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Fourth Federal Reserve District

Federal Reserve Bank of Cleveland

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Reports to this bank from 44 large manufacturers in the Fourth Federal Reserve District indicate a continuation in November and December of the moderate decline in business which became noticeable in October. 11 firms report the present trend of their business as being upward, 18 report a downward trend, 9 are uncertain, and 6 made no comment. Comparing the fourth quarter with the third, a gain was reported by 12 concerns; no change by 1; a decline by 25; and 6 made no comment. About half of both gains and losses were seasonal. As compared with the fourth quarter of 1925, a gain was shown in 20 cases; 15 experienced a decline, and 9, practically no change. Those firms reporting declines included some of the largest and most important, so that it appears that the first two months of the present quarter barely held up to last year.

Available statistics bear out the above reports on manufacturing activity in the case of three highly important industries. Automobile production was down sharply in November, steel ingot output declined from October, and building permits in both the country and this District were under October and also last year. In distribution, the spread between 1926 and 1925 in car loadings has been gradually diminishing, until the week ending December 11 finally showed a loss from last year for the first time since the week ending July 10th, and for the seventh time in the first 48 weeks of 1926. On the other hand, both wholesale and retail trade in November showed up remarkably well, and a heavy retail holiday season is indicated.

Turning to specific industries in this District, operations in iron and steel are still slack, but some new railroad and construction demand has appeared, and prices are holding up well in the face of declining activity. Coal output continues at record levels, but the recent high prices have collapsed with the ending of the British strike. Decreasing operations characterize the various automobile accessory lines. Manufacturing operations in clothing and shoes are rather quiet, but wholesale and retail sales in November in both lines were well above last year. Building was off considerably from October and slightly lower than a year ago. The rubber industry is quiet. There is a slightly declining trend in paint manufacturing.

Financial Conditions

The seasonal increase in the demand for credit during the fourth quarter has been evidenced by an increase in bills discounted by this bank from \$33,000,000 on September 1 to \$89,000,000 on December 15. The latter is the highest figure of the year. As pointed out in last month's Review, this very marked gain is accounted for by the transfer of funds by member banks out of the District, with the resultant rediscounting to build up reserve accounts, as well as by seasonal factors. In fact, since the first part of October, bills discounted by the Federal Reserve System have declined, contrary to the movement of discounts held by the Cleveland bank.

Cash reserves of this bank showed a declining tendency from the last of August to November 10, reaching a low point for the year of \$264,000,000 on the latter date. The figure on December 15 was somewhat higher. The transfer of funds out of the District, noted above, largely accounts for this loss in gold. Acceptance holdings of both the System and this bank have gained sharply during the past month, as is usual at the end of the year. Note circulation has also increased seasonally.

Demand deposits of reporting member banks have declined since September 15. On that date they were \$1,084,000,000, as compared with \$1,026,000,000 on December 8. Time deposits have also fallen off slightly. Loans secured by stocks and bonds on December 8 were down about \$25,000,000 from October 6, while all other loans showed very little change.

The prevailing rate on prime commercial paper in Cleveland continues at 6 per cent. A few banks in the District are increasing their holdings of foreign securities somewhat, but this does not appear to be the general practice.

Debits to individual accounts at 13 large cities in the District amounted to 2387 millions in November, as compared with 2341 millions a year ago. In 140 cities in the United States excluding New York City, the figures were 21,568 and 21,333 millions respectively.

Commercial failures in the Fourth District as reported by Dun's, numbered 134 in November, as compared with 165 last year. Liabilities were \$2,775,023 this year and \$3,428,114 in November, 1925. In the United States, the number of failures was 1830 in November of 1926

and 1672 in 1925. Liabilities were \$32,698,993 and \$35,922,421 respectively.

Savings deposits of 70 large banks in Ohio and Western Pennsylvania were \$924,375,298 on November 30, 1926, a gain of 0.6 per cent over October and of 5.8 per cent over a year ago.

Changes in the main items in the balance sheets of the Federal Reserve and member banks are as follows:

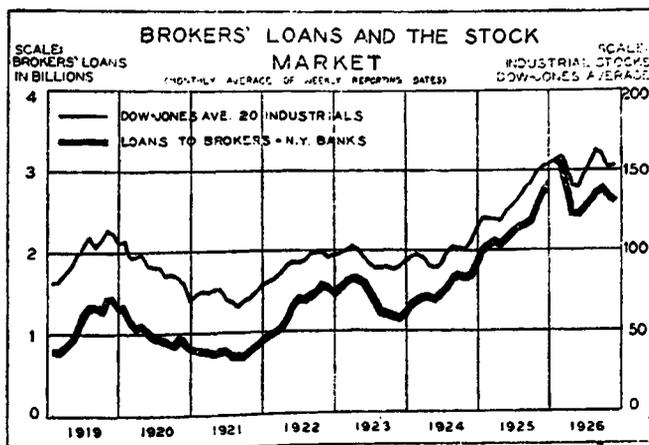
	Federal Reserve Bank of Cleveland (In Millions)			Federal Reserve System (In Millions)		
	Dec. 15, 1926	Dec. 16, 1925	Nov. 17, 1926	Dec. 15, 1926	Dec. 16, 1925	Nov. 17, 1926
Gold reserves	259	289	258	2,830	2,702	2,851
Discounts	89	102	76	562	619	567
Acceptances	35	7	32	384	353	348
U. S. Securities	35	29	36	478	398	308
Total bills and securities Federal Reserve notes in circulation	159	139	144	1,427	1,382	1,226
Total deposits	224	233	204	1,840	1,788	1,750
	188	189	193	2,392	2,301	2,301

