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FEDERAL RESERVE BANK of CLEVELAND
D. C. Wills, Chairman of the Board
(COMPILED JUNE 20, 1923)

An Editorial

INDUSTRY and trade are hard at work. The hesitancy in evidence for some time past is being shaken off and, refreshed by the short breathing spell, businesslike progress is being made. This progress is being made at that season of the year when a slackening tendency is usually in evidence.

There has been an evident determination on the part of business to watch for the earmarks of unhealthy expansion, and a preference for a normal level of activity.

Business is now moving forward and carefully watching the road ahead.

One of the outstanding and encouraging features of this forward movement is the pressing demand for iron and steel. Even at the present high rate of production the output is not sufficient to supply the demand. Orders from the railroads at this time are unusually heavy and have reached that point where producers are requesting that orders be postponed wherever possible. Export demand, especially from Australia, Japan, and Argentina, is reported to be showing a marked improvement.

This foreign demand is worthy of more than passing notice. There are signs that European conditions are healing. While the United States through self-reliance has made a remarkable comeback, the fact that foreign prosperity makes for increased home prosperity still holds true. The heavy oversubscription to America's portion of the Austrian loan is an evidence of faith that, even though Europe may still have a long way to travel before she can be rated as normal, changes for the better are on the way.

Banking Situation Shows No Particular Change; Steady Growth of Savings Deposits; Acceptance Market Quiet

The recent noticeable recession of business activity has been reflected in a slackening of the demand for funds. For the month ending June 21 both city bank and country bank borrowing showed a slight decline, which seems to warrant the statement that the present situation is practically the same as that of a month ago.

The apparent healthy and prosperous condition of industry and trade is naturally causing a demand on member banks by their customers for accommodations, but, as we have previously stated in the *Review*, the member banks are in a position to take care of a large part of this demand without recourse to us.

The reserve ratio of the Federal Reserve System is higher than it was a month ago and the same is true of the reserve of this bank. On May 21 the reserve ratio of the System was 75.7 per cent as compared with 77.6 per cent on June 20. The reserve ratio of the Federal Reserve Bank of Cleveland on May 21 was 74.2 per cent as against 78.2 per cent on June 20.

Savings deposits have been showing a steady growth month by month, an evidence of the increasing funds of industrial workers. Deposits for the month of May as compared with those for the same month a year ago showed a gain of 11.8 per cent. The gain for the previous month was 11.2 per cent. The increase for May, 1923, over April, 1923, was .8 per cent as compared with a .7 per cent gain for April over March.

The market for acceptances in this District has not varied appreciably during the period which this report covers and continues very quiet.

During the month of May, in the Fourth District there were 128 commercial failures as compared with 173 in May, 1922, according to figures compiled by R. G. Dun & Company. The liabilities were $7,754,229 as against $3, 359,073 for the same month a year ago.

Conservative Buying Policies Mark Iron and Steel Situation; Price Trend Downward; Record-Breaking Pace Continues; Hot Mills Feel Weather Conditions

Conservative buying policies in the face of record-breaking consumption which shows little or no signs of relapse, continue to mark the iron and steel situation. Compared with a month ago, sentiment has improved and this has brought with it a perceptible increase in the volume of new business going to the mills and furnaces. However, the new tonnage falls considerably short of equaling that which is moving off the books of makers in the form of shipments under a speed of production that is the highest in the history of the industry.

The strong point of the situation remains the tremendous current absorptive power of the country, for buyers show no signs of being willing or able to turn back any of the tonnage for future delivery which they placed on producers' books several months back. Suspensions and cancellations, those telltale symptoms of a shrinkage of consumption needs, are singularly absent. Buyers apparently as a whole are requiring tonnage for specific requirements just as urgently as they did when they were bidding up the market two of three months ago to get a position on mill books even for deferred delivery. The volume of shipments they are now receiving against these orders is sufficient substantially for their current purposes, making them more or less independent of the present market. With the advance in steel prices checked and with much of the fever that was bringing about high premiums for quick delivery gone out of the situation, the average buyer sees less incentive for placing future tonnage at this time.

On the whole, the delivery situation is easier but there are various lines upon which producers are so heavily obligated that consumers meet difficulty in having any additional requirements accepted. This is notably the case in tin plate, wire products, and tubular goods. On the common lines such as plates, shapes, and bars, the largest producers still have some months' booking ahead and, except in occasional instances, are not promising any more prompt delivery on new business. Within the past few weeks steel bar mills which were able to ship within a few weeks have been commanding $2 premium on their product. Mills specializing in early plates and structural shapes at premiums, have been dropping their quotations but are still $3 per ton above the schedule of the Steel Corporation and other large interests. The sheet situation has softened due primarily to some excess of black sheets having become available. On this grade some independent mills have quoted prices $2 to $3 per ton below the hitherto minimum market basis or that named by the largest producer. Prices on other grades of sheets as named by certain independent mills have come down to the Steel Corporation basis after having been some dollars above. In general, the trend of finished steel prices is toward the schedule of the Steel Corporation and other larger mills which has been the minimum of the market for several months. Semifinished steel is also lower.

The general price basis is well reflected by *Iron Trade Review's* composite of fourteen leading iron and steel products which at mid-June was $46.53 compared with an average of $47.52 for May and a peak for this year of $47.70, the weeks of May 2 and 9. This decline has been due largely to the fall of pig iron and semifinished steel prices. Pig iron has dropped $1 to $3 per ton during the past month under a general withholding of new buying by consumers. The present situation is a little more active than it has been, but a large tonnage for third quarter requirements is yet to be placed. Consumption of pig iron the same as steel is going ahead at high speed but melters are cautious in closing for additional tonnage ahead. The furnaces are shipping heavily and are not accumulating stocks. Apparently this same condition is true of the consumers. In some cases foundries have asked that second quarter tonnage be deferred to third quarter, the explanation being that shortage of labor has prevented their operating as fully as anticipated.

Indications are that the peak of production for the time being at least has been reached. This is due to the fact that hot weather conditions are beginning to have their usual effect in causing output to slow down especially in the hot mills. Some of the sheet plants are planning to shut down in July for usual repairs. Furthermore, some works' capacity is beginning to shows the marks of recent hard driving. May production of both pig iron and steel again was record-breaking. Pig iron output as compiled by *Iron Trade Review* reached a daily average of 124,722 tons which eclipsed the previous high mark in history of 118,210 tons, the daily average in April. The gross output in May was 3,866,386 tons compared with 3,546,308 tons in April and 3,523,595 tons in March. Furnaces in blast at the end of May had increased by 10 to 321, over the corresponding date in April. Steel ingot production in May showed the greatest total of any single month in history on record and was approximately 4,200,000 tons. Due to the fact that May had two more working days than April, however, the daily average was slightly less than in the preceding month. The output in May was at the annual rate of 48,440,000 tons as against an annual rate of 49,110,000 tons in April.

Fourth District Industries Holding Up Well in Spite of Customary Seasonal Dull Period; May Automobile Production Sets New Record

Automobiles—While the automotive industry continues to operate at the high crest of production which has been reached by a steady climb during the past months, there is a slight note of hesitancy which was not in evidence at the date of our last report. This seasonal reduction, however, is customary at this time of the year. Some plants have reduced their schedules somewhat while others are still running at capacity.

