MONTHLY BUSINESS REVIEW

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in the

Fourth Federal Reserve District

Federal Reserve Bank of Cleveland

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General business conditions developed a firmer tone in August, after a mild recession lasting several months. Both the Federal Reserve Board's index of industrial production and this bank's index of distribution turned upward in August, reversing the trend of previous months (see p. 6). Retail trade was particularly good, owing very largely to the unusually cool weather throughout most of the United States. As for September, the usual Fall rise is taking place in many lines, but in others, notably iron and steel, some hesitancy has again appeared, and the index of distribution declined slightly for the first two weeks of the month. In general, it may be said that business is fair, but not up to last year's levels. Lower automobile production throughout the entire year has been a factor in the slowing-down of business, while active building, on the other hand, has helped materially in preventing the decline from going further than it has. One notable feature of the situation has been the rise in the index of wholesale commodity prices, now in process for two months; but this has reflected for the most part an increase in agricultural rather than industrial prices.

In the Fourth District, the iron and steel industry is still sluggish. Tire manufacturers continue relatively high operations, and are in better shape than a year ago. The shoe trade appears to be on the upgrade. Coal production has increased, regardless of the strike. West Virginia and Kentucky are producing at record high levels, and Pennsylvania has been running around 80 per cent of last year; but conditions in the Ohio fields are extremely depressed. The paint and varnish trade has enjoyed a prosperous summer. Makers of trucks and motor accessories have been suffering from the reaction in the automobile industry. The lumber trade is quiet, but building was ahead of August, 1926. Crop conditions are still somewhat unfavorable for the most part, although corn has been aided by hot weather early in September.

Hand-to-Mouth Buying

In view of the advance in the general level of wholesale prices during July and August, it was felt to be a matter of interest as to whether buyers in the Fourth District have been showing any tendency to get away from the restricted buying policy of the past few years. In September this bank therefore requested information on this point from a number of the leading manufacturers in the District, and the results show clearly that in general the hand-to-mouth policy still prevails. Of 31 replies, 27 reported this to be true; and in some industries, notably lumber, purchasing has become even more restricted to immediate needs than in the past. Slight price advances in one or two lines of trade appear to have had little, if any, effect upon buying; on the other hand, it is noteworthy that of the four companies reporting customers as buying more freely, two were cotton goods manufacturers, both of which experienced a material increase in forward buying following the rapid rise in cotton prices.

Manufacturers in general appear to have adjusted themselves to the existing buying policy, and to be more reconciled to it than formerly. A few definitely stated that they favored it, but the majority have treated it more as something which must be taken into account, regardless of how the individual manufacturer may view it.

Financial

Money rates have remained easy during the past month. Time money in the New York market stood at 4 per cent during most of August and the first part of September, and acceptances were on a 3⅛ per cent basis. Call money dropped from 4 to 3¾ per cent on August 5, and to 3½ per cent on the 18th, but rose to 4¼ per cent on September 13 in connection with Treasury financing. Rates in the leading cities in the Fourth District are about the same as a month ago, ranging from 4½ to 6 per cent on both prime commercial paper and collateral loans. The credit supply in general is plentiful, although in the Springfield and Wheeling sections some tightening in credit conditions is reported.

Loans to member banks by the Federal Reserve Bank of Cleveland have just begun to reflect the regular seasonal increase in demand. Throughout most of August bills discounted fluctuated around $30,000,000, and on August 31 fell to $28,040,000, the lowest point (for weekly reporting dates) in over three years. This gave evidence both of the moderate slackening of business during the summer and the ease in the credit situation. By September 14, however, discounts had risen to $40,368,000, and on the 20th amounted to $44,298,000. The latter figure is about $5,000,000 under that for a year ago and $15,000,000 under 1925, but is $16,000,000 higher than in 1924.

Loans secured by stocks and bonds made by reporting member banks in the Fourth District again advanced during the past month, rising from 592 millions on August 17 to 598 on September 14. The latter figure, however, is still below the level of May and June. Other loans have changed but little. Investments fell slightly during the month, time deposits increased, and demand deposits decreased.

The rediscount rate of all twelve Federal Reserve banks now stands at 3½ per cent.

Savings deposits of 68 banks in this District aggregated $958,577,672 on August 31, a gain of 0.8 per cent over July and 6.2 per cent over the preceding year.

Commercial failures in the District numbered 173 in August, as compared with 138 a year ago and 140 in July. Liabilities were $4,276,429 in August, $2,651,989 a year ago, and $7,269,891 in July. In the United States there were 1708 failures in August, 1756 in July, and 1593 in August, 1926. Liabilities in August were $39,195,953, as against $28,129,660 a year ago.

Debits to individual accounts at 13 leading centers in the Fourth District were $2,468,506,000 in August, $2,775,779,000 in July, and $2,358,705,000 in August 1926.

	Federal Reserve Bank of Cleveland (In Millions)			Federal Reserve System (In Millions)		
	Sept. 14, 1927	Sept. 15, 1926	Aug. 17, 1927	Sept. 14, 1927	Sept. 15, 1926	Aug. 17, 1927
Gold Reserves	309	293	325	2,984	2,833	3,003
Discounts	40	44	28	375	566	390
Acceptances	15	11	11	227	262	171
U. S. Securities	53	43	50	500	488	442
Total bills and securities	108	112	89	1,102	1,320	1,003
Federal Reserve notes in circulation	217	207	212	1,708	1,724	1,665
Total deposits	193	193	194	2,367	2,418	2,347

REPORTING MEMBER BANKS

	Fourth District (In Millions)			United States (In Millions)		
	Sept. 14, 1927	Sept. 15, 1926	Aug. 17, 1927	Sept. 14, 1927	Sept. 15, 1926	Aug. 17, 1927
Loans secured by stocks and bonds	598	572	592	6,022	5,582	5,787
All other	917	815	822	8,825	8,734	8,705
Total loans	1,415	1,387	1,414	14,847	14,316	14,492
Investments	676	654	681	5,939	5,655	5,986
Demand deposits	1,053	1,084	1,068	13,544	13,274	13,240
Time deposits	926	821	906	6,287	5,684	6,188

Iron and Steel

September in iron and steel was largely a repetition of August. The expected early-fall expansion in major consuming lines failed to materialize sufficiently early to give the month real impetus, and the aggregate of small-lot orders approximated the August total.