	Reporting Member Banks Fourth District (In Millions)			United States (In Millions)		
	Dec. 15, 1926	Dec. 16, 1925	Nov. 17, 1926	Dec. 15, 1926	Dec. 16, 1925	Nov. 17, 1926
Loans secured by stocks and bonds	552	504	556	5,474	5,512	5,328
All other	813	777	813	8,905	8,557	8,961
Total loans	1,365	1,281	1,369	14,379	14,069	14,289
Investments	639	642	641	5,554	5,512	5,542
Demand deposits	1,028	1,001	1,087	13,214	13,261	12,959
Time deposits	811	742	819	5,782	5,285	5,772

Brokers' Loans

The Federal Reserve Bulletin of November, 1926, published for the first time complete weekly figures on loans to brokers made by New York City banks from October 5, 1917, to date. The chart below gives a comparison between loans to brokers and the course of the stock market, as represented by the Dow-Jones average of 20 industrials. It will be observed that a close correlation exists between the two, as might be expected. It is also noteworthy that between January 1, 1919, and December 31, 1925, brokers' loans rose from \$794,001,000 to \$2,908,060,000, a tremendous increase of 366 per cent in the short space of 7 years.

The break in the heavy line in the chart is explained by a change in the Federal Reserve Board's method of reporting brokers' loans with the beginning of 1926. Prior to that time, about 43 banks, including a few non-members, reported, whereas the present figures include the regular 61 reporting member banks. A few other changes have been made, and the total amount has been increased by about 8 per cent as a result of all changes.



Iron and Steel

December, as usual, was unsatisfactory to the iron and steel industry from the standpoint of production, yet it saw the development of a number of favorable factors. Freight car inquiry reached a peak of 21,000 with 14,000 additional in prospect; for these projects 350,000 tons of steel bars, plates and shapes and 175,000 tons of iron and steel castings and miscellaneous products are required. Freight car awards in one week of December came close to equalling the total for all of November. Structural steel lettings in a week in the middle of December soared to 78,401 tons, a pinnacle not reached in more than two years. Demand for pig iron experienced a decided revival in the last half of the month. While Cleveland producers will benefit directly from this car business only to a modest extent and structural demand lags in contrast with the country-wide activity, still the buoyancy of the Chicago, Pittsburgh and eastern markets creates a generally helpful atmosphere.

During the first half of December, production of finished steel reflected the efforts of practically all consumers to reduce their inventories to a minimum. A few interests, notably in the automotive industry, were exceptions to this in that they had reduced their buying too much and were compelled to reorder for their December requirements. The bulk of tonnage placed on mill books in December having been for shipment as early as possible in January, producers were compelled to step up slightly in the latter part of the month in order to have material in transit and available for delivery the fore part of January.

Never before has the finished steel industry experienced a comparable period of decline in demand with so little weakness developing in the price structure. In the Cleveland district, \$2 (Pittsburgh) for structural shapes and \$1.90 for tank plates stood unchallenged. The soft steel bar situation continues mixed, with Cleveland makers quoting \$2 (Cleveland) and attractive business going slightly lower, while the larger Pittsburgh and Mahoning Valley producers have stood firmly on \$2 (Pittsburgh) or \$2.19, delivered Cleveland. As Cleveland producers go east with their material their advantage over Pittsburgh diminishes, but as they go west it is almost as great as in Cleveland proper.

Many melters of pig iron have not been convinced that a serious situation in fuel confronts them, but as December wore on an increasing number issued inquiry for at least a portion of their first quarter needs. Compared with a month ago the pig iron market in the Mahoning Valley is about \$1 a ton lower. Two merchant blast furnaces at Cleveland were blown out early in December for repairs.

Pig iron production in November reached an unexpected total in view of the absence of outstanding inquiry. The actual figure—3,237,992 gross tons—was less than that of October, but on a daily average basis output was 107,993 tons compared with 107,555 tons in October and 100,775 tons in November, 1925. No November since 1918 has seen such an active month at the furnaces. November steel ingot production was 3,722,119 tons, a decline of 9 per cent from October, but nevertheless the second best November since the

war. Steel ingot capacity was engaged at 79 per cent.

Due largely to the ground lost by pig iron prices when the flurry over coke subsided and in smaller measure to the weakness which has developed in steel sheets, the IRON TRADE REVIEW composite of fourteen leading iron and steel products averaged about \$38.20 in December compared with \$38.43 for November. On the other hand, it was the highest for any month, excepting November, since May.

Coal The resumption of coal-mining in Great Britain removed the main factor in the recent "boom" in the soft coal industry in this country, and prices have fallen rapidly during the past month. The normal seasonal increase in householders' demand and the chance of a strike on April 1 have helped to keep operations up to some extent, but have not been sufficient to prevent the price drop. The Coal Age average price of soft coal (spot, mine), which soared from \$2.27 on October 8 to \$3.61 on November 8, slumped quickly from the latter figure to \$2.59 on December 13. The price on December 13 was about 25 per cent higher than before the increase in activity caused by the British strike, but at present quotations are still headed toward lower levels.

In spite of the price slump, soft coal production has remained heavy, establishing a new record for all time during the week ending December 4 of 14,676,000 tons. The following week brought a decline, but up to that time the 1926 production curve had been climbing further and further ahead of preceding years. Mines that reopened in the union fields of the Fourth District and elsewhere, in response to increasing demand and rising prices, have somewhat complicated the situation, inasmuch as many of them cannot operate profitably now that the trend has set in the other way.

It is certain that storage stocks of industrial consumers have been materially enlarged during the past two months. The report of the National Purchasing Association shows an increase of 1,264,000 tons between October 1 and November 1. Stocks on the latter date amounted to 45,535,000 tons, the highest in the three years shown by the report, and the Coal Age estimates that a still greater increase took place during November.

Coal operators and dealers in the Fourth District have felt the recession along with the rest, and are not very optimistic over the outlook for the immediate future. It is felt, however, that a return of price stability would improve the situation.