In the automobile body business very little, if any, reduction is reported. Reputable companies say they can see no immediate and material reduction in their business, hence they are ordering and scheduling bodies for delivery well into the fall months. Within the past thirty days several new automobile enterprises have contracted for materials and older companies which have been in financial difficulties are getting reorganized so that they too are again coming into the market for materials. Due to the general strength of the automobile industry, and also to the fact that closed cars are being bought in large volume not seasonally but the year round, auto body manufacturers are optimistic as to future business.

Steel products for automobile parts seem to be a little easier to obtain. Axle production is continuing at the same high rate as was shown during May.

Orders in the truck business are holding up well and while there has been a slight let-up in the demand, manufacturers at present do not see evidences of any particular change. One large concern reports that their principal difficulty at this time is to fill the orders which they have on hand since sales are in excess of their production.

A little falling off in orders for industrial truck and tractor equipment is noted. It is believed this is due to the fact that most of the emergency purchases for this kind of equipment have been made. There is no falling off, however, in the general demand for this equipment or in the interest which large corporations are taking in labor saving machinery.

The Department of Commerce reports automobile and truck production, based on figures received by the Bureau of the Census in co-operation with the National Automobile Chamber of Commerce for the first five months of this year as follows: (Production covers approximately 90 passenger car and 80 truck manufacturers each month)

AUTOMOBILE PRODUCTION

Number of Machines

	Passenger Cars 1923	Passenger Cars 1922	Trucks 1923	Trucks 1922
January	223,706	81,693	19,398	9,416
February	254,650	109,171	*21,817	13,195
March	*319,638	152,959	*34,681	19,761
April	*344,474	197,216	*37,527	22,342
May	350,180	232,431	42,983	23,788

*Revised

Electrical Goods—It is customary for the storage battery industry to experience a slight drop in business at this season of the year. Compared with other months, however, it has not fallen off as much as it usually does. The recent floods throughout the Middle West and South are doing a great deal of damage and are affecting this industry in those districts. Business in foreign countries is reported to have taken a substantial step forward this year.

General business conditions in the electrical industry indicate a slowing up of orders, although not to a very marked degree. On a trip through a number of western states a large manufacturer found conditions in this line to be very satisfactory, due to the very rapid development of the hydro-electric power in the Sierra Nevada Mountains. European demand is showing some improvement but at present the best export business is with the Far East.

In the underground cable branch of this industry plants are fully occupied and most of them are reported to be supplied with orders sufficiently large to keep them busy for the remainder of the year. Buyers are now willing to contract for deliveries to be made in the first and second quarters of next year. This also applies to manufacturers of electrical apparatus such as generators, motors, turbines, etc.

Hardware—Business is continuing much the same as it was a month ago. Hardware manufacturers are buying on a very conservative scale and their customers apparently are following this same plan. While business shows a healthy improvement over last year, all available plant machines are not yet in operation, principally because sufficient men to run them cannot be secured.

Small Tools—The small tool business is reported to be continuing at a normal rate with a satisfactory volume of orders. The quantity of goods per order is also holding up well. Tools are apparently going into direct consumption as fast as they are delivered.

Paper—The paper industry has shown a slackening of demand during the past six weeks, particularly from dealers. On the other hand it does not seem that actual consumption of the products of the paper industry has been curtailed. A part of this slowing-down process is attributable to normal seasonal tendencies which for many years have been in evidence. It is the opinion of authorities, however, that this cessaation is only of a temporary character and that trade will resume its normal proportions within a short period. Stocks in distributors' hands are reported to be little, if any, in excess of those of last January. The consumption by newspapers and magazines is very heavy.

The American Paper and Pulp Association reports that pulpwood is now relatively plentiful and at fair prices as compared with the peak prices of the past. March 1 reports, however, indicate that the mills have faced an average increase of about 10 per cent in the cost of wood for which they have contracted for the next year.

Printing and Lithographic Inks—No cancellation of orders of any importance has occurred in this industry but there has been a decided drop-off in business during the past thirty days.

Cans and Pails—Orders showed a slight decline for several weeks but this has been followed up by increasing purchases until the usual volume of business for this time of year has again been reached. All orders appear to be for immediate consumption as the buyers are insisting upon prompt deliveries. Collections are reported to be very good.

Cork—If there has been any change in this industry since our last report it has been in the nature of a tendency to slow down. This is especially evident in the corkboard branch of the business. Present building costs, it is believed, have curtailed very materially the demand for this commodity.

Bags—The present volume of business, though less than a few weeks ago, is good. Buying for the most part is cautious. At present, as is customary at this time of year, operations in the milling industry—one of the largest buyers of bags—are very light. Collections are reported to be a little bit slower owing to the fact that this is the period just prior to harvest.

Stoves and Ranges—This industry is passing through the customary mid-season dull period. Production, however, has shown no particular change and present orders are reported to be sufficiently large to keep the factories busy for some time. Raw materials are somewhat easier to obtain although some difficulty is still experienced in certain lines.

Paper Box Board—Consumers of box board during the past four to six weeks have been buying only enough to cover their immediate requirements. Prices have been reduced somewhat, but with the buying for fall and holiday trade coming on, no material cut in prices is expected.

Boots and Shoes—Final production figures for the month of April show that the output of 60 boot and shoe factories in the Fourth Federal Reserve District was 16.4 per cent less than that of the preceding month. Preliminary figures on production by 41 establishments in this District during May show a decline of 3.6 per cent as compared with April.

Production figures received by the U. S. Bureau of the Census from 1,172 manufacturers show that the output during the month of April was 11.7 per cent less than that of March, but 17.8 per cent greater than the output for April, last year. Reports from a comparable number of firms in the United States indicate a decrease of 2.5 per cent in the production for May as compared with April of this year.

Revenue Freight Car Loadings Exceeded Only Twice in History of Roads; Number of Cars Unfit for Service Declines in Spite of Increased Loadings

The railroads have made further progress since our report a month ago. All of the operating developments during the past month have been indicative of improved conditions. During the week ending May 26 there were 1,014,029 cars of revenue freight loaded. This figure has been exceeded only twice in the history of the American roailroads, and then only slightly. The previous high point, however, was reached during the month of October when the peak movement almost invariably occurs. During the week ending June 2, 932,041 cars were loaded, the apparent decrease as compared with the week of May 26 being accounted for by the holiday of May 30.

The decrease in figures showing car shortages has continued, so that at this writing there is a considerable net surplus of cars awaiting loading, notwithstanding the steady increase in the number of cars loaded. On May 31 there was a total shortage of 16,277 cars and a total surplus of 32,443 cars. In the other two periods when revenue freight loadings exceeded those of the week of May 26 there were serious car shortages.

The situation of the carriers with regard to cars unfit for service has also improved, so that it appears probable that they may be able to reach a certain goal which they have set. This goal is to have all freight equipment awaiting repair reduced to 5 per cent of the total by October 1 of this year. On January 1, 1922, 13.7 per cent of the freight cars of the country were in bad order and on March 15 there were 9.3 per cent unfit for service. On January 1, 23.8 per cent of the locomotives were awaiting repair and on March 15, 21 per cent.

Railroad buying continues unusually heavy and certain roads have been asked to postpone their orders wherever possible in order to avoid a part of the present rush. Rails, cars, and locomotives are wanted in Argentina, Japan, and Australia. Quite recently large orders for rails have been placed. Orders for new equipment placed during the last week of May included 38 locomotives and 410 freight cars.

The reports of class 1 roads (roads showing a revenue exceeding one million dollars per year) for the month of April show a net earning which, if continued throughout the year would equal 6½ per cent of their tentative value as set by the Interstate Commerce Commission, and for the first four months of this year the rate of earning has been 5.94 per cent.

