



MONTHLY BUSINESS REVIEW

Covering financial, industrial, and agricultural conditions

in the

Fourth Federal Reserve District

Federal Reserve Bank of Cleveland

Vol. 13

Cleveland, Ohio, October 1, 1931

No. 10

General business in late August and the first part of September remained at approximately the same low levels as a month ago and so far there have been few indications of any seasonal advance in those lines which generally experience improvement at this time of the year. A few scattered reports of some expansion have been received, chiefly in the production of consumers' goods, but this has been more than offset by weakness in the more important industries of the District. Based on various indexes, activity in August was at the lowest level yet touched in the current depression.

Production in the steel industry contracted sharply, falling in August to 31 per cent of capacity and, including some variations in early September, was at about this level in the third week of the month despite the fact that in most past years there has been some expansion at that season.

Automobile production dropped in August, though seasonal movements of other years indicated that a slight increase might have been expected. Parts and accessory, machine tool, and hardware manufacturers reported little change in the level of early September operations from those prevailing in July and August.

Bituminous coal production declined from July to August, though in past years there has been an increase at that time. Output was 18 per cent below last year. Shipments of coal from Lake Erie ports in August were only 1.5 per cent below August, 1930, but for the year to date the discrepancy from last year was 25 per cent.

Lake shipping of all types has been in very reduced volume, iron ore receipts being less than half as large as in 1930. Distribution of freight by railroads has failed to show the usual seasonal expansion and the adjusted index touched a new low level in September. Retail and wholesale trade in this District receded in August, after allowing for seasonal variations, and stocks were further reduced.

Life insurance sales in Ohio and Pennsylvania in August were ten per cent below last year and lower than for any corresponding month since 1924.

Building activity was very much reduced, contracts awarded in August being 48 per cent below the same month last year. Tire production dropped seasonally in August, according to the preliminary reports, but output in July, the latest month for which complete data are available, exceeded the same period of 1930 by 23 per

cent. Activity at men's clothing factories increased more than seasonally in August and shoe production was 1.5 per cent greater than in August, 1931.

Agricultural crops in this District were proportionately larger and in better condition than in other sections of the country, but very low prices have reduced farm incomes sharply. Employment and payrolls dropped again in August and wage reductions were quite numerous.

FINANCIAL

There were a number of bank suspensions in scattered areas throughout the District in the past month. Demand for currency has increased and deposits, both at commercial and savings banks, have been reduced. Savings deposits at selected banks decreased three per cent in August and on September 1 were four per cent below one year ago. The reduction at Ohio banks in the year was five per cent and at Western Pennsylvania banks two per cent.

Bank debits continue about 20 per cent below last year. Commercial failures in this District numbered 167 in August, 17 more than in the corresponding month of 1930, an increase of about 12 per cent. The same percentage increase was shown for the first eight months. Liabilities of the defaulting concerns so far this year have been nearly twice as large as in the same period of last year.

Gold reserves of the Federal Reserve Bank of Cleveland, though declining slightly in the past month, somewhat of a seasonal movement, were at the highest point on record for this time of the year, amounting to \$327,000,000 on September 23. At this level they compare with \$275,000,000 on the corresponding date two years ago.

Credit extended by this bank increased about \$37,000,000 in the six weeks ended September 23, most of which occurred through loans to member banks. At \$135,072,000 on the latest date, total bills and securities compared with \$95,535,000 one year ago, and \$127,292,000 in September, 1929. Holdings of Government securities remained unchanged from last month at the high level of \$72,085,000, and acceptance holdings fluctuated irregularly. Totalling \$17,672,000 on September 23, they compared with \$22,507,000 on the corresponding date last year.

Bills discounted for member banks in this District in-

creased to \$45,315,000 on September 23, the highest level (barring one week in December when discounts are usually high) since February, 1930. Most of the increase in the past six weeks, about \$29,000,000, has been in the larger centers of the District, though country member bank borrowings have increased somewhat. It was chiefly due to a greater demand for currency.

Note circulation of the Federal Reserve Bank of Cleveland, which on September 23 amounted to \$250,159,000, an increase of \$10,000,000 in the past month, was \$62,000,000, or 33 per cent above one year ago. It is higher now than at any corresponding period since 1920, despite the fact that business is being done in a very limited volume and prices have fallen materially from the level of 1929 and the peak of 1920.

The increase in circulation is not peculiar to this District, but is evident in all sections of the country, the amount of money outside the Treasury and Reserve banks now exceeding \$5,000,000,000, the highest since October, 1920.

Reserve deposits have declined in the past month as time and demand deposits at the member banks fell off. At \$173,481,000, they compared with \$202,870,000 a year ago. The ratio of total reserves of this bank to deposit and Federal reserve note liabilities combined was 76.7 per cent on September 23 against 83.3 one year ago.

At the reporting member banks in leading cities, the contraction in loans, which has been in progress since November, 1929, continued during the past five weeks. At \$1,358,000,000 on September 23, total loans compared with \$1,501,000,000 one year ago and \$1,568,000,000 in September, 1929, a reduction of 13 per cent in the past two years. The decline in collateral loans in the past five weeks amounted to \$15,000,000, but "all other" loans, at \$742,000,000 on the latest date, increased in the period, due to an expansion of \$8,000,000 in the most recent week. From the high point touched in November, 1929, loans on securities have dropped \$152,000,000, or 20 per cent. "All other" loans were down \$102,000,000, or 12 per cent, from the high point in late 1929.

Total investment holdings receded recently until the middle of September, at which time they were increased materially through heavy purchases of the new issue of three per cent Treasury bonds, offered on September 15. They declined \$24,000,000 to \$838,000,000 in the week ended September 23, at which level they were \$45,000,000 below the peak reached this spring. Holdings of Government securities at the reporting member banks were increased to \$495,000,000 on September 16, the highest level in recent years, but declined \$21,000,000 in the following week.