Toward the end of September, however, the outlook improved perceptibly. The railroads turned to consideration of their 1928 requirements of track material, and heavier rail tonnages than in 1927 are in prospect from some of the larger carriers. Farm implement manufacturers recovered from their hesitation in August and bought more generously.

Automotive orders for steel, especially sheets and strip, were sub-normal in September largely because of the uncertainty concerning the plans of an important maker. Some concessions developed in both sheets and strip, though not sufficiently to disturb the balance of the market.

Structural shape demand was relatively heavier than that for plates and bars and, especially in the Mahoning valley, production was sharply curtailed. Plate, shape and bar quotations, which had been $1.80 (Pittsburgh) for most consumers, were revised to $1.75 for attractive business and $1.80 to $1.85 for small lots.

Pig iron sales in September were light considering the approach of the last quarter. Considerable iron, either on yard or on contract, is being carried over from the third quarter. Prices in the Pittsburgh district tended toward weakness, with sales of basic at $17 (Pittsburgh) but Lake furnaces selling in southern Michigan and northern Indiana displayed more firmness.

Beehive coke prices were easy most of the month, due in large measure to slack demand for heating coke as a result of unseasonably warm weather, the banking of some blast furnaces and the consequent moderate over-production of coke. The market receded about 15 cents a ton, to a range of $2.85 to $3.15.

August proved the fifth consecutive month of decline in pig iron production, but the loss from July was so slight as to indicate the bottom of the movement. The August total of 2,950,674 tons was only 3,951 tons under the July figure, but a decided reduction from the 3,200,723 tons of last August. The eight-month total for 1927 is 25,334,526 tons, compared with 26,276,299 tons in the like period of 1926.

Steel ingot output in August developed the first increase since March. The month's total was 3,470,903 tons, compared with 3,178,342 tons in July and 3,986,966 tons last August. In the first eight months this year the steel output has been 30,267,686 tons against 31,775,768 tons a year ago.

The Iron Trade Review composite of fourteen leading iron and steel products receded about 13 cents in September, to an average of $36.13 for the month.

Coal

Although the soft coal strike still goes on, production during July and August showed the usual seasonal rise. The daily average rate of production passed the 1,600,000 ton mark late in August, and for the second week in September amounted to 1,663,000 tons, some 240,000 tons less than a year ago. Kentucky, West Virginia, and Pennsylvania continue to supply 75 per cent of the country's soft coal, as against 64 per cent a year ago. The percentage of the total produced in Ohio, Indiana, and Illinois has dropped from 20 last year to 7 at present.

Negotiations in Illinois recently have led to the hope that large-scale production might be resumed in that state. So far, however, no agreement has been reached by miners and operators. Conditions in the Ohio fields are still greatly depressed, although some reopening of mines continues.

Prices have been unsettled following the sharp advance late in July. On August 5, the "Coal Age" average stood at $2.12, but the following week it dropped to $2.00. By September 9 it had again reached $2.12, but then experienced another fall which brought it down to $2.05 on September 16. Uncertainty as to the outcome of the Illinois negotiations has contributed to price unsteadiness, as has the ability of producing mines to expand their output to meet the seasonal Fall demand.

Stocks of coal in storage have continued their gradual decline, but are still high. On August 1 industrial stocks amounted to almost 60,000,000 tons, several million more than a year preceding, but a loss of about 5,000,000 from the previous month. Later estimates indicate a figure somewhere around the 50,000,000 ton mark in the middle of September. Even this figure is higher thon for any month of 1926, except January and February, on the industrial stocks curve of the National Association of Purchasing Agents.

Fourth District coal dealers all report a decrease in consumers' stocks, but not sufficient to cause any noticeable quickening of demand except what would ordinarily be expected at this time.

Rubber and Tires Reports indicate that operations in Fourth District tire factories in August were on a somewhat heavier scale than in July. The demand for tires as original equipment has fallen off slightly, but dealer requirements are holding up well. Although August figures are not yet available, tire shipments during both June and July exceeded production, and stocks in manufacturers' hands were consequently reduced as is usual during the summer.

The crude rubber market has been quiet, with a tendency toward weakness. On September 19, crude rubber (first latex, spot) was quoted at 33½ cents a pound, about 3 cents lower than a month previously. Interest now centers in the possibility of a change in the Stevenson Restriction Act after November 1. At present, under the provisions of the Act only 60 per cent of "standard" production may be exported from British-owned plantations, but the price trend has been downward in spite of this. Large world stocks and the increasing importance of production in the Dutch East Indies have aided in keeping prices down.

Automobiles The public is still displaying a rather hesitant attitude in the matter of buying new cars, and production in August again fell far below last year's figure. Curtailment of Ford production in anticipation of the new model continued to be the main factor in the automobile situation in August. The output of cars by other companies compared favorably with last year, but was unable to make up the loss occasioned by the practical stoppage of Ford production.

The actual figures for August were: total output, 303,040 in 1927 and 422,294 in 1926; passenger cars, 271,325 this year and 380,282 last year; trucks, 31,715 and 42,012. It should be pointed out that the totals for August, 1927, include only members of the National Automobile Chamber of Commerce.

Both truck and accessory manufacturers in the Fourth District report business duller than usual at this time.