The following figures show the steady growth of car loadings since the first of the year:

Week Ending		Week Ending	
January 6	770,303	March 24	917,036
January 13	873,251	March 31	938,725
January 20	865,578	April 7	895,767
January 27	871,164	April 14	946,759
February 3	865,675	April 21	957,743
February 10	853,289	April 28	963,694
February 17	817,778	May 5	961,029
February 24	830,223	May 12	974,531
March 3	917,896	May 19	991,797
March 10	905,219	May 26	1,014,029
March 17	904,286	June 2	932,041

Stocks of Motor Fuel Show Further Gain in Face of Increased Demand; Efforts to Restrict Production Partially Successful; Price of Pennsylvania Crude Again Reduced

Despite a great increase in consumption of gasoline over the corresponding period in 1922, the demand during May failed by a wide margin to catch up with heavy current daily output. Consequently, stocks of motor fuel have been increased.

While California production appeared as indicated last month to be stabilized around 700,000 barrels a day due to the limitation of pipe lines and shipping facilities, production in the Mid-Continent field continued to increase, standing at the end of May at about 530,000 barrels a day.

Efforts of producers in the flush Burbank and Tonkawa fields of Oklahoma to restrict the overproduction of oil by shutting down drilling wells before reaching the oil sands, and refraining from starting new wells, were only partially successful and did not succeed in reducing the total production.

The refiners—those of Oklahoma, Kansas and North Texas particularly—have suffered with the producers from the effects of overproduction of refined products. Refiners with contracts for crude being unwilling to relinquish them, have continued to run their plants to part capacity at least. Unable to market their current output, they have run it to storage with the result that the end of May found many of them with their tanks full and the markets unable to absorb their products.

A joint committee of the Western Petroleum Refiners' Association representing the Mid-Continent refiners, and of the National Petroleum Marketers Association, representing the Independent retailers of gasoline over the country, attempted to relieve the refinery situation by a buying campaign in which each jobber who was able to do so, was to buy a car of gasoline in excess of his requirements. Reports to *National Petroleum News,* however, indicate that this movement did not succeed to an extent sufficient to afford any substantial relief to the refiner. A considerable number of jobbers bought gasoline but the storage tanks of most of them the country over were so filled that they were unable to accommodate any extra supply. This was due to the fact that they had bought heavily early in the spring and that the business they expected had been held back by the long period of bad weather. Also, brokers came into the market as soon as the buying plan was launched and made large purchases at a very low price from refiners in urgent need of ready cash and storage space.

Pennsylvania crude has recently been reduced 25 cents a barrel and Wooster crude 15 cents. The flood of crude is so great from the Mid-Continent field that the purchasing companies may shortly be obliged to put a proration system into effect by which they will take only a part of the crude run from each producer's property.

Refinery prices of all products are low and tending downward and this weakness has been reflected in reduced retail prices of gasoline in some territories.

Use of Machinery and Extra Effort Keep Farm Operations Near Normal; Wheat Prospects Fair; Corn Grows Rapidly; Oats Crop Late

Farmers are making good progress in their work. The cold weather and excessive rains during the spring and early summer were somewhat depressing but the weather man is now showing a more kindly spirit with the result that farm work is near its normal status at this time. Farmers have been hampered by the lack of good labor but they are overcoming this handicap by increasing the use of machinery and by doing an extra portion of the work themselves, just as they have done in the past. The closing of the country schools for the summer has also helped a large number of farmers.

Ohio

Wheat—Wheat is ripening rapidly and present indications are for an early harvest and a fair yield. The wheat fields in northern, northeastern, and parts of southern Ohio are reported to be in the best condition. The forecast of wheat based on June 1 conditions shows a slight increase over that of May with indications for a gain of around 1,000,000 bushels. The United States forecast shows a decrease of something like 5,000,000 bushels during the month with an estimated winter wheat forecast of 580,541,000 bushels.

Oats—Acreage sown to oats this spring is estimated by the Department of Agriculture at 8 per cent more than that of last year. This increase in acreage is noticeable in those sections where there was a heavy killing of winter wheat. The oats crop is very late and indications are (on the assumption of reasonably favorable weather from now on) for about three-fourths of a crop. The condition of the crop in western and central Ohio is lower than in the northern part of the state where there is a much better growth of the plants. In most fields, however, the stand of oats is good.

Corn—The corn crop is showing the effects of better weather conditions and is now coming along in fine shape. While the plants are not large for this time of year, a good stand is reported and the fields are now under cultivation.

Fruit—Present conditions of the apple, peach, and other fruit crops indicate a three-quarter crop. This is an improvement over last year when conditions were estimated at 60 per cent of normal. Two years ago the estimate of fruit conditions was 33 per cent. The crop of early apples is expected to be less than last year because fewer buds were set after the heavy crop of 1922.

Melons—The melon crop is in fair condition although planting was late. The acreage is about the same as that of last year.

Pennsylvania

Wheat—According to a late report of the Department of Agriculture on the farming situation in Pennsylvania, the condition of winter wheat on June 1 was 87 per cent of normal which indicates a yield of 17.5 bushels per acre and a total production of 22,066,800 bushels as compared with 24,634,000 bushels last year. The area of spring wheat is estimated at 16,275 acres. The condition is placed at 86 per cent which presages a production of 15 bushels per acre and a total production of 246,175 bushels.

Rye—The condition of rye is estimated at 89 per cent of normal and is indicative of a yield of 16.1 bushels per acre and a total production of 3,319,000 bushels. The crop last year was estimated at 3,660,840 bushels.

Oats—The area sown to oats this spring is estimated at 1,143,665 acres and is approximately 98 per cent of the area harvested last year. The condition on June 1 was 90 per cent of normal and forecasts an average yield of 32.6 bushels per acre and a total production of 37,283,500 as compared with 39,473,300 bushels last year.

Barley—Barley, like spring wheat, is not largely grown in Pennsylvania. The area seeded this spring is estimated at 11,760 acres and is 96 per cent of last year's acreage. The condition on June 1 was estimated at 92 per cent and forecasts an average yield of 25.7 bushels per acre and a total production of 302,200 bushels. The total production last year was estimated at 301,500 bushels.

Hay—The prospect for hay on June 1 was estimated at 84 per cent of normal and is indicative of a yield of 1.34 tons per acre compared with 1.57 tons last year. It appears that there are approximately 470,535 tons of hay in the farmers' hands as compared with 276,625 tons one year ago. This is due to a large crop last year.

Fruits—The prospect for apples in Pennsylvania on June 1 was 86 per cent of normal indicating a production of 12,433,320 bushels compared with 10,837,940 bushels last year.

The outlook for peaches is estimated at 88 per cent of a normal crop and is indicative of a production of 1,766,110 bushels compared with 1,229,670 bushels last year. The condition of pears was 82 per cent and presages a crop of 649,900 bushels compared with 604,600 bushels last year.

The outlook forecasts 81 per cent of a normal crop of plums and 83 per cent of cherries.

Wool—It appears that there were approximately 423,160 fleeces of wool clipped this spring which is 99 per cent of the number clipped one year ago. The average weight of fleece was 6.8 pounds.

Kentucky

Wheat—The condition of Kentucky's wheat crop at the end of May indicated a probable production of about 7,092,000 bushels this season as compared to 7,475,000 bushels last year, according to a recent crop report.

Rye—Rye production is estimated at 324,000 bushels this year compared with 230,000 bushels last year.

Hay—The production of hay of all kinds is estimated at about 1,173,000 tons compared with 1,497,000 tons in 1922.

