation were 49 per cent above June 1937 liabilities. In a comparison of the first 6 months of 1938 with the first half of 1937, the Fifth district record is materially better than the National record, the number of failures increasing only 11 per cent in the district against 44 per cent in the United States, and liabilities rising 51 per cent and 66 per cent in the district and the Nation, respectively. *Dun & Bradstreet* insolvency figures are as follows:

PERIOD	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
June 1938	56	1,018	\$ 673,000	\$12,236,000
May 1938	55	1,053	462,000	14,559,000
June 1937	37	670	442,000	8,191,000
6 Months, 1938	304	6,666	\$3,589,000	\$90,862,000
6 Months, 1937	273	4,642	2,384,000	54,815,000

AUTOMOBILE NEW CAR REGISTRATIONS: New passenger automobile sales in the Fifth district continued to decline in June in comparison with the corresponding month of the preceding year, last month's decrease of 53 per cent being the largest drop reported for any month during the past year. Virginia registration figures in June showed the smallest decrease from the June 1937 figures, while West Virginia figures showed the largest decline. Cumulative sales in the first half of 1938 dropped 48 per cent from sales in the first half of 1937, Virginia with a decrease of 42 per cent and West Virginia with a decline of 58 per cent making the best and worst comparisons, respectively. The following figures, compiled by R. L. Polk & Co., of Detroit, show June and semi-annual registration figures for new cars in Fifth district states:

STATES	Registration of New Passenger Cars					
	June 1938	June 1937	% Change	6 Months 1938	6 Months 1937	% Change
Maryland	2,339	5,175	-55	13,585	25,984	-48
Dist. of Col.	1,643	3,304	-50	9,299	16,719	-44
Virginia	2,851	5,175	-45	16,466	28,276	-42
West Va.	2,116	5,242	-60	8,791	20,876	-58
No. Carolina ...	2,297	4,716	-51	14,680	28,709	-49
So. Carolina ...	1,197	2,671	-55	7,264	15,249	-52
District	12,443	26,283	-53	70,085	135,813	-48

COAL PRODUCTION: Bituminous coal mined in June increased over May on both a monthly and daily basis, but continued far below 1937 production. June 1938 output totaling 22,850,000 net tons was 7 per cent above May 1938 production of 21,266,000 tons, but was 28 per cent below June 1937 tonnage of 31,776,000 tons. Total coal mined this calendar year to July 9 amounted to 157,052,000 tons, 32 per cent less than 231,053,000 tons dug to the same date last year. Shipments through Hampton Roads ports from January 1 through July 9 totaled 8,577,113 tons, compared with 11,340,900 tons loaded on shipboard in the corresponding period last year. In May, the latest month for which state figures are available, West Virginia mined 6,160,000 tons, taking first place over Pennsylvania's production of 4,945,000 tons. Reserve stocks of coal held by industrial consumers declined in May, but consumption dropped more, and the reserves of coal on hand therefore rose from 42 days' supply on May 1 to 43 days' supply on June 1.

COTTON TEXTILES: Activity in the cotton textile industry increased moderately in June, and cotton consumption in the Fifth district exceeded May consumption by 8 per cent, but was 31 per cent below June 1937 consumption. In the first half of July there was a further increase in textile operations, according to unofficial reports, and for the first time in several months all mills in the important Charlotte area were running on July 15. Demand for textile products grew rapidly in the last few weeks, and WPA orders were credited with helping to get several Carolina mills back to full time. Consumption of cotton by states in the Fifth district in June 1938, May 1938, June 1937, and in the first half of this year and last is shown in the accompanying table:

MONTHS	No. Carolina So. Carolina Virginia District			
	June 1938	115,152	93,927	9,457
May 1938	112,139	80,354	10,154	202,647
June 1937	164,919	133,672	16,008	314,599
6 Months, 1938	701,295	536,533	63,818	1,301,646
6 Months, 1937	1,061,832	789,686	89,784	1,941,362

RAYON: The *Rayon Organon* index of deliveries of yarn to domestic consumers was 473 in June, based on average monthly shipments in 1923-1925. This figure represented an increase from 445 in May, but was much below the index of 693 in June 1937. At the end of June rayon yarn manufacturers had a 3.8 months' supply of yarn on hand, the same stock reported a month earlier, but since the figure is based on shipments during the preceding twelve months, actual poundage stocks declined during June for the first time since May 1937. Based on data from the National Rayon Weavers Association, rayon loom activity in June is estimated at about 55 per cent of capacity, showing a seasonal decline from loom activity in May.