Paint Fourth District paint and varnish manufacturers have enjoyed good business during the past summer. Automobile demand on the whole is less than last year, but a number of automobile makers have been putting out more cars than a year ago, and paint concerns supplying these makers have benefited. The demand from the building trades has held up very well throughout the summer, surpassing the expectations of some of the paint manufacturers. Business from other sources is about equal to last year. Pig lead prices have been weak.

Clothing The cool weather in August resulted in an unusually good month for both retailers and wholesalers of clothing, and Fourth District manufacturers also report business as being satisfactory for the most part. One noticeable development has been the increase in forward buying of cotton goods, caused by the advance in the price of cotton.

Makers of women's dresses report some hesitancy in buying since the first of September, partly due to the hot weather prevailing for the first two weeks of the month. The usual Fall stimulus is beginning to manifest itself, however. Conditions in the men's clothing trade are stated to be slightly better than a year ago. The Spring selling season for woolens and worsteds is well under way. Men's underwear factories have been busy; higher cotton prices have brought in heavy advance orders, and manufacturers are booked ahead for a considerable time, even though prices have been advanced around 10 per cent on the average. Sales of knit goods are well in excess of last year; here again an increase in forward buying is an important factor.

Sales of reporting wholesale dry goods firms in this District in August exceeded last year's figures by 8.3 per cent. August was the first month to show an excess over the same month in the preceding year since November of last year; in fact, only seven months in the last five years have shown such a gain.

The effect of the cold weather was also apparent in August retail clothing sales. Preliminary department store sales figures indicate some very large increases over last year, including the following: women's coats, 96.3 per cent; suits, 95.8; sweaters, 42.4; gloves, 137.0; waists and blouses, 64.4; hosiery, 23.9; misses' ready-to-wear, 37.9; and juniors' ready-to-wear, 34.9. Various other lines registered smaller gains including woolen dress goods with 12.3 per cent— a department which has been showing mostly decreases for many months past. The only clothing lines to suffer a loss in August were men's clothing, 2.2 per cent; muslin underwear, 4.8; negligees, 15.7; and house dresses, 0.9. Silks and velvets also decreased, as did cotton dress goods.

Shoes Selling of Fall and Winter shoes by manufacturers has begun. Orders are being received in good volume, although nearly all for quick delivery, and business at present may be described as "good". August was also a good month in the shoe trade, partly due to the cool weather which brought in some early Fall buying. This condition has existed throughout most of the country, and is reflected in an unusually large production of shoes in August, both in the United States and in this District. Preliminary figures for the District indicate a gain of almost 50 per cent over July and of about 30 per cent over August, 1926.

After a poor month in July, wholesale shoe houses in the Fourth District made a good showing in August. Sales were 10.4 per cent greater than a year ago, and exceeded those of July by 64 per cent. For the first eight months of 1927, however, sales were still 3.2 per cent less than in 1926. Stocks on hand on August 31 were 2.9 per cent larger than a year ago, and 6.9 per cent larger than a month earlier. Collections during August ran 2.9 per cent under last year, while open book accounts were 12.7 per cent greater. Collections during August amounted to 32.4 per cent of open book accounts on July 31.

Retail shoe sales also made a favorable showing in August. Preliminary figures for the District indicate a gain of 7.3 per cent over last year in women's shoes, and 6.7 per cent in men's shoes.

Sole leather has failed to continue its July advance, the price of 55 cents a pound early in September being about the same as a month earlier. Calf leather, however, moved up from 45 cents a square foot on August 12 to 50 cents on September 9.

General Manufacturing The normal Fall gain in business has begun in various lines of trade in this District, but in general this seems to be about the extent of the increase. The feeling among business men appears to be somewhat more confident than a month ago, however, and in one or two cases an unusually good August and September is reported.

The paper trade is spotty. Some mills have been operating at only 70-80 per cent of capacity, while others did an exceptional business in August. The electrical supply industry has improved. One manufacturer reported that August was the best month in two years, while others state that the gain was only seasonal. The glass industry has changed but little. The usual Fall demand has been experienced by several machinery manufacturers. Business in boxboard has been only fair. Makers of metal containers report an encouraging gain in September. Stove manufacturers are busier, but here again the improvement is seasonal. Demand for linoleum and cork has been better than normal, and also better than a year ago.

Agriculture

CORN

Corn prospects for the District, as of September 1, declined about 3 per cent from the August 1 estimate to a new low level of 133,871,000 bushels. This estimate is 32 per cent below the actual yield of 197,337,000 bushels in 1926. The condition of the crop for the country decreased 1.5 per cent from August 1 to 69.7 on September 1, and indicates a crop of 2457 million bushels against 2,647 million a year ago. The cool nights have retarded the growth, and though the crop has been fairly satisfactory, earing has been poor in many fields. The United States Department of Agriculture suggests that, due to the lateness and poor condition of the crop, much of the acreage planted for grain will be cut for silage and a much greater part of the crop will be hogged off than usual. There is still danger from frosts.

WHEAT

The 1927 wheat crop in the United States, as indicated by September 1 reports, is 861 million bushels or 7 per cent above the average of the last 5 years. The crop for this District is estimated at 32 million bushels, a decline of 30 per cent from last year's crop of 46 million bushels.

The report of planting intentions of farmers with regard to winter wheat shows an acreage increase of 13.7 per cent. If these intentions are carried out there would be about 48 million acres in winter wheat next year. Fall plowing has been making good progress and in some localities seeding has already begun.

OATS

The harvesting of oats is generally over and the estimate for the District is 83,689,000 bushels, a decrease of 9.2 per cent from 1926. The crop for the country as a whole decreased 3.1 per cent from last year and 9 per cent from the ten-year average, 1917-26. The yield is not only small but the threshed grain is considerably lighter than usual.

POTATOES

Potatoes show an increase of 13 per cent over the yield of 1926, based on the September 1 estimate for the District. The estimate for the United States shows a crop of 399,800,000 bushels, and for the District, 20,540,000 bushels. The gain is due mostly to larger acreage planted this year. The condition of the crop is not uniform. Some localities report a poor set, and there has been some destruction from the late blight. Sprayed fields look quite thrifty.