Tobacco—The Burley Tobacco Co-operative Association has made a second payment to its members on the 1922 tobacco which has been delivered to it. This payment amounted to $15,000,000. It will be recalled that advances were made to the growers at the time they delivered their crop to the association and the total of this initial advance and second payment is reported to be about $33,000,000. The association has made these payments out of the receipts for tobacco sold and when the tobacco which is now held is sold, a final payment for the 1922 crop will be made. Naturally the growers welcomed a second payment at this season of the year.

The association is adding growers to its membership list, the signing of new contracts being reported from time to time. Some progress has been made in the establishment of local associations of the members. These locals will not taken any part in the marketing activities but will serve to furnish points of contact between the rank and file of the members and the association management.

Figures made public by the Bureau of Internal

Revenue show that there were 532,533,522 large cigars manufactured in April of this year as compared with 501,393,544 manufactured in April of last year. There were 41,154,200 small cigars manufactured in April this year, as compared with 49,720,007 manufactured in April, 1922. There were 1,495,256 large cigarettes manufactured in April this year as compared with 1,180,440 last year and 4,710,544,617 small cigarettes as compared with 3,453,060,850 a year ago. There were 30,759,305 pounds of tobacco manufactured in April this year, as compared with 28,564,591 pounds in April last year.

Reports From Farm Implement Manufacturers Reflect Cessation of Buying; Orders From Argentina Encouraging; Healthy Demand for Small Tractors

The reports which have come to us this month with reference to the farm implement situation appear to indicate somewhat of a feeling of disappointment in the general trend of business at this time. While retail sales in the implement field continue fairly satisfactory, with stocks running low, there has been a marked falling off in wholesale trade. This is due partially to the usual drop in the seasonal demand, but it is also looked upon as being evidence of a cessation of buying on the part of the farmer. Some encouragement, however, is to be found in the fact that while business this year is considerably below normal, it is substantially better than that of 1921 or 1922.

Orders from Australia, Japan, and particularly Argentina, are reported to be showing improvement. An implement manufacturer reports orders from Argentina fully as large as those of 1918.

With wage increases being made by the larger industrial concerns, the labor shortage on the farms is further accentuated. A part of this shortage has been alleviated by improved machinery, and were the farmers in a position to buy in larger volume, this condition would be further bettered. Because of readjustments which have not been completed, however, they have not yet reached that place where expensive farm equipment may be bought to any great extent. Present buying is limited largely to the replacement of wornout machinery and to the smaller tillage and harvesting tools. Purchases of larger machines including tractors and threshers are much below normal.

According to a late report of the *Chilton Tractor Journal,* the manufacturing side of the industry still presents a problem. Indications now point to limited production. The manufacturers are studying the probable future buying power of the farmer and apparently have arrived at the conclusion that the present cost of steel and other raw materials together with increased wages will necessitate an advance in the price of the finished product sufficiently large to restrict the sale of implements to only such volume as is absolutely necessary.

There is quite a healthy demand for the smaller sizes of tractors. The two largest producers are having little difficulty in making sales and are setting new records for production. One manufacturer is cultivating the industrial field which is developing into a sizable market. The demand for threshing machines has not been so great as was expected, possibly due in part to the smaller wheat acreage, but the demand for harvesting machinery, now about over, was more encouraging. Summer plowing of the wheat land may result in a demand for tillage tools, although this is looked upon as being highly speculative in view of the heavy spring purchases in this line.

Another price advance has been made by most of the implement manufacturers and this apparently is resulting in increased sales resistance.

Slackening Demand for Lumber Follows Building Curtailment; Labor Shortage Slows Down Production; Shipping Conditions Are Good

The indications of a slackening in demand for building lumber mentioned in previous reports are now manifest in a much higher degree. Various causes are given for this attitude, such as the high cost of building materials in general and building labor in particular, and the consequent curtailment of building in the larger cities; however, the let-up in demand is greater than the actual amount involved due to the suspension of building construction. Reports show that many building projects are being suspended, mainly in the large cities, but as a rule building in the country and smaller towns, consisting mostly of dwellings, has not stopped to any considerable extent. Even in the cities, dwelling house construction has not shown the marked decline that has been evidenced in other lines.

With this interference in the building program the natural result would be a let-up in the keen demand experienced during the first five months of the year. The restricted buying, however, has been much more in evidence than was expected and present purchases are largely for immediate needs. Prices have weakened somewhat and this factor has probably influenced the buyers to hold off. This restricted buying applies particularly to the manufacturer and wholesaler as the retailer may have contract sales on hand to keep him busy for several months. Recent reports, however, indicate that retailers have reached the point where they have delivered a considerable amount of the stock on their back order files and that some renewed buying is now going on.

This lull which has been experienced by most of the lumber interests during the past few weeks is considered by certain lumber dealers as being of a beneficial nature inasmuch as it showed that the fundamentals of the industry are such that a temporary cessation of buying can be passed over without any particular damage and also that it gives the raw material and labor supply a chance to work back toward a normal condition.

While production has not shown a decline proportionate with that of orders, bad weather conditions in the South and a labor shortage are causing a gradual slackening. At some of the southern mills wages are being advanced in order to hold the colored help which is moving northward in response to higher wages in other industries. In some instances small saw mills have been forced to close down on account of the scarcity and high cost of labor.

The amount of lumber orders being placed by the railroads and other special sources is proving an aid in holding the market firm. Railroad construction work is bringing a good demand for timber and ties. While the demand for lumber for residential building has fallen off to some extent, there is still a good volume.

Shipping conditions are good. The railroads have plenty of cars and apparently plenty of motive power, the results of which are shown in the very fast movement of lumber from southern and western producing points to consuming points in the Middle West and East.

Local stocks of lumber are well rounded, Cleveland being very fortunate in respect to having a large number of well equipped yards handling all the necessary varieties of lumber generally used in frame house construction.

Soft Coal Production Gains Slightly; Consumers' Stocks Reported Low; Anthracite Output Heavy

Within the past year stocks of bituminous coal have been very materially reduced. Buyers, however, are not paying any particular attention to this fact, but under the influence of the downward trend of prices, they are permitting their stock piles to run low.

Soft coal production is showing a slight upward tendency. The Geological Survey's preliminary estimate of coal produced in the week ending June 9, including coal coked, lignite, and mine fuel, indicates a total of 10,708,000 net tons, an increase of 617,000 tons over the revised estimate for the week preceding.

Total production for the month of May also shows an increase over the previous month. Estimates based on railroad shipments place the total output for that month, including lignite and coal coked at the mines, at 46,076,000 net tons, a gain of 8.2 per cent over the April production and a decrease of 1.6 per cent as compared with the March output.

The revised estimate of anthracite production in May based upon final data on shipments, places the total at 8,573,000 net tons, including mine fuel, local sales, and the product of washeries and dredges. Output during May has only twice exceeded this figure which is 6 per cent above the average for the eight years, 1914 to 1921.

The total production of anthracite in the first five months of the present calendar year was 42,504,000 net tons, which is the maximum production recorded for a like period, and is 15 per cent more than the average for the eight years preceding 1922.

Production of beehive coke in the week ending June 9 was restored to the pre-Memorial Day rate. On the basis of the number of cars loaded on the principal coke carrying railroads, the total output is estimated at 416,000 net tons. The recovery is shown principally in the figures for the Pennsylvania, Ohio, and West Virginia districts. Total production for May also shows an increase, the output for that month being 1,829,000 net tons as compared with 1,776,000 tons in April.