CONSTRUCTION: Permits issued by building inspectors in 31 Fifth district cities in June 1938 totaled \$6,985,851, a decrease of 8 per cent under permit valuations for June 1937 totaling \$7,602,196. Seventeen of the 31 cities reported higher figures for June this year, but materially lower figures in a few cities pulled the district total down. Among the five largest cities Richmond with an increase of 111 per cent reported the only gain over June 1937 permits. Durham, with permits totaling \$782,471 in June 1938, made the best record in the district in proportion to population, permits in that city including a dormitory at Duke University to cost \$600,000.

Contracts actually awarded for construction work of all types in the Fifth district in June 1938 totaled \$29,981,000, according to *F. W. Dodge Corporation*, a decrease of 26 per cent under contracts totaling \$40,321,000 awarded in June 1937 but 35 per cent above contracts amounting to \$22,187,000 awarded in June 1936.

COTTON: Spot cotton prices on 10 Southern markets rose steadily during June and the first week in July, but lost part of the gain in the second week. Under the influence of a 20 per cent reduction in acreage this year, increased demand for cotton goods and low inventories in retail stores, and improved sentiment in the market, prices for middling grade upland cotton rose from an average of 8.06 cents per pound on June 3 to 9.15 cents on July 8, and then declined to 8.71 cents on July 15, the

latest date for which official figures are available. On July 8, the first cotton report of 1938 was issued by the Department of Agriculture, and showed an acreage this year of 26,904,000 acres, a decrease of 22 per cent from 34,471,000 acres in cotton in 1937. This decrease was due in part to relatively low prices received for the 1937 crop, to the influence of the Agricultural Adjustment program, and to difficulties in securing stands because of unfavorable weather. In the Fifth district, North Carolina with a planting of 911,000 acres shows a decline of 18 per cent from 1937 acreage, South Carolina with 1,313,000 acres a decline of 23 per cent, and Virginia with 44,000 acres a decline of 35 per cent. Every cotton state planted a smaller acreage this year than last, and if average abandonment occurs during the season the acreage picked next fall will be the smallest since 1900. The first report on condition of the 1938 crop will be made on August 8.

Cotton Consumed and On Hand (Bales)

	June 1938	June 1937	Aug. 1 to June 30 This Year	June 30 Last Year
Fifth district states:				
Cotton consumed	218,536	314,599	2,596,936	3,427,419
Cotton growing states:				
Cotton consumed	375,022	568,215	4,503,575	6,141,120
Cotton on hand June 30 in				
Consuming establishments ..	1,163,221	1,231,485
Storage & compresses	9,613,161	2,989,069
United States:				
Cotton consumed	442,742	680,521	5,306,585	7,367,068
Cotton on hand June 30 in				
Consuming establishments ..	1,416,161	1,549,460
Storage & compresses	9,696,667	3,090,479
Exports of cotton	175,878	229,639	5,402,709	5,815,732

TOBACCO MANUFACTURING: The Bureau of Internal Revenue reports tobacco products manufactured in June 1938 and 1937 as follows:

	June 1938	June 1937	% Change
Smoking & Chewing			
Tobacco, Pounds	27,060,826	25,769,044	+5
Cigarettes, Number	14,716,624,943	14,258,876,347	+3
Cigars, Number	477,443,494	472,403,533	+1
Snuff, Pounds	3,118,688	2,961,423	+5

RETAIL TRADE IN DEPARTMENT STORES:

	Net Sales		Stocks		Ratio June collections to accounts outstanding June 1
	June 1938 comp. with June 1937	Jan. 1 to date same period last year	June 30, 1938 comp. with June 30, 1937	June 30, 1938 comp. with May 31, 1938	
Richmond (3) ..	- 7.7	+ .5	+ .7	- 6.3	31.3
Baltimore (8) ..	-10.4	- 5.9	- 9.3	- 9.2	31.3
Washington (6) ..	- 1.4	- 3.4	-17.4	-10.3	27.8
Other Cities (13) ..	-14.7	-10.3	- 3.4	- 7.3	27.1
District (30) ..	- 6.6	- 5.5	-11.2	- 9.1	29.2