FRUITS

In sharp contrast with last year, fruit crops are light in practically all sections of the country except parts of California. The condition figure on all fruits except pears declined still further from the low estimate of August. The peach crop is the smallest since 1921, and rot is quite prevalent in all sections. Apples and Eastern grapes show further declines from the low forecasts of a month ago due to the extended drought in the Lake regions. According to present indications the apple crop in the United States will be only 50 per cent as large as last year, the peach crop 64 per cent, and the pear crop 70 per cent as large.

HAY-PASTURE

The hay crop in the country this year is by far the largest ever grown. The entire crop is estimated at 101 million tons against last year's harvest of 86.2 million tons. In some sections farmers experienced difficulty in harvesting the second cutting of alfalfa due to rains. Pastures are in excellent condition, being 7.7 per cent better than the ten-year average, 1917-1926.

Canning Fourth District canners report some betterment of the situation in that industry. The pea pack for the season is about finished, and indications are that it is around 30 per cent under that for last year, with a consequent hardening of prices. The corn pack is now commencing, and here again the 1927 pack is not coming up to last year and prices have been raised on some grades. The lower output this year is enabling canners to dispose of some of the large carry-over from last year. Prospects for the tomato pack are about average. The August outlook was for a heavier yield of tomatoes than a year ago, but since then certain of the main producing areas have suffered from heavy rainfall, and prices as a result have shown an upward tendency.

Tobacco The Kentucky burley tobacco crop has lately improved somewhat, being aided by timely rains. The September 1st report of the Department of Agriculture puts the probable production of all types in Kentucky at 219,401,000 pounds, an increase of 16,000,000 pounds over the estimate of August 1.

The crop is not up to last year, however, either in quantity or quality, the estimated production being almost 40 per cent below 1926 and the condition on September 1 being 20 per cent below. Reduced acreage accounts for much of the decline in quantity. This is not necessarily an unfavorable factor, as overproduction in the burley territory last year forced tobacco prices down to a very low point. Judging from the Department of Agriculture's report, it now appears that the tobacco crop for the entire country is falling short of last year's figure, the September 1st estimate being for 1,168,413,000 pounds this year as compared with a harvest of 1,301,211,000 pounds last year. This decrease is taking place in spite of an exceptionally heavy crop in North Carolina. In this connection it is of interest to note that the estimated 1927 production of that state is 425 million pounds as against 219 million for Kentucky, while for the five years, 1922-1926, North Carolina's average yearly crop was only 343 million pounds as against 418 million in Kentucky. In spite of its short crop this year, Kentucky ranks second among the tobacco-growing states by a large margin.

Building and Materials August marked a slight recession in building in the United States as compared with last year, but construction nevertheless remains at high levels. For August, a decrease of 8 per cent from 1926 is shown both by the Dodge record of contracts awarded in 37 Eastern states and by Bradstreet's record of building permits in 177 cities. For the first eight months of 1927, contracts awarded ran 0.6 per cent over 1926, but building permits were 9.7 per cent less. Residential building has not been up to last year's record, but this has been more than made up by other types of building, including public utilities, roads, and so forth. The increase of total building contracts awarded over last year is in striking contrast with the record of a number of important business indicators which have been unable to maintain their 1926 levels.

In the Fourth District, contracts awarded were $71,493,927 in August, as compared with $57,361,000 last year, a gain of 24.6 per cent. For the first eight months of 1927, awards were $503,940,000, as against $439,462,000 last year, a gain of 14.7 per cent.

Building permits in 27 cities in this District aggregated $27,488,208 in August, an increase of 7.4 per cent over a year ago. Unusually large gains took place in Akron, East Cleveland, Hamilton, Lexington, Lima, Newark, Toledo, and Wheeling. For the first eight months, permits were $175,631,000, a decline of 4.4 per cent. The largest increases were in Akron, Barberton, Parma, Rocky River, Dayton, Springfield, Toledo, and Wheeling, while the largest decreases occurred in Canton, Cleveland, Ashtabula, and Lima.

Lumber concerns in the Fourth District report business as quiet, with only the usual seasonal quickening of demand. Manufacturers are unanimous in saying that their customers are still purchasing entirely on a hand-to-mouth basis, with the tendency toward even further restriction, if anything. Less-than-carload shipments of one firm are running 10 to 15 per cent higher than a year ago, while another reports that buyers are requesting more mixed car shipments of all classes of lumber from the west coast than ever before. Stock piles of dealers are low, but efficient transportation enables quick replenishment when needed. Complaint is still made of narrowing profit margins.

Hardwood lumber prices have remained practically stationary during the past few weeks. Softwoods have strengthened slightly since the middle of August, but are still below July quotations. The Aberthaw index of industrial building costs remained unchanged at 192 on September 1, this being five points lower than a year ago.

Business in hollow building tile has been fairly good throughout the summer, and a Fall increase is being experienced.