The output of by-products coke in May was 3,328,000 net tons, an increase of 122,000 tons or 3.8 per cent over the April output. This gain was partly due to the greater number of working days and partly to an increase in the average daily rate of production. The quantity of coke produced was 89.2 per cent of the capacity of plants in existence. The total count of plants is now 69, two formerly reported separately having been consolidated. Of these 63 were active and 6 idle.

PRODUCTION OF BITUMINOUS COAL IN MAY AND CUMULATIVE PRODUCTION IN FIRST FIVE MONTHS OF THE LAST TEN YEARS (Net tons)

Year	May	Cumulative to May 31
1914	28,551,000	173,278,000
1915	30,938,000	159,222,000
1916	38,804,000	208,041,000
1917	47,086,000	226,161,000
1918	50,443,000	230,601,000
1919	38,186,000	179,487,000
1920	39,841,000	217,258,000
1921	34,057,000	165,937,000
1922 a	20,601,000	164,922,000
1923 a	46,076,000	227,780,000

(a) Subject to revision.

Rubber Industry Hesitating; Production Gradually Slowing Down; Congestion Hurts Tire Manufacturers; Prices Lower

The rubber industry, and particularly the tire division, is reported to be hesitating somewhat. This slowing down is usually expected at this season of the year and is partially attributable to weather conditions, but the late spring and summer retarded the consumer's buying more than was anticipated. Since the recent favorable motoring weather began, sales are reported by several concerns to have shown some improvement.

An outstanding event in the rubber industry is the recent reduction in the price of tires, and at the time this report is being prepared the ultimate results of this move are not clearly evident.

Reports as to the extent of the recent drop-off in the tire business are somewhat conflicting. In some instances where production was not greatly expanded during the winter months the decline has been less noticeable and there has not been the necessity for making a rapid reduction of the working force. Added to this is the fact that the summer season, when touring throughout the country reaches its greatest volume, is now here. Manufacturers expect many tires to be consumed during July, August, September, and October.

On the other hand tires dealers purchased large stocks on spring dating trade acceptance terms in response to continued effort on the part of sales organizations, and were influenced by the belief that there were going to be price advances. Then, too, as stated above, the unseasonable weather retarded sales. The result is that stocks in the hands of dealers are unusually heavy.

In addition to the weather factor, more mileage is being obtained from the better grades of tires which have been purchased by the users. Second-hand cars which are standing idle eliminate the replacement of tires upon these old cars and the large number of new cars which is being bought by the public and upon which new tires come as original equipment, means that there is much driving being done upon tires which were sold direct to the automobile manufacturer.

Roads have been greatly improved during recent years, and while this may influence motorists to take long trips, the wear upon tires has been materially reduced, thus increasing the mileage.

An element which has not been given much thought, but which is of importance, is the fact that owing to the great increase in the number of cars on the roads, as well as the strict enforcement of traffic regulations, the number of miles traveled in a given length of time is far less than heretofore. Country roads are now so congested with traffic on holidays and Sundays that touring is not the pleasure it was some time ago, and many autoists are now using their cars for the purpose of getting from one place to another, rather than enjoying a ride as formerly. The growing congestion in the streets of most of our large cities is also having a noticeable effect upon the tire manufacturer.

Hot Weather Brings Call For Lightweight Clothes; Reorders For Summer Underwear Unusually Heavy

The coming of really hot weather has brought buyers into the market for light weight materials. Sheer goods are very much in demand. This is proving to be somewhat beneficial to manufacturers and jobbers though the warmth came a little late to result in the anticipated number of reorders.

The past month in the knit underwear business has been noteworthy because of the unusually strong manner in which the reorders for summer underwear have kept up. As a general rule, reorders from the wholesalers slow up early in May, but this year, probably because of the late spring, they have been coming in with unusual frequency and in unusually large quantities. In fact, the volume is reported to be so great that it has retarded the production of fall underwear. This volume coming at this late date would appear to indicate that goods on both the retailers' and jobbers' shelves are well cleaned up.

The fall reorders present a different angle. As a rule, they commence in May and June after the jobbers have gone out and sold the retailers on their initial trips. This year, due to the rise of cotton and worsted prices in February, the jobbers sent in their reorders in February and March in abnormally large quantities. As a result of this, reorder business on fall underwear in May and June has amounted to practically nothing. Another influencing factor which is probably at work in this situation is the recent decline in the price of cotton.

Cotton and worsted prices have now declined to practically the same basis upon which opening prices were named. This is regarded by the trade as a healthy condition.

The labor situation in this business continues quite satisfactory. Production is being maintained on a peak basis and the uneasiness which was manifest several months ago has apparently disappeared.

Conditions in the fancy knit goods business have not changed very much since our last report. The demand for lightweight sweaters is still in full swing and the sleeveless garment in particular is in great demand. Manufacturers say they are unable to keep up with the orders which they are getting at this time. The recent hot weather is largely responsible for this unusual demand. The bathing suit division of the industry is reported to be less satisfactory than was anticipated. Reorder business is not very large for this time of year.

A remarkably healthy tone is reflected in the recent reports which we have received from manufacturers of women's ready-to-wear clothing. Present indications are for very good business, and while merchants are somewhat doubtful as to the effect of the recent advance in prices, the general opinion appears to be that the condition of the country is such that this additional rise will be largely absorbed by the additional buying power of the public.

Salesmen have been on the road for over a month and returns show that business, order for order, is now running from 10 per cent to 50 per cent ahead of the same orders last year. This increase is in a measure due to the fact that carried-over stock in the hands of retailers is not heavy and this calls for more complete assortments than would be needed if last winter's stocks had not been so thoroughly liquidated.

Prices of clothes are reported to show no signs of weakening though supplies of raw wool appear ample. This is due in part to the fact that looms are taxed to capacity to turn out wanted fabrics and the output finds ready takers.

There has been no particular change over last month's situation in the men's ready-to-wear line. Generally speaking the advance orders which are booked for fall, show a substantial increase in overcoat business but with orders for suits less satisfactory, current opinion placing this part of the business on a parity with that of the fall of 1922. Early inquiry concerning goods for the spring of 1924 brings about tentative quotations of from 10 to 15 per cent over those for the fall of 1922 with practically no business being placed so far.

Wholesale Grocery Business Shows Gradual Betterment; Canning Prospects Bright; Pea Pack in Full Swing

Conditions in the wholesale grocery business have been showing a gradual but steady improvement all year. Both jobbers' and retailers' stocks are comparatively light at the present time. The inclination is to buy sparingly and to turn over stocks as often as possible.

Collections are reported to be only fair. An authority on the situation believes the probable reason for this is that many people are buying luxuries instead of paying their grocery bills.

Canners all over the country report good crops and present prospects are looked upon as being unusually bright. Retailers have again become fairly good buyers and goods have been going into consumption rapidly. Canners' stocks are about cleaned up and future sales have for the most part been quite heavy.

The pea pack is now in full swing in this section of the country. The backward spring has resulted in a large part of the crop ripening at the same time and overtime work is required to meet this emergency.

A large food products manufacturing company finds business less satisfactory than was anticipated in view of the fact that the industrial conditions of the country are prosperous and labor generally is employed at good wages. Salesmen report that that it is more difficult to sell goods than it was a few weeks or months ago and there seems to be a general inclination on the part of the merchants to buy only in very limited quantities.