Same stores by States, with 22 stores added:

Virginia (12)...	- 9.3	- .9
West Va. (8) ..	-21.2	-16.1
No. Carolina (8) ..	- 5.6	- 7.8
So. Carolina (9) ..	-13.5	-12.7
District (52) ..	- 7.0	- 4.9

WHOLESALE TRADE, 167 FIRMS:

LINES	Net Sales		Stocks		Ratio June collections to accounts outstanding June 1
	June 1938 comp. with June 1937	May 1938	June 30, 1938 comp. with June 30, 1937	May 31, 1938	
Shoes (4)	-11.1	-37.0	-41.2	- 2.0	64.8
Drugs (12)	- 7.0	+ .2	- 5.4	+ .4	93.6
Dry Goods (7)	-26.5	-13.2	-28.2	-10.4	39.9
Elec. Goods (16)	-40.1	0.0	- 3.6	- 3.6	77.0
Groceries (60)	-12.8	+ 5.1	-14.4	+ .1	89.5
Hardware (21)	-24.4	- 5.9	- 1.5	- .5	45.1
Industrial Supplies (10)	-32.6	+ 1.1	- .7	- 2.0	59.7
Plumbing & Heating (5) ..	- 5.3	+ 7.9	+ .3	+ 4.2	57.5
Paper & Products (6) ..	-18.9	-12.7	- 2.2	+ 5.1	62.3
Tobacco Products (11) ..	+ .4	+ 6.8	+10.3	+10.3	83.7
Miscellaneous (15)	- 8.3	+ 4.9	- 7.0	+ .5	71.8
All Firms (167)	-16.6	- 1.4	-12.8	- 1.1	66.9

Note: Wholesale trade figures are included by arrangement with the Bureau of Foreign & Domestic Commerce. Only 123 of the 167 firms reported on receivables and collections, and only 84 on inventories.

CROP FORECASTS

The following figures show forecasts of production based on July 1 conditions, compared with yields in 1937 and in the 10-year period 1927-1936, and percentage changes in acreage this year over or under 1937:

	Wheat (Bushels)			
	% Change Acreage	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	- 1	9,420,000	9,044,000	8,372,000
Virginia	- 5	8,316,000	9,720,000	8,598,000
West Virginia	- 7	2,385,000	2,786,000	1,855,000
North Carolina	- 2	5,554,000	5,817,000	4,275,000
South Carolina	+12	1,837,000	1,416,000	974,000

	Corn (Bushels)			
	% Change Acreage	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	- 2	17,710,000	18,576,000	15,477,000
Virginia	- 2	33,350,000	37,740,000	32,199,000
West Virginia	-10	12,582,000	14,245,000	12,104,000
North Carolina	+ 1	44,650,000	45,357,000	40,787,000
South Carolina	+12	27,014,000	24,945,000	21,161,000

	Oats (Bushel)			
	% Change Acreage	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	+ 3	1,170,000	1,083,000	1,407,000
Virginia	+10	1,892,000	1,680,000	2,389,000
West Virginia	0	1,596,000	1,520,000	2,366,000
North Carolina	0	4,600,000	4,830,000	3,682,000
South Carolina	+ 2	10,648,000	10,076,000	8,316,000

	Hay (Tons)			
	% Change Acreage	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	+ 3	536,000	518,000	468,000
Virginia	+ 4	1,158,000	1,204,000	907,000
West Virginia	+ 5	802,000	741,000	661,000
North Carolina	+ 6	874,000	824,000	630,000
South Carolina	+ 4	437,000	502,000	309,000

	Irish Potatoes (Bushel)			
	% Change Acreage	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	- 7	3,080,000	3,480,000	3,348,000
Virginia	-13	10,401,000	10,920,000	12,998,000
West Virginia	0	3,200,000	3,264,000	3,150,000
North Carolina	-13	9,912,000	9,894,000	7,729,000
South Carolina	-15	2,574,000	3,120,000	2,419,000

	Sweet Potatoes (Bushels)			
	% Change Acreage	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	0	1,280,000	1,000,000	1,205,000
Virginia	- 3	4,560,000	5,070,000	4,282,000
North Carolina	+ 1	8,772,000	8,160,000	7,915,000
South Carolina	+16	5,940,000	5,130,000	4,898,000