Building Operations

(Valuation of Permits)

	August 1927	% Change from 1926	Jan.-Aug. 1927	Jan.-Aug. 1926	% Change from 1926
Akron	2,278,206	+110.2	15,007,051	11,159,926	+34.5
Ashtabula	17,295	— 65.0	414,585	846,497	— 51.0
Barberton	61,889	— 45.2	822,359	609,339	+ 35.0
Canton	387,060	— 13.1	2,690,118	3,904,707	— 31.1
Cincinnati	3,628,150	+ 74.4	21,776,575	19,568,330	+ 11.3
Cleveland	3,110,225	— 44.8	30,015,450	47,353,725	— 36.6
Cleveland suburbs:					
Cleve. Heights	496,480	— 9.2	3,792,237	4,854,317	— 21.9
East Cleveland	193,561	+145.5	1,012,885	835,961	+ 21.2
Euclid	259,626	+ 45.6	1,357,874	1,207,158	+ 12.5
Garfield H'ts	235,500	+ 12.0	2,073,000	1,657,050	+ 25.1
Lakewood	208,045	— 19.7	2,591,044	3,027,239	— 14.4
Parma	286,919	+ 50.7	2,628,626	1,148,993	+128.8
Rocky River	134,140	+ 85.3	953,465	599,979	+ 58.9
Shaker Heights	1,318,685	— 1.5	6,675,860	5,235,055	+ 27.5
Columbus	2,122,100	— 41.8	16,830,400	18,356,200	— 8.3
Covington, Ky.	173,900	— 72.5	1,299,906	1,700,900	— 23.6
Dayton	1,457,820	— 16.5	8,664,681	6,392,860	+ 35.5
Erie, Pa.	653,850	+ 8.2	3,693,184	3,787,975	— 2.5
Hamilton	289,789	+152.2	1,534,306	1,803,193	— 14.9
Lexington, Ky.	377,302	+257.1	1,662,499	1,397,213	+ 19.0
Lima	83,070	+126.9	574,586	1,027,111	— 44.1
Newark	107,750	+216.5	329,488	312,500	+ 5.4
Pittsburgh, Pa.	5,662,743	+ 25.7	26,428,863	28,106,466	— 6.0
Springfield	155,894	+ 98.5	1,421,085	998,784	+ 42.3
Toledo	2,742,342	+135.9	12,845,302	9,630,190	+ 33.4
Wheeling, W. Va.	198,262	+264.1	2,101,775	1,110,865	+ 89.2
Youngstown	847,605	+ 44.9	6,433,830	7,107,692	— 9.5
Total	27,488,208	+ 7.4	175,631,034	183,740,225	— 4.4

Retail Trade August was the best month for some time in the matter of department store sales. Every reporting city except Dayton showed gains over a year ago, most of them substantial, and the District's increase was 8.6 per cent.

Some of this gain may have been caused by improved buying power on the part of the public, but most of it may be attributed to unseasonably cold weather in August. In Cleveland, the average temperature was the lowest for that month in nearly 40 years, and a similar situation existed in other cities. Furthermore, the greatest increases in sales took place in departments which normally experience a gain in September and October, such as women's coats, gloves, and so forth, indicating that Fall buying has started early this year.

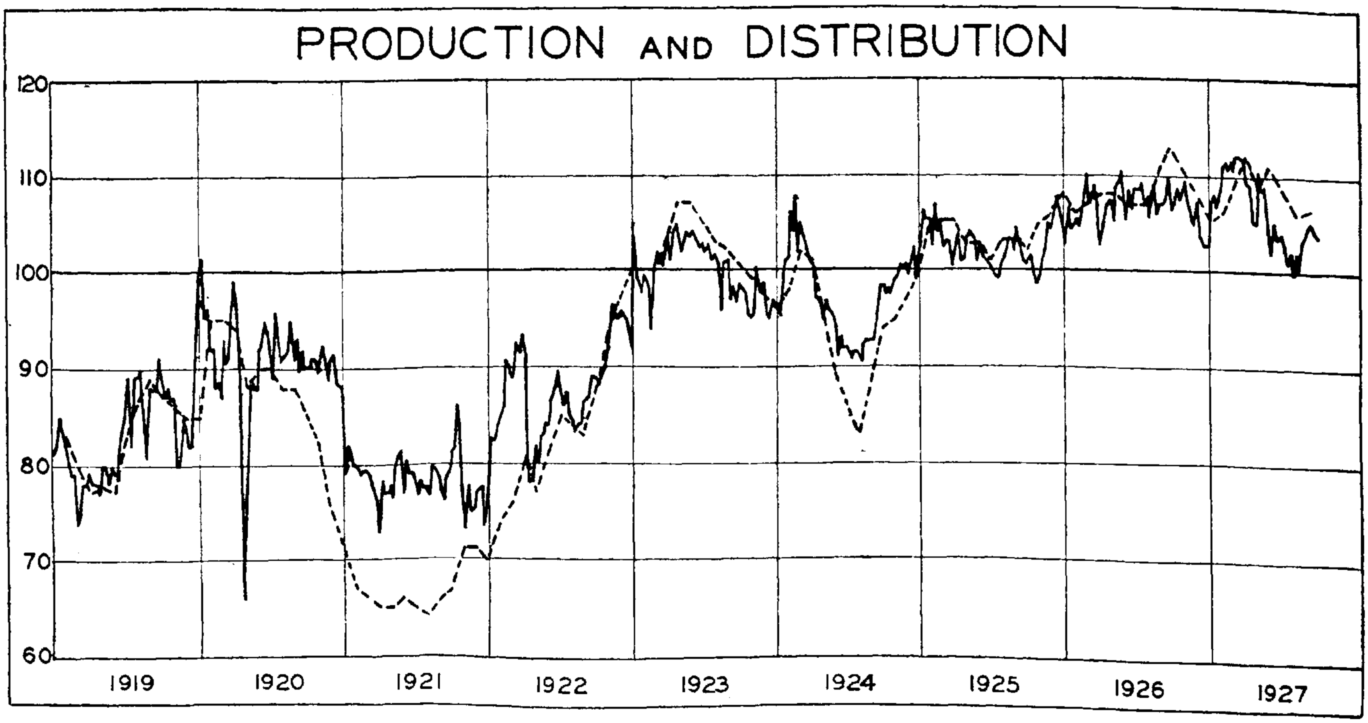
Production and Distribution The chart appearing below presents the course of the production and distribution of goods in the United States from 1919 to 1927. Both curves are corrected for seasonal variation but not for longtime trend. Both are in the form of index numbers, the base (100) being the 1923-1925 average.