Rubber and Tires On December 2, announcement was made that a considerable number of important American automobile and tire manufacturers had organized to purchase rubber jointly, in an effort to avoid such erratic and artificial price fluctuations as took place last year. It was stated that a pool of \$40,000,000 had been arranged for, to be used in making purchases when the market appeared favorable. It is generally thought that such a pool will prove a stabilizing factor. Immediately following the announcement, the price of crude rubber advanced two cents a pound from the low level of 36 cents a pound to which

it had dropped on December 2. On December 10, the spot price was 38¼ cents. The sagging of prices, following the cut in British exports allowable after October 31, has caused some uncertainty in view of the fact that another 10 per cent cut in British exports will automatically take place on February 1 unless crude rubber averages 42 cents in the quarter ending on that date.

Akron tire manufacturers report activity below that of the third quarter, and the market has been rather sluggish. A spirit of optimism, however, prevails with regard to 1927. Owing to the resumption of the spring dating policy, sales recently have shown an improvement and are said to be in excess of last year.

The Liberian Congress on December 8 ratified the 99-year lease of the Firestone Tire and Rubber Company on one million acres of land in that country. Plans for the development of this land have been proceeding for some time.

Automobiles Automobile production in the United States underwent another heavy drop in November, the third successive month to show a decline. The output of passenger cars and trucks combined was 256,000, as compared with 332,000 in October, 397,000 in September, and 426,000 in August. Both October and November have shown material declines from the same months in 1925, thus bearing out the feeling that it would be too much to expect production figures in the fourth quarter to equal the abnormally high output in the same quarter last year. October and November production combined was 588,000, as compared with 805,000 in the corresponding months of 1925. Automotive Industries states that the falling off in November may be mainly attributed to the decline in the operations of the largest producer.

In the Fourth District, industries wholly or partly dependent upon the automobile trade, such as automobile parts, paint and glass, have naturally felt the reaction. Truck manufacturers report that fourth quarter business is running behind both last year and the third quarter of this year, with the present tendency stationary. One maker of parts reports an upward trend in December, although business is still behind last year.

Clothing The fourth quarter has brought a seasonal decline in orders in several lines of clothing wear, and business generally is quiet, though comparing favorably with last year in most cases. Signs of activity for the spring season are beginning to appear in the knit goods line. There is a large demand for worsted goods for very quick delivery, purchasers still insisting on immediate shipment if possible. In men's clothing, bookings are up to or ahead of last year. Makers of heavy underwear report a decline in business from the fourth quarter of last year, but this is attributed to the unusually cold weather in October of 1925.

Sales of 16 wholesale dry goods firms in the Fourth District in November gained 10 per cent over a year ago. In view of the fact that wholesale dry goods sales have been showing consistent declines from the preceding year for a long time, this increase appears surprising

at first sight, but the explanation lies in the fact that sales during October were 11.7 per cent under October, 1925, when the figure was abnormally high. Taking October and November together, sales in 1926 were 3 per cent under 1925, but 5 per cent over 1924.

Retail clothing sales in November also made up for the poor showing in October, according to preliminary reports from department stores in this District. Gains of more than 20 per cent occurred in boys' wear, furs, gloves, hosiery and underwear, while increases ranging from 10 to 20 per cent took place in neckwear, men's furnishings, girls' ready-to-wear, millinery, infants' wear, petticoats, and aprons and house dresses. Yard goods declined, as usual.

Shoes The most notable feature of the boot and shoe situation in November was the large increase in sales of reporting wholesale shoe houses over November, 1925, amounting to 18 per cent. This brought the gain for the first eleven months to 11 per cent. Retail sales were also excellent in November, preliminary reports from 45 department and other retail stores recording a gain of 15.6 per cent over last year.

Cincinnati manufacturers are awaiting the end of the holiday season, when orders for Easter business ordinarily commence. One report states that spring buying has begun earlier than last year, and that orders already received are encouraging. The general feeling is one of confidence.

Preliminary reports on November shoe production indicate a loss from October of 22 per cent in this District, and of 15 per cent in the United States. This loss is seasonal. Final figures for October put Fourth District output 6 per cent ahead of the same month of 1925, but 11 per cent behind September.

Paint Paint and varnish manufacturers report a slightly declining trend of business. A seasonal slowing-down, however, is usual toward the end of the year, and the general condition of the trade appears to be fairly good. As compared with the fourth quarter of 1925, reports on the present quarter are conflicting; but by striking an average, a small increase for this year is indicated.

Hand-to-mouth buying by customers continues, being more pronounced, if anything, than formerly. Customers' stocks are stated to be low, so that buying is steady. Prices have been fairly stable, with declines occurring in some raw materials.

General Manufacturing The general trend of business in various manufacturing lines in the Fourth District is downward, with quite a few exceptions. The fourth quarter appears to be holding its own with last year in a majority of cases, but is not showing the gains made by the three preceding quarters. The present season has also been marked by a decline from the third quarter, partly seasonal and partly caused by lessened activity in the automobile and iron and steel industries.

Agricultural implement makers report some improvement as compared with last year. Automobile accessory firms are, of course, affected by the decline in automobile production, and this is also true of the glass industry in which fourth quarter business compares unfavorably with last year. The pottery trade is steady. The trend is downward in the stove business, although in one case a gain over last year is reported. A heavy increase in the price of raw materials is hampering the cork trade.

Agricultural Prices The following table shows the prices received by farmers in states in the Fourth District for various products, as compared with the average of the United States. Prices are as of October 15.