May Cement Production Nearly 13,000,000 Barrels; Shipments 12 Per Cent Greater Than Last Year

With a production of nearly 13,000,000 barrels of cement in May the cement industry of the country established a new high record for any single month, according to a late report of the Portland Cement Association. May production was more than 1,500,000 barrels greater than in April and 1,700,000 barrels or 15 per cent greater than in May, 1922. For the first five months of the current year production very closely approached the 50,000,000 barrel mark—14,000,000 barrels more than in any similar period.

Shipments from the mills during May were also heavy and reached a total of 14,257,000 barrels or 12 per cent more than in May, 1922. For the five months' period ending May 31, shipments were approximately 48,900,000 barrels as compared with about 34,600,000 barrels during the first five months of 1922, the best previous record.

Stocks of cement in manufacturers' hands at the end of May were 10,115,000 barrels as compared with an average on that date of 11,725,000 barrels for the five year period—1919-1923.

Unusual activity in the construction field, early storing of cement, and of late, the commendable record the transportation systems are making in handling traffic, are responsible for the record breaking shipments of cement thus far experienced.

Although stocks of cement have been decreasing since the first of March, May production was at the annual rate of approximately 155,000,000 barrels which is considerably in excess of the amount consumed in any one year. Production may be still further increased by the recent placing in operation of two new mills and completion in the near future of extensions to several existing plants.

Building Curve Shows Drop But Workmen and Dealers Are Kept Busy; High Costs Continue to Bring Postponed Construction

While the building curve took a rather pronounced drop during the month of May, there is sufficient building work going on to keep skilled craftsmen and dealers busy supplying the demand. During the early part of June, men in a few of the trades were seeking jobs, but this was only in a very few cases and did not apply in those trades where there has been a marked shortage so far this year. This shortage is delaying operations in certain sections but contractors are pushing ahead with their work even in the face of this condition and are making fair progress.

While residential building continues on a large scale, reports of delayed construction of other types on account of high prices for building materials and labor are numerous. This has been particularly noticeable in New York but other sections of the country are feeling the effects of it as well. So far the slowing down has resulted in no serious slump while on the other hand no clearly defined trend as to what the final outcome will be is as yet in evidence.

In the city of Cleveland proper according to statistics prepared by the Builders Exchange, the volume of operations for the month of May this year aggregated $4,619,000 as compared with $6,756,000 for the same month last year. Compared with April the month showed a falling off of about $1,000,000 in value of permits issued.

For the suburbs a similar decrease was in evidence. None of the outlying communities showed an increase excepting Lakewood, where the volume of permits issued was $1,466,000 for May this year in comparison with $803,000 for the same month last year.

Cleveland Heights, where a lively boom has been in progress, showed a drop of approximately one-third in permits issued while the comparison with April indicated a decrease of approximately $500,000.

With returns to *Bradstreet's* from 151 cities received, the total value of building permitted for in May was $255,828,769 as against $320,388,733 for the same cities in April, $373,523,391 in March, and $243,545,638 in May a year ago. There is here shown a decrease of 20 per cent from April and of 31 per cent from March while the gain over May a year ago is only 5 per cent.

Debits to Individual Accounts

	Week Ending June 13, 1923 (322 Banks)	Week Ending May 16, 1923 (323 Banks)	Increase or Decrease Amount	Increase or Decrease Per Cent	Week Ending June 14, 1922 (324 Banks)	Increase or Decrease Amount	Increase or Decrease Per Cent
Akron	$ 17,365,000	$ 19,379,000	$ —2,014,000	—10.4	$ 13,383,000	$ 3,982,000	29.8
Butler, Pa.	2,483,000	2,904,000	—421,000	—14.5	2,428,000	55,000	2.3
Canton	12,346,000	11,445,000	901,000	7.9	8,419,000	3,927,000	46.6
Cincinnati	69,609,000	97,565,000	—27,956,000	—28.7	67,990,000	1,619,000	2.4
Cleveland	150,987,000	162,302,000	—11,315,000	—7.0	128,623,000	22,364,000	17.4
Columbus	36,245,000	41,821,000	—5,576,000	—13.3	27,139,000	9,106,000	33.6
Connellsville	1,588,000	1,509,000	79,000	5.2	1,311,000	277,000	21.1
Dayton	15,646,000	16,746,000	—1,100,000	—5.6	12,413,000	3,233,000	26.0
Erie	7,727,000	8,282,000	—555,000	—6.7	6,252,000	1,475,000	23.6
Greensburg	5,354,000	5,041,000	313,000	6.2	4,234,000	1,120,000	26.5
Homestead	926,000	970,000	—44,000	—4.5	765,000	161,000	21.0
Lexington, Ky.	5,417,000	5,279,000	138,000	2.6	4,677,000	740,000	15.8
Lima	4,528,000	3,171,000	1,357,000	42.8	2,972,000	1,556,000	52.4
Lorain	1,383,000	1,470,000	—87,000	—5.9	1,144,000	239,000	20.9
Middletown*	2,168,000	2,489,000	—321,000	—12.9	....	....	.....
New Brighton	2,848,000	3,022,000	—174,000	—5.8	2,195,000	653,000	29.7
Oil City	2,930,000	3,567,000	—637,000	—17.9	3,559,000	—629,000	—17.7
Pittsburgh	162,200,000	203,318,000	—41,118,000	—20.2	154,953,000	7,247,000	4.7
Springfield	4,700,000	4,734,000	—34,000	—0.7	4,026,000	674,000	16.7
Toledo	42,266,000	47,343,000	—5,077,000	—10.7	35,021,000	7,245,000	20.7
Warren, O.	3,315,000	3,577,000	—262,000	—7.3	2,699,000	616,000	22.8
Wheeling	10,323,000	11,348,000	—1,025,000	—9.0	8,880,000	1,443,000	16.3
Youngstown	15,593,000	14,523,000	1,070,000	7.4	11,937,000	3,656,000	30.6
Zanesville	3,169,000	3,267,000	—98,000	—3.0	2,529,000	640,000	25.3
Total	$581,116,000	$675,072,000	$—93,956,000	—13.9	$507,549,000	$71,399,000	14.1

*Debits for corresponding period 1922 not available

Comparative Statement of Selected Member Banks in Fourth District

	June 13, 1923 (82 Banks)	May 16, 1923 (82 Banks)	Increase	Decrease
Loans and Discounts secured by U. S. Government obligations	$ 32,237,000	$ 32,720,000	$.........	$ 483,000
Loans and Discounts secured by other stocks and bonds	400,758,000	401,393,000	....	635,000
Loans and Discounts, all other	689,458,000	688,351,000	1,107,000	....
U. S. Pre-War Bonds	48,130,000	47,571,000	559,000	....
U. S. Liberty Bonds	116,121,000	117,113,000	....	992,000
U. S. Treasury Bonds	6,784,000	7,025,000	....	241,000
U. S. Victory Notes and Treasury Notes	61,962,000	60,344,000	1,618,000	....
U. S. Certificates of Indebtedness	8,110,000	11,443,000	....	3,333,000
Other Bonds, Stocks, and Securities	282,896,000	283,542,000	....	646,000
Total Loans, Discounts and Investments	1,646,456,000	1,649,502,000	....	3,046,000
Reserve with Federal Reserve Bank	114,944,000	112,297,000	2,647,000	....
Cash in Vault	31,129,000	30,035,000	1,094,000	....
Net Demand Deposits	938,103,000	921,383,000	16,720,000	....
Time Deposits	562,332,000	559,827,000	2,505,000	....
Government Deposits	10,572,000	28,015,000	....	17,443,000
Total Resources on date of this report	2,101,732,000	2,096,623,000	5,109,000	....