The broken line represents the Federal Reserve Board's monthly index of industrial production. This curve is derived from 60 individual series, including some 35 industries, and covers about 80 per cent of the total industrial production of the country, both manufacturing and mineral. One of the advantages of this curve is that it is based on daily average figures, thereby eliminating the effect of holidays and of the varying length of the different months.

The solid line represents this bank's new weekly index of distribution, as measured by car loadings. In constructing this index, the weeks in the year were numbered from 1 to 52, so that each compares with the nearest identical week in other years. The daily average for each week was then obtained, and the seasonal variation removed.

As will be seen, the two curves move together for the most part, and between them give an excellent idea of the actual progress of business, even though the long-time trend has not been eliminated. The distribution curve has a particular advantage in that it is on a weekly rather than a monthly basis, and is therefore nearly up-to-date at all times, since car loadings figures are published eleven days after the close of the week which they cover. The distribution curve thus runs from two to six weeks ahead of that for industrial production, giving an indication of the current trend of business which can be checked up upon the publication of the production index. On a few occasions, as in 1922, coal or railroad strikes have temporarily thrown the car loadings index out of gear, but this happens so infrequently that it offers no serious obstacle.

The chart shows that distribution reached its highest point early in 1927, although production at that time did not quite equal its record high of September, 1926. Since March of this year both curves have declined for the most part, furnishing clear evidence of the business recession of recent months. The August figures, however, indicate a halt in this reaction, at least temporarily. The distribution curve steadied about the first of August and then reversed its previous downward trend, rising from 99.9 for the week ending August 6 (the lowest point but one during 1927) to 104.7 for the week ending August 27. The production curve confirmed this rise by advancing from 105 in July to 106 (preliminary) in August. The distribution curve sagged slightly in the first two weeks of September, declining to 103.7 for the week ending the 3rd and again to 103.2 for the week ending the 10th, but rose to 104.0 the week of the 17th.



Solid line—Weekly index of car loadings, F. R. B. of Cleveland (1923-1925 = 100). Latest figure—week ending Sept. 10, 103.2. Broken line—Monthly index of industrial production, F. R. Board (1923-1925 = 100). Latest figure—August, 106. Both curves adjusted for seasonal variation

Fourth District Business Statistics

(All figures are for Fourth District unless otherwise specified)

		Aug. 1927	Aug. 1926	% Change	Jan.-Aug. 1927	Jan.-Aug. 1926	% Change
Bank Debits (23 cities)	Millions of dollars	2,992	2,808	+ 6.6	25,916	23,772	+ 9.0
Savings Deposits (end of month)							
Ohio (41 banks)	Thousands of dollars	699,168	662,481	+ 5.5	689,517[1]	648,868[1]	+ 6.3[1]
Western Pennsylvania (27 banks)	" " "	259,410	240,338	+ 7.9	255,229[1]	237,329[1]	+ 7.5[1]
Total (68 banks)	" " "	958,578	902,819	+ 6.2	944,746[1]	886,197[1]	+ 6.6[1]
Commercial Failures—Number	Actual Number	173	138	+25.4	1,351	1,420	— 4.9
" " —Liabilities	Thousands of dollars	4,276	2,652	+61.2	35,638	29,998	+18.8
Postal Receipts—9 cities	" " "	2,876	2,691	+ 6.9	24,125	23,436	+ 2.9
Sales—Life Insurance—Ohio and Pa.	" " "	93,102	87,808	+ 6.0	808,946	764,021	+ 5.9
" —Dept. Stores—(50 firms)	" " "	21,922	20,111	+ 9.0	177,413	174,958	+ 1.4
" —Wholesale Grocery —(50 firms)	" " "	6,925	7,044	— 1.7	51,908	54,065	— 4.0
" — " Dry Goods—(16 firms)	" " "	3,637	3,359	+ 8.3	21,914	23,670	— 7.4
" — " Hardware —(16 firms)	" " "	1,983	2,032	— 2.4	16,272	16,467	— 1.2
" — " Drugs —(15 firms)	" " "	1,811	1,747	+ 3.7	14,486	14,495	— 0.1
Building Permits, Valuation—27 cities	" " "	27,488	25,586	+ 7.4	175,631	183,740	— 4.4
Building Contracts Awarded—4th District	" " "	71,494	57,361	+24.6	503,940	439,462	+14.7
Production —Pig Iron, U. S.	Thousands of tons	2,947	3,196	— 7.8	25,318	26,266	— 3.6
" —Steel Ingots, U. S.	" " "	3,471	3,987	—12.9	30,268	31,916	— 5.2
" —Automobiles, U. S.							
Passenger Cars	Actual Number	271,325	380,282	—28.7	2,283,387	2,767,706	—17.5
Trucks	" "	31,715	42,012	—24.5	309,767	314,863	— 1.6
" —Bituminous Coal, 4th Dist.	Thousands of tons	18,102	19,489	— 7.1	150,416	152,019	— 1.1
" —Cement: Ohio, W. Va., Wn. Pa.	" " barrels	1,967	1,824	+ 7.8	11,216	10,301	+ 8.9
" —Electric Power: Ohio, Pa., Ky.	Millions of k. w. hours	1,010[2]	985[2]	+ 2.5[2]	7,628[3]	7,182[3]	+ 6.2[3]
" —Petroleum: Ohio, Pa., Ky.	Thousands of barrels	2,012[2]	1,971[2]	+ 2.1[2]	13,805[3]	13,951[3]	+ 6.6[3]
" —Shoes, 4th District	" " pairs	[4]	[4]	— 8.1[2]	[4]	[4]	+17.2[3]
" —Tires, U. S.	" " casings	3,864[2]	3,746[2]	+ 3.2[2]	30,544[3]	31,528[3]	— 3.1[3]
Bituminous Coal Shipments (from Lake Erie ports)	" " tons	4,166	4,093	+ 1.8	23,182	18,710	+23.9
Iron Ore Receipts (at Lake Erie ports)	" " "	6,451	7,655	—15.7	24,300	24,640	— 1.4