	Ohio	Penna.	Ky.	W. Va.	U. S.
Wheat (bu.).....	\$1.24	\$1.24	\$1.33	\$1.84	\$1.21½
Corn (bu.).....	.74	.82	.80	.93	.74½
Oats (bu.).....	.38	.47	.54	.56	.39
Barley (bu.).....	.61	.66	.72	1.00	.54½
Potatoes (bu.).....	1.65	1.45	1.50	1.55	1.26½
Hay (ton).....	12.90	18.00	16.40	18.00	13.08
Apples (bu.).....	.90	.80	.70	.60	.80
Hogs (100 lbs.)....	12.70	13.30	12.70	12.40	12.06
Beef (100 lbs.)....	7.30	7.40	6.80	6.60	6.43
Sheep (100 lbs.)....	5.70	7.00	6.80	6.90	6.98
Butter (lb.).....	.44	.47	.35	.38	.42
Eggs (doz.).....	.40	.48	.31	.37	.37
Wool (lb.).....	.39	.37	.36	.37	.31½

Tobacco Interest in the Kentucky crop now centers in the selling season, which got under way on December 1. In accordance with the new plan of selling at auction as well as privately, the Burley Tobacco Growers' Association during the first part of the month opened up a large number of receiving plants in Kentucky, Tennessee, West Virginia, Ohio and Indiana, in order to take care of the 1926 crop of members. The selling of this crop at auction is proceeding satisfactorily. Several private sales have also been reported recently by the Association:—12,000,000 pounds of the 1923, 1924 and 1925 crops on November 29; 2,000,000 pounds of the 1923 crop on December 1; 8,750,000 of 1923, 1924 and 1925 on December 7; and 11,500,000 of the same crops in the week ending December 13. Between October 1 and December 13 sales of the old re-dried crops totaled 55,000,000 pounds.

Prices being received for the 1926 burley crop are rather low, being estimated at around 16 to 17 cents a pound at Lexington, several cents under last year. But in view of the very poor condition of a large part of the crop and the considerable stock of old unsold tobacco on hand, it is felt that the price being received is reasonably good. Reports indicate that prices in the dark-fired and some other tobacco sections are even lower, being as low as 7 cents a pound in some localities.

Building For the eighth successive month, the value of building permits in the United States during November was less than for the corresponding month in the previous year, according to Bradstreet's. Permits in 159 cities amounted to \$245,165,270 in November, 1926, as compared with \$286,500,090 last year, a decrease of 14.4 per cent. The decline from October, partly seasonal, was 26.4 per

cent. For the first eleven months of 1926, the valuation of permits ran 6.2 per cent behind the same period in 1925.

Permits in 28 cities in the Fourth District during November were 0.9 per cent less than last year, making the decrease for the first 11 months 13 per cent. Cleveland permits in November fell off nearly 50 per cent from last year, but both Cincinnati and Pittsburgh registered substantial gains. November was characterized by unusually wide swings in the various cities; thus, gains of over 50 per cent took place in Akron, Barberton, Parma, Rocky River, Erie, and Pittsburgh, while losses of over 50 per cent occurred in Ashtabula, Canton, East Cleveland, Lima, Mansfield and Newark. A number of the remaining cities showed gains or losses almost as large.

Building Operations

	November, 1926 (Valuation of Permits)		Jan.-Nov. 1925		Jan.-Nov. 1926		% change from 1925	
	1926	% change from 1925	1925	% change from 1925	1926	% change from 1925	1926	% change from 1925
Akron.....	1,320,649	+86.6	14,647,511	13,899,400	+5.4			
Ashtabula.....	14,755	-69.8	929,416	841,119	+10.5			
Barberton.....	195,663	+452.4	960,934	835,029	+15.1			
Canton.....	246,255	-55.3	5,209,270	7,668,868	-32.1			
Cincinnati.....	2,572,775	+38.5	28,504,634	28,679,370	-0.6			
Cleveland.....	3,329,550	-49.4	58,228,475	65,953,575	-11.7			
" suburbs								
Cleve. Heights.....	475,550	+8.8	6,809,827	8,680,480	-21.6			
East Cleveland.....	82,442	-57.7	1,250,880	3,783,918	-66.9			
Euclid.....	143,162	-12.0	1,624,758	1,772,046	-8.3			
Garfield Heights.....	101,709	-37.6	2,107,750	3,070,000	-31.3			
Lakewood.....	343,170	+23.4	4,032,013	6,072,480	-33.6			
Parma*.....	155,300	+108.8	1,606,433	1,435,906	+11.9			
Rocky River.....	105,725	+187.3	860,710	831,327	+3.5			
Shaker Heights.....	702,615	+45.2	7,140,170	8,767,830	-18.6			
Columbus.....	1,597,100	+29.4	24,196,400	27,659,900	-12.5			
Covington, Ky.....	76,700	-16.3	2,073,000	2,193,450	-5.5			
Dayton.....	620,234	+34.2	8,541,584	11,876,210	-28.1			
Erie, Pa.....	1,150,620	+224.1	5,879,691	8,414,312	-30.1			
Hamilton.....	155,131	+4.2	2,414,917	2,095,558	+15.2			
Lexington, Ky.....	115,484	+12.8	1,682,391	1,928,100	-12.7			
Lima.....	24,300	-76.1	1,171,579	2,250,101	-47.9			
Mansfield.....	16,535	-86.7	2,883,766	3,068,700	-6.0			
Newark.....	9,725	-76.4	372,525	603,770	-38.3			
Pittsburgh, Pa.....	2,965,997	+63.9	40,008,376	38,997,758	+2.6			
Springfield.....	84,985	+9.7	1,388,618	1,435,733	-3.3			
Toledo.....	849,030	-41.8	12,527,696	16,792,882	-25.4			
Wheeling, W. Va.....	157,066	+46.9	1,723,138	3,237,262	-46.8			
Youngstown.....	262,045	-20.6	8,550,662	11,321,195	-24.5			
Totals.....	17,974,263	-0.9	247,327,124	284,166,281	-13.0			

* January omitted.

Building Materials

Reports from lumber manufacturers in this District are conflicting. Some state that business is holding up very well and is ahead of last year, while others characterize the present situation as "dull" and emphasize the decline both from the third quarter and last year. On the whole, conditions appear to be reasonably satisfactory, more particularly in hardwoods, in view of the normal winter slackness. Some weakening in softwood prices took place between November 12 and December 10, the composite average declining from \$30.17 to \$29.80.