	Tobacco (Pounds)			
	% Change Acreage	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	+ 7	28,875,000	25,200,000	25,560,000
Virginia	0	100,305,000	107,276,000	99,838,000
West Virginia	+17	4,165,000	3,408,000	3,304,000
North Carolina	- 4	538,400,000	595,530,000	481,989,000
South Carolina	- 7	90,900,000	108,080,000	76,724,000

	Apples (Bushels)			
	% Change Acreage	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	2,194,000	2,847,000	1,920,000
Virginia	10,080,000	18,000,000	11,533,000
West Virginia	5,520,000	10,004,000	5,780,000
North Carolina	2,385,000	4,505,000	2,928,000

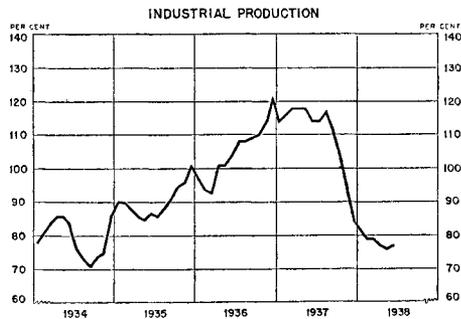
	Peanut Condition, July 1			
	% Change Acreage	Yield 1938	Yield 1937	Yield 1927-1936
Virginia	+ 4	75	88	79
North Carolina	+ 5	75	78	75
South Carolina	+ 7	69	69	68

	Pasture Condition, July 1			
	% Change Acreage	Yield 1938	Yield 1937	Yield 1927-1936
Maryland	84	86	77
Virginia	92	92	77
West Virginia	93	89	74
North Carolina	92	82	75
South Carolina	80	72	68

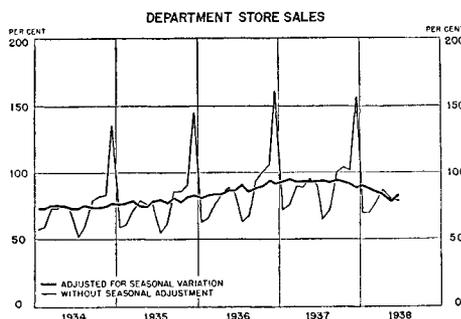
(Compiled July 21, 1938)

SUMMARY OF NATIONAL BUSINESS CONDITIONS

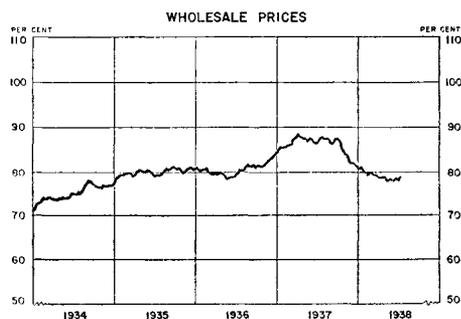
(Compiled by the Board of Governors of the Federal Reserve System)



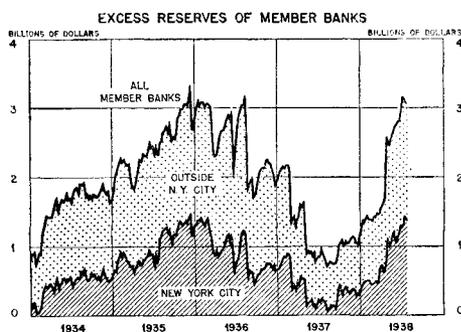
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to June 1938.



Indexes of value of sales, 1923-1925 average=100. By months, January 1934 to June 1938.



Index compiled by the U. S. Bureau of Labor Statistics, 1926=100. By weeks, 1934 to week ending July 16, 1938.



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, and were in slightly larger volume than a year ago. Other private construction work remained at recent low levels.

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. In trade employment was reduced, while in other non-manufacturing industries changes in the number employed were largely seasonal.

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, with exceptionally high yield per acre, a record crop was harvested. Production estimates for most other major crops were slightly under the large harvests of last season.

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.

MONEY RATES

Rates on Treasury bills and notes were slightly firmer in July but continued at exceedingly low levels. Yields on Treasury bonds showed little change.