[1] 8 months' average
[2] July
[3] Jan.-July
[4] Figures Confidential

Index Numbers of Trade in the Fourth Federal Reserve District

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

	Aug. 1923	Aug. 1924	Aug. 1925	Aug. 1926	Aug. 1927
Department Stores (50)*.........	97	87	90	93	101
Wholesale Drugs (15)*..........	109	102	109	111	114
Wholesale Dry Goods (15)*......	123	86	84	80	86
Wholesale Groceries (50)*........	95	83	84	82	80
Wholesale Hardware (15)*.......	108	96	93	99	96
Wholesale Shoes (5)*............	77	52	63	79	88
Wholesale All (100)*............	103	87	86	80	88
Chain Drugs (3)*†..............	107	103	106	106	97

*Number of firms.
†Per individual unit operated.

Debits to Individual Accounts

(In thousands of dollars)

	4 Weeks ending Sept. 14, 1927	% change from 1926	1927 to date (Dec. 29-Sept. 14)	1926 to date (Dec. 30 to Sept. 15	% change from 1926
Akron..........	$87,739	+ 15.1	$853,084	$796,844	+ 7.1
Butler Pa......	10,003	+ 6.5	98,847	94,509	+ 4.6
Canton	43,298	+ 6.1	414,862	414,877	—0.003
Cincinnati.....	339,875	+ 18.7	3,478,835	3,139,270	+ 10.8
Cleveland......	641,237	+ 5.2	6,867,316	6,293,928	+ 9.1
Columbus......	134,418	+ 0.5	1,422,510	1,360,465	+ 4.6
Connellsville, Pa.	4,236	— 19.5	43,854	45,959	— 4.6
Dayton.........	79,949	+ 3.3	819,729	749,953	+ 9.3
Erie, Pa........	32,648	— 5.3	309,745	301,916	+ 2.6
Greensburg, Pa.	18,545	+ 2.5	190,903	176,368	+ 8.2
Homestead, Pa.	4,164	— 3.0	38,422	39,655	— 3.1
Lexington, Ky..	19,828	+ 19.4	212,991	204,036	+ 4.4
Lima..........	12,941	— 9.2	126,946	139,944	— 9.3
Lorain.........	5,887	— 2.9	52,606	52,693	— 0.2
Middletown....	11,438	+ 17.6	96,243	96,383	— 0.1
Oil City, Pa....	13,315	+ 4.5	131,882	121,377	+ 8.7
Pittsburgh, Pa..	763,525	+ 1.2	8,981,675	7,980,388	+ 12.5
Springfield.....	21,405	— 7.7	207,571	208,414	— 0.4
Steubenville....	10,853	+ 10.5	97,255	94,512	+ 2.9
Toledo.........	198,960	+ 3.6	1,999,712	1,885,580	+ 6.1
Wareen.........	11,104	— 14.5	118,875	113,974	+ 4.3
Wheeling, W. Va.	37,018	— 2.6	396,683	398,917	— 0.6
Youngstown ...	61,283	— 3.2	620,011	591,998	+ 4.7
Zanesville	11,114	+ 4.1	109,129	108,365	+ 0.7
Total........	2,574,783	+ 4.7	27,689,686	25,410,325	+ 9.0

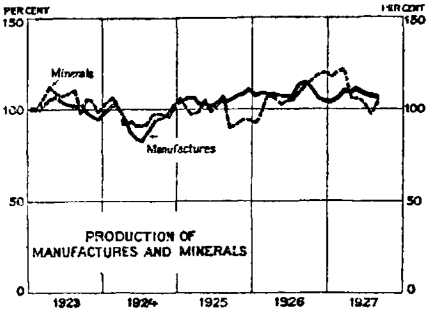
Retail and Wholesale Trade

	No. of reports	Percentage Increase or Decrease SALES Aug. 1927 compared with Aug. 1926	SALES Jan.-Aug. 1927 compared with Jan.-Aug. 1926
DEPARTMENT STORES			
Akron..........................	5	+21.7	+ 5.0
Cincinnati......................	7	+17.2	+ 4.5
Cleveland.......................	6	+12.1	+ 2.5
Columbus.......................	7	+19.9	+15.0
Dayton.........................	3	— 2.5	— 1.5
Pittsburgh......................	7	+ 1.9	— 2.2
Toledo..........................	4	+ 6.5	+ 5.5
Wheeling........................	5	+ 3.9	— 1.7
Youngstown.....................	3	+13.3	+ 7.9
Other Cities....................	17	— 1.5	— 1.3
District.........................	64	+ 8.6	+ 1.8
WEARING APPAREL			
Cincinnati......................	6	+37.9	+ 1.1
Cleveland.	3	+12.1	+ 8.9
Other Cities....................	10	+26.0	+ 8.0
District	19	+24.8	+ 5.9
FURNITURE			
Cincinnati......................	11	+ 7.3	......
Cleveland.......................	8	—12.5	......
Columbus	15	— 1.3	......
Dayton..........................	5	— 4.2	......
Toledo..........................	6	+ 2.9	......
Other Cities....................	6	—31.5	......
District.........................	51	— 5.9	......
CHAIN STORES*			
Drugs—District.................	3	— 8.8	— 6.4
Groceries—District.............	5	+ 0.9	— 2.0
WHOLESALE GROCERIES			
Akron..........................	3	+ 4.7	— 6.5
Cincinnati......................	3	+11.7	+ 5.5
Cleveland.......................	4	— 7.5	— 3.7
Erie............................	4	— 7.9	— 9.3
Pittsburgh......................	8	— 0.9	— 4.9
Toledo..........................	3	— 3.6	— 5.3
Other Cities....................	27	— 0.8	— 4.6
District	52	— 2.3	— 4.1
WHOLESALE DRY GOODS...	16	+ 8.3	— 7.4
WHOLESALE DRUGS.........	15	+ 3.7	— 0.1
WHOLESALE HARDWARE...	16	— 2.4	— 1.2
WHOLESALE SHOES..........	5	+10.4	— 3.2

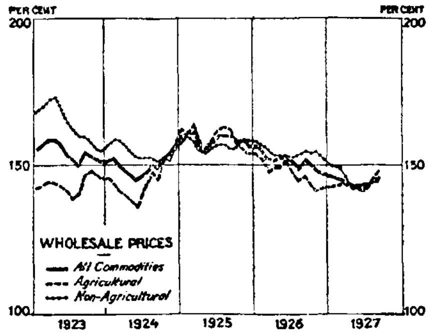
*Sales per individual unit operated.