Cement production in Ohio, West Virginia and Western Pennsylvania, in November was 1,157,000 barrels, as against 1,241,000 last year. Stocks on hand on December 1 decreased from the preceding month but were 13 per cent ahead of a year ago.

The Aberthaw index of industrial building costs remained unchanged on December 1 at 197.

Retail and Wholesale Trade

Both retail and wholesale lines showed marked gains over last year during November. Sales of 66 department stores in this District increased 9.9 per cent, every re-

porting city gaining except Canton, which had a loss of 7.9 per cent. 19 wearing apparel firms gained 12.2 per cent; reporting chain groceries, 5 per cent; and chain drugs, 2.8 per cent. Retail furniture, however, showed a slight decrease of 1 per cent for 55 firms.

40 out of 52 separate departments in retail stores had larger sales in November than a year ago, an unusually large number of increases. Gains of over 20 per cent occurred in leather goods, boys' wear, skirts, furs, gloves, hosiery, knit underwear, silk underwear, and infants' wear. The only decreases of over 10 per cent were in woolen dress goods and women's suits.

In wholesale lines, all except groceries made substantial gains, dry goods of 10 per cent, drugs—10.9 per cent, hardware—10.2 per cent, and shoes—18 per cent.

Wholesale Prices and Sales

The charts below show, for each of the four wholesale lines in the Fourth District for which data are available, the comparison between actual sales and sales with the price factor removed for the past six years. Both series have been reduced to index numbers, the base (100) being the five-year average, 1919-1923. In constructing the indexes of sales with price eliminated, the following Bureau of Labor price groups were used: chemicals and drugs (43 commodities), clothing materials (65), foods (95), and metals and metal products (37). These four price groups correspond to the four wholesale lines of drugs, dry goods, groceries, and hardware, respectively, the agreement being close except possibly in the case of metals and metal products compared with hardware. Even here, however, it is believed that the similarity is sufficient for the present study.

In constructing Curve A in the charts below, the Bureau of Labor index numbers for each of the four price series noted above were first converted from a 1913 base to that of 1919-1923. The monthly index numbers of sales of each wholesale line were then divided by the monthly price index numbers of the corresponding price group, the result being the sales with the price factor eliminated, as shown in Curve A. This curve thus comes as close to being a curve of the actual volume of goods sold as it is possible to get, since figures on volume are not obtainable.

In the charts below, it is noticeable that in all four wholesale lines, sales with the price factor removed show up better in comparison with the base than do actual sales. If 1919 and 1920 were given on the charts, the reverse would be true, but unfortunately monthly figures for those years are not available. Looking only at Curve B (actual sales), it would appear that wholesale trade in general during the past three years has either lagged behind, or has just managed to equal, its 1919-1923 average, while nearly all other business barometers in the country have shown material gains. After getting rid of the price element, however, it appears from Curve A that the volume of wholesale drugs and hardware sold in 1924-1926 has been well above the 1919-1923 level, with an advancing trend, and that of dry goods has been nearly equal, although with an almost stationary trend. In the case of groceries, however, both curves in the 1924-1926 period are under the 1919-1923 level, and both show a distinctly declining tendency, particularly Curve A.

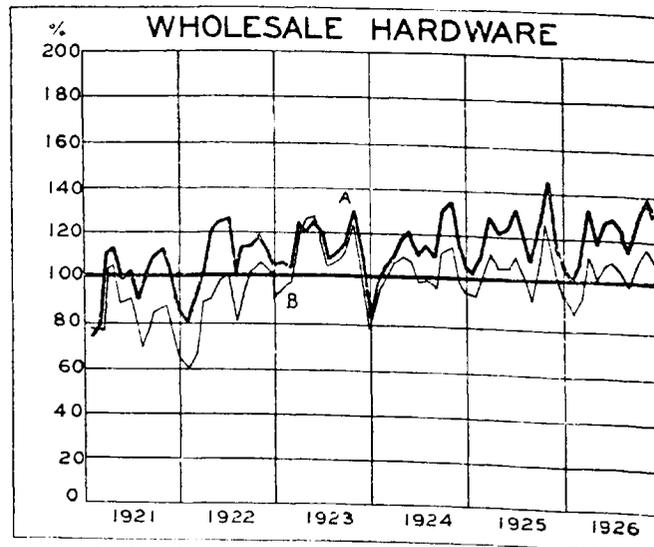
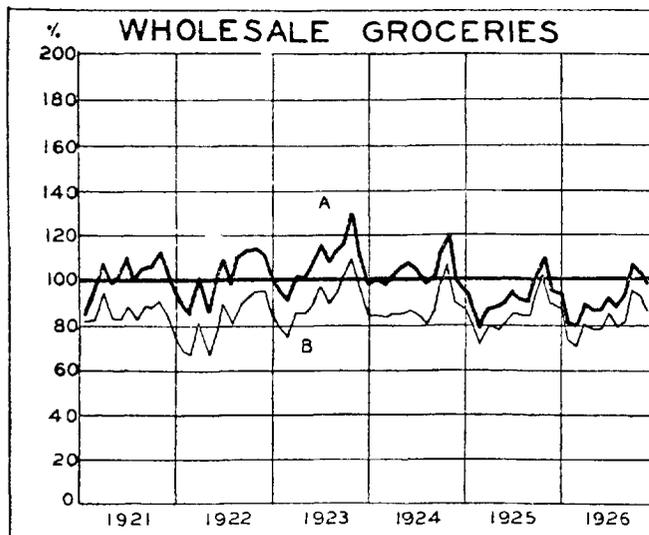
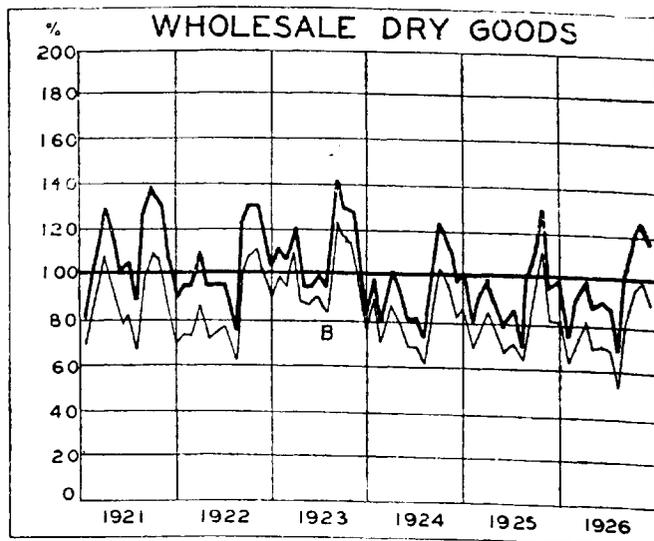
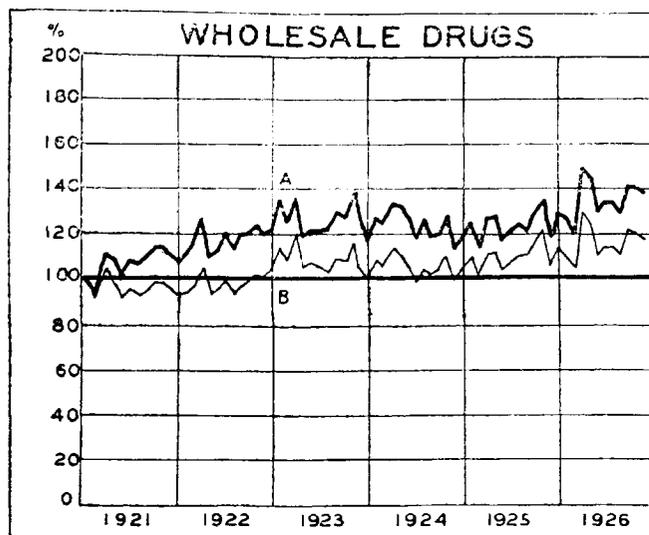
The following table shows the index numbers of the two curves by years from 1919 to 1926:

1919- 1923=	DRUGS		DRY GOODS		GROCERIES		HARDWARE	
	Sales-Price	Removed	Sales	Removed	Sales	Removed	Sales	Removed
100								
1919	89	80	104	91	109	90	99	92
1920	111	84	123	92	132	102	117	91
1921	94	106	88	109	85	101	84	98
1922	97	118	86	105	83	102	90	111
1923	109	127	98	109	91	108	109	114
1924	106	123	84	98	87	104	103	116
1925	110	125	81	95	85	92	104	120
1926	116	136	77	96	82	91	104	123

The table shows, among other things, (1) that before removing the price factor, sales in 1919 and 1920 were

larger than in any of the following years in dry goods and groceries, that 1920 sales were the largest in hardware, and that they were second largest in drugs; (2) that after removing the price factor, sales in 1919 and 1920 were smaller than in any subsequent year except in the case of groceries; (3) that drugs have experienced the greatest gain since 1919 in sales volume; (4) that after removing the price factor, dry goods sales in 1926 are slightly ahead of 1925, instead of 5 per cent behind as is shown by the actual sales; (5) that grocery sales have been declining steadily since 1923, even with the price factor removed.

Index Number of (A) Sales of Wholesale Lines With Price Factor Removed, and (B) Actual Sales. (1919-1923=100).



Heavy line (A)—Index number of sales with price factor removed.
Light line (B)—Index number of actual sales.

Fourth District Business Statistics

(All figures are for Fourth District unless otherwise specified)

	Millions of dollars	November 1926	November 1925	% change	Jan.-Nov. 1926	Jan.-Nov. 1925	% change
Bank Debits (23 cities)					32,675	31,376	+ 4.1
Savings Deposits (end of month):							
Ohio (43 banks)	Thous. of dollars	679,294	640,163	+ 6.1	660,168 ¹	617,292 ¹	+ 6.9 ¹
Western Pennsylvania (27 banks)	" " "	245,081	233,221	+ 5.1	238,881 ¹	230,609 ¹	+ 3.6 ¹
Total (70 banks)	" " "	924,375	873,384	+ 5.8	899,045 ¹	847,901 ¹	+ 6.0 ¹
Commercial Failures—Number	Actual Number	134	165	-18.8	1,876	1,766	+ 6.2
" " —Liabilities	Thous. of dollars	2,775	3,428	-19.0	37,235	39,638	- 6.1
Postal Receipts—9 cities	" " "	3,048	2,777	+ 9.8	32,842	30,572	+ 7.4
Sales—Life Insurance—Ohio and Pa.	" " "	95,810	87,895	+ 9.0	1,029,368	994,481	+ 3.5
" —Dept. Stores—(50 firms):	" " "	27,219	25,097	+ 8.5	253,135	252,079	+ 0.4
" —Wholesale Grocery (43 firms)	" " "	7,606	7,732	- 1.6	77,953	80,340	- 3.0
" — " Dry Goods —(17 ")	" " "	3,774	3,432	+10.0	35,568	37,244	- 4.5
" — " Hardware —(16 ")	" " "	2,273	2,063	+10.2	23,441	23,576	- 0.6
" — " Drugs —(16 ")	" " "	1,877	1,692	+10.9	20,444	19,306	+ 5.9
Building Permits, Valuation—28 cities	" " "	17,974	18,131	- 0.9	247,327	284,166	-13.0
Production— Pig Iron, U. S.	Thous. of Tons	3,237	3,015	+ 7.4	35,979	33,153	+ 8.5
" — Steel Ingots, U. S.	" " "	3,722	3,903	- 4.6	43,662	40,170	+ 8.7
" — Automobiles, U. S.	" " "						
Passenger Cars	Actual Number	229,000	336,330	-31.9	3,784,700	3,529,549	+ 7.2
Trucks	" " "	40,000	38,910	+ 2.8	495,219	450,816	+ 9.8
" — Bituminous Coal, 4th Dist.	Thous. of Tons	22,813 ²	20,782 ²	+ 9.8 ²	195,395 ²	173,735 ²	+12.5 ²
" — Cement: Ohio, W. Va., Wn. Pa.	" " barrels	1,157	1,241	- 6.8	14,746	14,608	+ 0.9
" — Petroleum: Ohio, Pa., Ky.	" " "						
" — Shoes, 4th Dist.	" " pairs	4	4	+ 5.9 ²	4	4	- 7.5 ²
" — Tires, U. S.	" " casings	3,871	3,429 ²	+12.9 ²	39,721 ²	39,542 ²	+ 0.5 ²
Bituminous Coal Shipments (from Lake Erie ports)	" " tons	3,441	3,464	- 0.7	29,237	27,370	+ 6.8
Iron Ore Receipts (at Lake Erie ports)	" " "	3,282	3,198	+ 2.6	42,171	38,597	+ 9.3