Wholesale Trade

Percentage Increase (or Decrease) in Net Sales During May, 1923, as Compared with April, 1923, and May, 1922

	Dry Goods	Hardware	Drugs	Groceries
Net Sales (selling price) during May, 1923, compared with April, 1923	—2.3	2.3	2.8	7.5
Net Sales (selling price) during May, 1923, compared with May, 1922	23.1	28.4	13.8	14.2

Department Store Sales

	No. of Reports	(1) Percentage of Increase or Decrease — Comparison of net sales with those of corresponding period last year: A May	(1) B January 1 to May 31	(2) Stocks at end of month compared with: A May 1922	(2) B April 1923	(3) Percentage of average stocks at end of each month from January 1 to May 31 to average monthly sales over same period	(4) Percentage of outstanding orders at end of May, 1923, to total purchases during calendar year 1922
Akron	4	24.5	19.9	10.2	—4.1	350.7	11.9
Canton	3	23.4	23.8	4.2	1.1	675.3	...
Cincinnati	9	13.5	9.0	—2.6	—7.4	454.9	7.5
Cleveland	5	13.4	19.8	14.7	—0.3	354.9	9.0
Columbus	6	18.6	16.8	12.0	2.9	397.3	7.8
Dayton	3	14.2	17.2	26.4	8.3	391.1	...
Pittsburgh	7	20.4	21.1	12.1	—4.2	337.6	8.1
Toledo	4	22.5	19.3	14.1	—2.1	331.8	6.7
Youngstown	3	33.6	34.3	19.9	—5.0	281.7	9.9
District	47*	18.4	19.2	11.8	—2.8	364.3	8.4
U. S. Average		10.8	12.1	9.6	—2.5	350.7	8.3

*Includes three reports from other cities

Building Operations for Month of May, 1923-1922

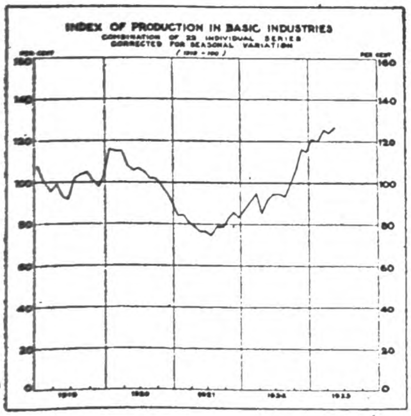
	Permits Issued: New Construction 1923	New Construction 1922	Alterations 1923	Alterations 1922	Valuation: New Construction 1923	New Construction 1922	Alterations 1923	Alterations 1922	Increase or Decrease: Amount	Per Cent
Akron	396	236	102	90	$ 739,120	$ 364,556	$ 165,210	$ 69,420	$ 470,354	108.4
Canton	283	161	110	83	601,038	478,258	124,555	50,980	196,355	37.1
Cincinnati	490	489	317	320	2,051,810	2,883,675	328,465	344,205	—847,605	—26.3
Cleveland*	891	874	1,454	1,242	5,512,265	7,458,652	1,955,925	2,615,515	—2,605,977	—25.9
Columbus	590	517	162	165	3,103,110	1,422,160	208,290	155,840	1,733,400	109.8
Dayton	323	255	233	121	1,339,238	598,335	110,732	76,198	775,437	115.0
Erie	217	130	94	84	301,099	273,897	85,895	53,187	59,910	18.3
Lexington	52	47	43	57	162,085	196,200	18,970	29,142	—44,287	—19.7
Pittsburgh	611	558	200	209	2,635,235	3,260,204	382,669	376,809	—619,109	—17.0
Springfield	150	99	44	36	173,185	95,265	12,085	12,900	77,105	71.3
Toledo	503	403	332	317	925,540	1,081,470	351,130	246,600	—51,400	—3.9
Wheeling	105	95	55	59	302,180	366,235	55,860	37,704	—45,899	—11.4
Youngstown	224	202	61	61	540,745	558,095	39,440	37,820	—15,730	—2.6
Total	4,835	4,066	3,207	2,844	$18,386,650	$19,037,002	$3,839,226	$4,106,320	$—917,446	—4.0

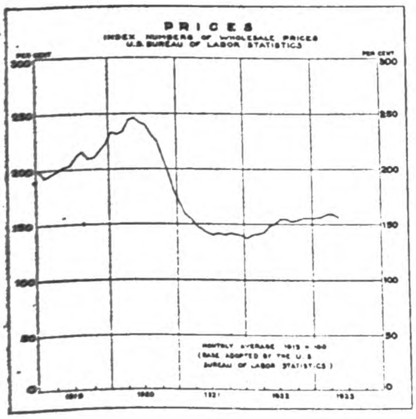
*Includes figures for East Cleveland, Lakewood, Cleveland Heights, and Shaker Heights

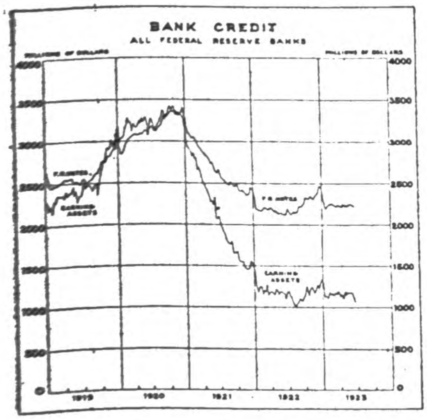
Movement of Livestock at Principal Centers in Fourth Federal Reserve District for Month of May, 1923-1922

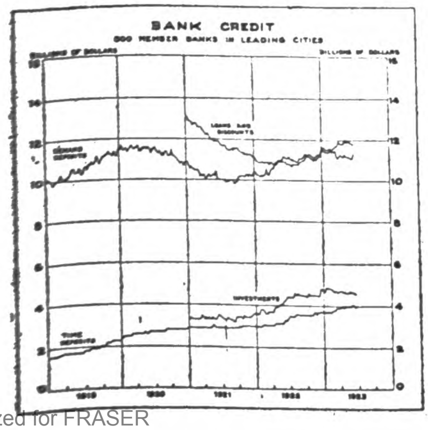
	Cattle 1923	Cattle 1922	Hogs 1923	Hogs 1922	Sheep 1923	Sheep 1922	Calves 1923	Calves 1922	Cars Unloaded 1923	Cars Unloaded 1922
Cincinnati	16,462	17,575	120,489	115,900	33,246	42,752	19,739	18,344	1,782	1,845
Cleveland	9,042	10,146	95,511	101,830	22,546	17,401	15,952	16,421	1,551	1,765
Columbus	152	334	4,930	4,312	163	53	236	189	17	19
Dayton	1,460	2,016	14,355	13,212	908	996	1,010	793	......	......
Fostoria	736	621	9,729	10,303	142	218	786	720	23	27
Marion	37	47	4,779	7,042	458	267	188	157	......	......
Pittsburgh	26,929	32,742	240,355	188,363	92,138	104,421	33,030	23,961	4,080	3,580
Springfield	262	220	5,093	5,070	1,104	349	334	345	......	......
Toledo	734	631	12,575	9,602	37	659	674	705	128	110
Wheeling	393	380	1,610	1,873	418	391	3,795	2,229	18	17
Purchases for Local Slaughter										
Cincinnati	13,287	14,015	67,398	57,498	9,508	11,475	6,747	8,092	......	......
Cleveland	8,573	9,109	72,169	68,414	16,324	14,399	15,222	14,653	......	......
Columbus	142	186	307	481	163	50	169	97	......	......
Fostoria	35	53	325	575	5	10	50	134	......	......
Marion	37	42	2,371	2,325	66	13	131	107	......	......
Pittsburgh	6,430	6,520	47,331	42,675	12,181	11,296	11,146	10,237	......	......
Springfield	66	98	440	520	4	37	66	56	......	......