Summary of National Business Conditions

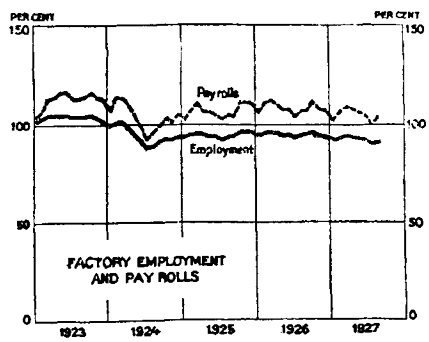
(By the Federal Reserve Board)



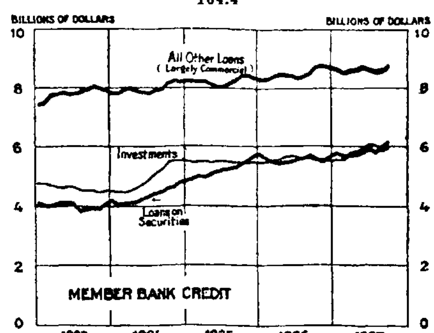
Index numbers of production of manufactures and minerals, adjusted for seasonal variations (1923-1925 = 100). Latest figures: August, Manufactures, 106; minerals, 106.



Indexes of U. S. Bureau of Labor Statistics (1913 = 100). Latest figures: August, all commodities—146.6; Agricultural, 148.1; non-agricultural, 144.5.



Federal Reserve Board's indexes of factory employment and payrolls (1919 = 100). Latest figure, August, employment—91.2; payrolls—104.4



Monthly averages of weekly figures for banks in 101 leading cities. Latest figures are averages for first three weekly report dates in September

Industrial production increased in August, reflecting a growth in the output of mines, and the distribution of commodities, both at wholesale and retail, increased by more than the usual seasonal amount. The general level of wholesale commodity prices rose about one per cent, owing chiefly to advances in the prices of farm products.

Production

Production of anthracite and bituminous coal, which showed a considerable decline earlier in the season, increased sharply in August and the early weeks of September, and this rise was reflected in an advance in the Board's index of mineral output from 98 per cent of the 1923-1925 average in July, to 106 per cent in August. The index of manufactures as a whole showed practically no change for the month. The iron and steel industry continued during August and September with little change in demand or in production, and the output of newsprint, lumber, and cement showed only customary seasonal changes in August. Consumption of cotton remained unusually large for this season of the year, and there was an increase in production of automobiles, which, however, remained below the output of August of last year. Output of rubber tires increased from July to August by less than the customary seasonal amount. Factory employment was in practically the same volume in August as in July and both employment and production were smaller than a year ago. The volume of building contracts awarded in August was smaller than in August, 1926, which was a month of unusually large awards. The largest decreases as compared with last year were in the Boston, New York, and Chicago Federal Reserve Districts. In the first half of September, awards were in practically the same volume as in the corresponding period of last year.

The Department of Agriculture's estimate of corn production on the basis of September 1st condition was 2,457,000,000 bushels, compared with 2,647,000,000 harvested in 1926. The total yield of wheat is expected to be somewhat larger than a year ago. The forecast of the yield of cotton was 12,692,000 bales, representing a reduction of 800,000 bales from the August estimate and of over 5,000,000 bales from last year's crop.

Trade

Distribution of merchandise at wholesale and retail increased more than is usual in August, and sales were generally larger than in August of last year. Sales of wholesale firms in most leading lines were larger than a year ago. Inventories of department stores showed less than the usual seasonal increase in August, and at the end of the month were in about the same dollar volume as a year ago. Stocks carried by wholesale firms continued in August generally smaller than last year.

Freight car loadings of nearly all types of commodities increased considerably in August and the early part of September, but, with the exception of grains and miscellaneous products, loadings for all groups continued in smaller volume than in the same period of last year.

Prices

Wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, increased from 145 in July to 147 in August. There were large increases in the prices of farm products and of clothing materials, while most of the other groups showed only slight changes. The price of raw cotton advanced from 17½ cents a pound on August 1st to over 23 cents on September 8th, but since that date has declined by about three cents a pound. Prices of cotton goods, cattle, hogs, and sugar also increased during August and the first three weeks of September, while those of grains declined; recently there have been reductions in the prices of some iron and steel products.

Bank Credit

Total loans and investments of member banks in leading cities between August 17 and September 21 increased by $400,000,000 to the largest figure on record. There were increases in loans on securities and in investments as well as the usual seasonal growth in loans for agricultural and commercial purposes.

The volume of Reserve bank credit increased during the month ending September 21st, reflecting the seasonal growth in the demand for currency and an export of gold. The increase was entirely in acceptances and United States securities, as there was little change in discounts for member banks.

In the open money markets, rates on security loans increased slightly during September, while rates on commercial paper and 90 day bankers' acceptances remained unchanged at the lowest levels of the year. Discount rates at the Federal Reserve banks of Philadelphia, Chicago, San Francisco, and Minneapolis were reduced during September from 4 to 3½ per cent, the rate prevailing in the other eight Districts.