¹ 11 months' average
² October
³ Jan.-Oct.
 Figures Confidential

Index Numbers of Trade in the Fourth Federal Reserve District

(Average Monthly Sales for the Five-Year Period 1919-1923, inc.=100)

	Nov. 1922	Nov. 1923	Nov. 1924	Nov. 1925	Nov. 1926
Department Stores (50)*	113	121	120	116	126
Wholesale Drugs (15)*	101	106	100	106	113
Wholesale Dry Goods (16)*	101	97	83	82	90
Wholesale Groceries (49)*	94	98	90	90	88
Wholesale Hardware (15)*	101	104	99	100	112
Wholesale Shoes (6)*	90	74	73	73	85
Wholesale—All (100)*	97	98	90	91	95
Chain Drugs (3)*†	96	97	95	99	101

*Number of firms.
 †Per individual unit operated.

Debits to Individual Accounts

(In thousands of dollars)

	4 weeks ending		1926 to date		1925 to date	
	Dec. 15, 1926	% change	(Dec. 30—Dec. 15)	(Dec. 31—Dec. 16)	% change	
Akron	80,846	+ 3.5	1,083,379	1,031,046	+ 5.1	
Butler, Pa.	10,341	+ 3.4	130,183	127,915	+ 1.8	
Canton	40,698	+ 6.2	547,322	548,040	+ 0.1	
Cincinnati	346,696	+ 5.2	4,251,232	4,033,868	+ 5.4	
Cleveland	699,164	+ 8.4	8,658,919	7,986,206	+ 8.4	
Columbus	146,687	+ 6.5	1,841,885	1,683,316	+ 9.4	
Connellsville, Pa.	6,080	+32.9	65,964	53,993	+22.2	
Dayton	76,926	+ 9.2	1,011,804	895,619	+13.0	
Erie, Pa.	34,123	+ 4.2	413,957	395,726	+ 4.6	
Greensburg, Pa.	18,764	+ 3.4	237,297	238,558	- 0.5	
Homestead, Pa.	4,284	+ 4.7	54,415	53,704	+ 1.3	
Lexington, Ky.	19,634	+ 7.4	265,561	264,436	+ 0.4	
Lima	13,759	+ 6.8	187,716	204,042	- 8.0	
Lorain	5,577	+ 3.0	70,990	77,410	- 8.3	
Oil City, Pa.	12,925	+ 2.8	163,889	172,521	- 5.0	
Pittsburgh, Pa.	840,650	+10.2	10,833,557	10,828,659	+ 0.04	
Springfield	21,317	- 1.5	277,886	253,437	+ 9.6	
Steubenville	10,864	+ 4.6	127,977	136,249	- 6.1	
Toledo	188,244	+ 5.7	2,522,178	2,380,273	+ 6.0	
Warren	11,131	+ 3.4	155,506	156,280	- 0.5	
Wheeling, W. Va.	44,471	+ 2.2	541,238	522,931	+ 3.5	
Youngstown	59,997	+ 2.1	805,488	806,761	- 0.2	
Zanesville	11,226	+ 4.1	146,661	140,936	+ 4.1	
Total	2,704,334	- 1.0	34,395,004	32,991,926	+ 4.3	

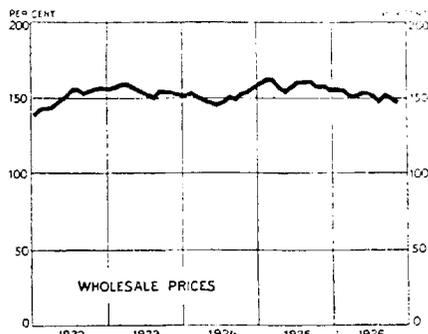
Retail and Wholesale Trade

DEPARTMENT STORES	No. of Reports	Percentage Increase or Decrease SALES	
		November, 1926 compared with November, 1925	Jan.-Nov., 1926 compared with Jan.-Nov., 1925
Akron	6	+ 6.7	- 0.7
Canton	8	- 7.9	- 5.3
Cincinnati	7	+17.5	+ 5.4
Cleveland	6	+10.2	+ 0.1
Columbus	7	+20.5	+ 4.3
Dayton	3	+24.1	+13.8
Pittsburgh	7	+ 4.8	- 0.5
Toledo	4	+ 3.8	- 0.4
Wheeling	5	+ 8.1	- 2.8
Youngstown	3	+21.7	+ 4.7
Other Cities	16	+ 8.8	+ 3.7
District	66	+ 9.9	+ 1.3
WEARING APPAREL			
Cincinnati	6	+18.1	+ 5.7
Cleveland	4	+11.8	+ 8.9
Other Cities	9	+ 8.0	+ 2.4
District	19	+12.2	+ 5.8
FURNITURE			
Canton	3	-25.6
Cincinnati	11	+ 9.6
Cleveland	9	- 0.5
Columbus	16	- 4.5
Dayton	5	+ 7.8
Toledo	6	-12.9
Other Cities	5	+ 8.1
District	55	- 1.0
CHAIN STORES*			
Drugs—District	3	+ 2.8	+ 2.9
Groceries—District	5	+ 5.0	+ 1.1
WHOLESALE GROCERIES			
Akron	3	-10.2	-10.8
Cincinnati	3	+ 2.4	+ 3.9
Cleveland	4	- 6.4	- 5.0
Erie	4	+ 2.1	- 0.7
Pittsburgh	9	+ 7.6	- 7.7
Toledo	8	+ 2.7	- 0.8
Other Cities	27	+ 1.2	+ 1.1
District	58	- 0.4	- 2.5
WHOLESALE DRY GOODS	17	+10.0	- 4.5
WHOLESALE DRUGS	16	+10.9	+ 5.9
WHOLESALE HARDWARE	16	+10.2	- 0.6
WHOLESALE SHOES	8	+18.0	+11.0