Summary of Business and Credit Conditions in the United States By the Federal Reserve Board









Production and shipment of goods continued in heavy volume during May; the volume of employment was sustained and many wage advances were reported. Wholesale commodity prices declined during May and the early weeks of June.

PRODUCTION

Production of iron and steel, cement, and petroleum was larger in May than in any previous month, and mill consumption of cotton was close to maximum. The high level of production in these industries, together with increases in practically all other reporting lines, are reflected in an advance of 2 per cent in May in the Federal Reserve Board's index of production in basic industries. In the building industry there was a further decline in principal cities in the value of permits granted which represent prospective building operations. Contract awards, however, which represent actual current undertakings, continued to increase, though declines are reported in the New York and Chicago Districts.

This industrial activity has been accompanied by a slight increase of employment at industrial establishments. The demand for labor was also reflected in a larger number of wage advances during the thirty-day period ending May 15 than in any earlier month this year and average weekly earnings in all reporting industries increased by .3.8 per cent.. The advances were most general in the cotton, steel, meat packing, and sugar refining industries.

In agriculture the condition of both winter and spring wheat is reported less favorable than a year ago, while the condition of the cotton crop is slightly better than last year, owing entirely to more favorable growing conditions in Texas. A shortage of farm labor is reported from most sections of the country.

TRADE

Active distribution of commodities is indicated by heavy movement of merchandise and miscellaneous freight, and car loadings continued to exceed all previous records for this season. In certain lines of trade a decline in the volume of manufacturers' orders for future delivery is reported. The volume of both wholesale and retail trade was larger in May than in April. Among the wholesale lines, sales of meat, hardware, and shoes showed particularly large increases, while sales of clothing and dry goods decreased. The Federal Reserve Board's index of wholesale trade which makes no allowance for seasonal changes, was 5 per cent higher than in April and 14 per cent higher than a year ago. Sales of department stores increased about 8 per cent in May, and all reporting lines of chain store business reported increases. Mail order sales were six per cent less than in April, but were larger than in any previous May.

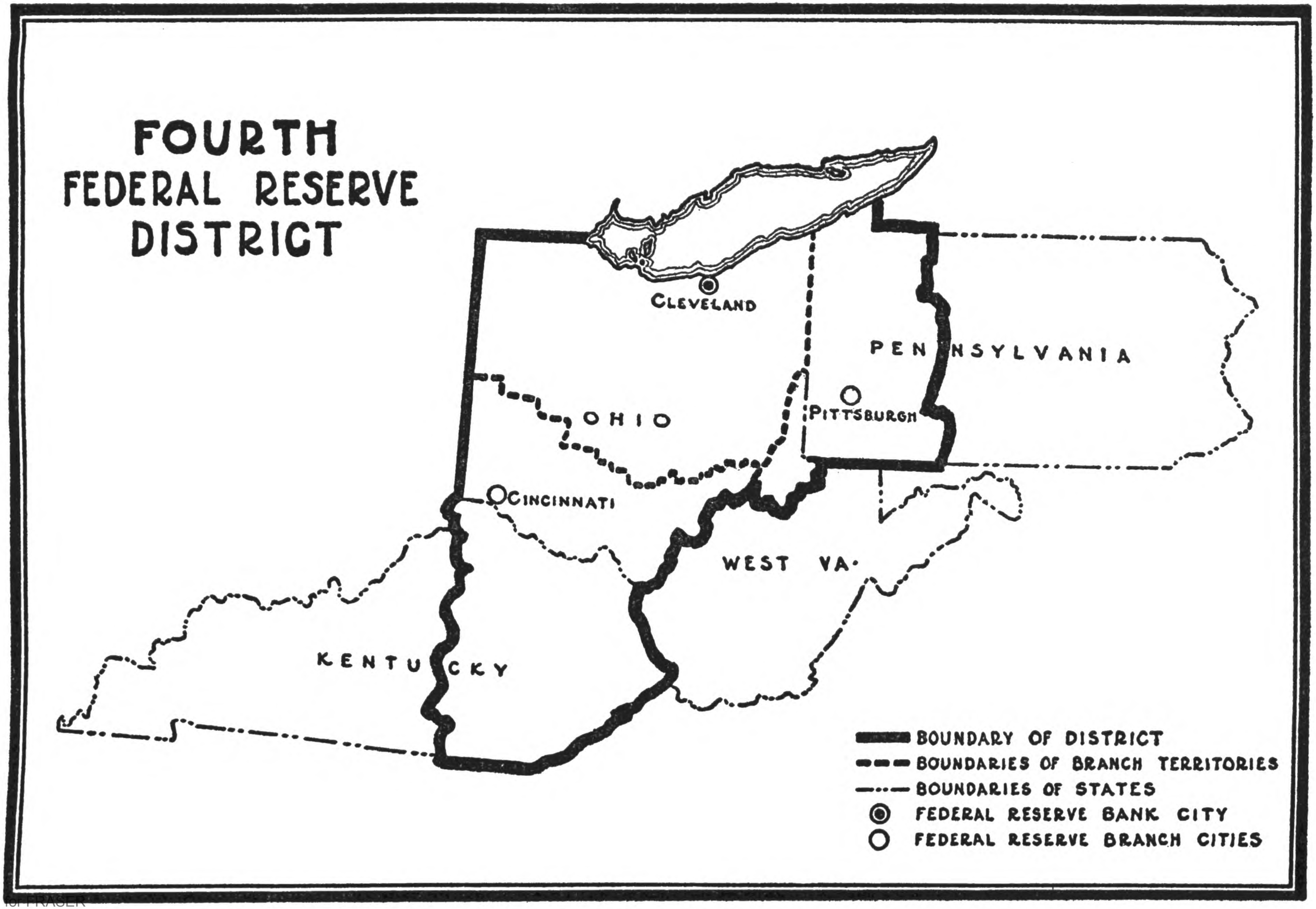
WHOLESALE PRICES

Price declines were reported during May and the first three weeks of June for a large number of commodities. All of the nine groups in the Bureau of Labor Statistics' index, except food and house furnishings show decreases for May and the average for all commodities declined by 2 per cent.

BANK CREDIT

Loans of reporting member banks in principal cities, which have been increasing since the early part of the year, declined by $115,000,000 between May 16 and June 13. Bank holdings of government securities, which increased by over $100,000,000 in connection with the treasury transactions of May 15, later declined as the securities were distributed by the banks.

These decreases in loans of member banks and the receipt during May of $45,000,000 of gold from abroad were accompanied by a decrease in the earning assets of Federal Reserve Banks by $120,000,000 for the four weeks ending June 20. At that time the volume of Federal Reserve Bank credit in use reached the lowest point since the opening of the year and approached the low point reached in August, 1922. Reserve bank holdings of bankers acceptances and government obligations are now lower than at any time since early in 1922. The total volume of money in circulation increased by $38,000,000 between May 1 and June 1, the increase being chiefly in gold and silver certificates, rather than in Federal Reserve notes. Money rates continued to show a slightly easier tendency. The June issue of $150,000,000 six months' treasury certificates carried a rate of interest of four per cent compared with 4¼ per cent on a similar issue sold in March.


FOURTH
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BOUNDARIES OF BRANCH TERRITORIES
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