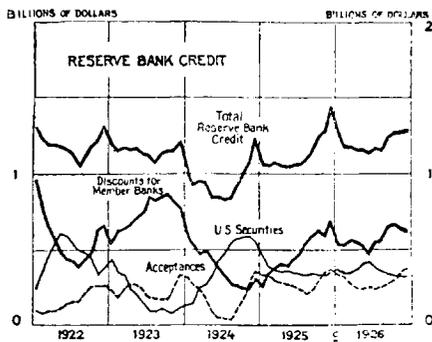
*Sales per individual unit operated.

Summary of National Business Conditions

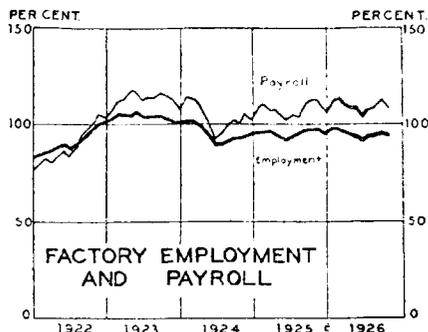
BY THE FEDERAL RESERVE BOARD



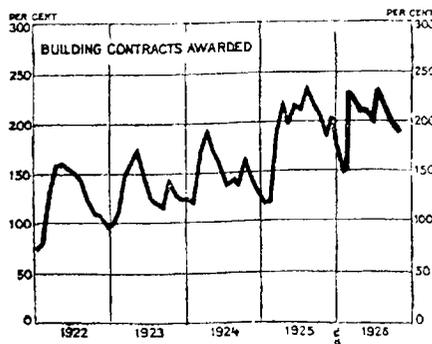
Index of U. S. Bureau of Labor Statistics. (1913=100, base adopted by Bureau). Latest figure: November—148.1.



Monthly averages of daily figures for the 12 Federal Reserve Banks. Latest figures are averages of first 21 days in December.



Federal Reserve Board's indexes of factory employment and payrolls (1919=100). Latest figures: November, Employment—95.2; Payrolls—108.8.



Index of value of building contracts awarded as reported by the F. W. Dodge Corporation (1919=100). Latest figure: November, 188.

Activity in manufacturing industries decreased in November and December, while production of important minerals continued at a high level. Wholesale prices declined to the lowest level in more than two years. Firmer money conditions in December reflected the usual seasonal requirements in connection with holiday and end-of-year activity.

Production

Factory employment and pay rolls declined in November, reflecting decreased activity in many important industries, but owing to the large output of minerals, the Federal Reserve Board's index of production in basic industries advanced somewhat during the month. Production of bituminous coal and petroleum in recent weeks has exceeded all previous records and output of copper and zinc during the month of November was in unusually large volume. Pig iron production also increased slightly in November but steel mill operations in that month and in December were considerably reduced. Automobile production, which is not included in the index of production in basic industries, declined sharply in November for the second consecutive month and was smaller than in any month since August, 1925. Textile mill activity was maintained during November at approximately the same rate as in October. The value of building contracts awarded showed less than the usual seasonal decline in November and was slightly larger than in November, 1925. Awards for the first half of December likewise exceeded those reported in the corresponding period of last year.

Agriculture

The Department of Agriculture estimates the value of 56 principal crops raised in 1926, on the basis of December 1 farm prices, at \$7,802,000,000 compared with \$8,950,000,000 in 1925. Of the decrease in the value of crops, the decline in the value of the cotton crop accounts for \$580,000,000 and that of the corn crop for about \$260,000,000, while the total value of the wheat crop increased by nearly \$40,000,000.

Trade

In November, distribution of merchandise at wholesale and retail showed the usual decline from the activity earlier in the autumn. Compared with a year ago, however, wholesale trade was in about the same volume and retail trade larger. Sales of department stores were about 7 per cent larger than last year and those of leading mail order houses were 6 per cent larger.

Prices

The general level of wholesale prices declined in November, and prices of many important basic commodities decreased further in the first half of December. The Bureau of Labor statistics' index of wholesale commodity prices for November was 148, the lowest level since July, 1924. Bituminous coal prices increased sharply during October and the early part of November, but in recent weeks have declined by about two thirds of the previous rise. The fall in prices of agricultural commodities, which has lasted with few interruptions for over a year, continued in November. Grains, however, have risen somewhat since the latter part of that month.

Bank Credit

Loans and investments of member banks in leading cities increased by over \$100,000,000 during the four weeks ending December 15, reflecting in part the growth in the demand for credit and currency that usually occurs in December.

The volume of reserve bank credit showed the usual seasonal increase after the middle of November, but was lower than in the corresponding period of 1925.

Money market conditions became slightly firmer in December than at the end of November. Commercial paper rates were unchanged, but open market rates on bankers' acceptances advanced by one eighth of one per cent and call rates on security loans averaged higher for the month.