Total credit extended by the reporting banks, at \$2,196,000,000 on September 23, was about five per cent below the peak attained in late September, 1930.

Both demand and time deposits have declined sharply in the past few weeks, the reduction in the former from the high point this year, reached in April, being \$164,000,000, or 14 per cent. Compared with a year ago, demand deposits are down \$148,000,000. Time deposits were off \$40,000,000 from this year's peak touched in August, and, at \$984,000,000 on September 23, compared with \$1,037,000,000 one year ago, a reduction of five per cent.

MANUFACTURING, MINING

Iron and Steel

New low levels for the production of iron and steel in the current depression period were registered for the Fourth District and the steel industry as a whole in late August and early September. Following Labor Day a mild rebound gathered headway belatedly, with some expectations of a moderate upturn in the late fall, but little in the way of actual bookings to substantiate them.

In the month ended September 15, steelmaking operations in the Pittsburgh district declined, including numerous variations, from 32½ per cent to 29, at Youngstown from 42 per cent to 41, at Cleveland from 33 per cent to 29. Meanwhile, the steelmaking rate for the entire industry moved down during the month from 33½ to 32 per cent.

Whether September output of both pig iron and steel ingots would exceed that for August was doubtful unless the latter half of the month developed unexpected strength. August production of pig iron was at the rate of 41,201 gross tons a day, a decrease of 12.7 per cent from July and comparing with 81,455 tons in August, 1930. On August 31, only 75 blast furnaces were in operation, or seven fewer than on July 31.

Steel ingot production in August was at the rate of 66,133 tons daily, a drop of 8.3 per cent from July and contrasting with 117,722 tons in August, 1930. Steelmaking in August was at only 31 per cent of capacity and pig iron capacity was being operated at 28 per cent. In both pig iron and steel ingots, however, the percentage of decline was decelerating.

Demand for all classes of material, from raw to finished products, in the Fourth District was more colorless and in less volume in late August and early September than at any time since 1921. Some disappointment was occasioned by the failure of the automotive industry to specify more broadly for late September delivery.

Indicative of the stationary position of prices, the iron and steel composite compiled by *Steel* remained steady at \$31.04 in the first three weeks of September, receding one cent in the last week, due to weakness in pig iron in eastern Pennsylvania.

Coal

Production of coal by Fourth District mines was five per cent less in August than in July, a falling-off contrary to the trend at that season of the past eight years when an average increase of eight per cent was shown. It was contrary to developments in the entire country where an increase of 2.4 per cent was reported for the same period.

Output in this territory in August was 12,010,000 tons, a reduction of 19 per cent from the same month last year. In the first eight months 101,661,000 tons of bituminous coal were mined, a drop of 17.8 per cent from the corresponding period of 1930.

Large operators in this section reported little activity in late August or the first half of September. Dealers were stocking some coal, but consumers were buying little. The retail season is opening much later than usual. Labor conditions remain acute in some sections and the great excess of mining capacity over even normal needs contributes to the very depressed conditions. Prices of car-

load coal were slightly lower in August, according to the *Coal Age*, and retail prices were more than six per cent below one year ago.

In the entire country bituminous coal production in August was smaller than in any corresponding month since 1908, with the single exception of 1922 when the great strike was in progress. Coal prices are lower than since 1916.

Automobiles Production of automobiles in August, in the United States, was estimated to be 187,197 units, the smallest for any month since January and lower than in any corresponding period since 1921. Passenger car output in August was 155,321 units, as against 182,927 in July and 183,532 in August, 1930. Truck production dropped to 31,772 units in August, compared with 35,854 in July and 40,450 one year ago. In the first eight months of this year automobile production declined 26 per cent from the same period of 1930. The decline in truck production in the period was 23 per cent and in passenger cars 27 per cent.

In most past years there has been a moderate expansion in automobile production from July to August, but this season few new models were introduced and production on old models waned. Cram's weekly production figures indicated a further falling-off, contrary to seasonal, in the first three weeks of September, output in the week ended September 19 being estimated at only 41,138 cars against 55,319 cars in the same week of 1930. *The Annalist* weekly seasonally adjusted index was 45.2 against 63.1 last year.

The most encouraging factor in the automobile situation is that new passenger car sales in July exceeded, and in August almost equaled, production, indicating a further reduction of stocks. Some reports of increased employment have been received, but orders for steel and parts and accessories have been quite limited.

Rubber, Tires Production of tires in July and August receded from the peak attained in May and June, the drop in August being greater than seasonal. This was caused by a rather sharp reduction in sales of replacement tires, only part of which was seasonal. The industry, however, continues in a better position than most basic industries, for, according to *Tire Review*, manufacturers' shipments of tires for renewal consumption were approximately 27,800,000 casings in the first eight months of 1931, compared with 26,946,000 casings shipped in the same period of 1930. Production of tires for all purposes was slightly below last year because of the sharp reduction in sales of original equipment tires.

Tire production in July (the latest month for which complete figures are available) was 23 per cent ahead of the corresponding month of 1930, and cumulative production for the first seven months was only 2.5 per cent below the same period of a year ago.

The falling-off from the spring production peak, so far, has been only 13 per cent, while in the same period of 1930 the drop was over 30 per cent. Shipments of pneumatic tires showed little change from June to July, but in the latter month were about 11 per cent larger than production. This caused a reduction of stocks, which on

August 1 equaled only 1.8 months' supply, the lowest for any month since August, 1928.

Employment in August at 22 reporting Ohio rubber concerns declined four per cent from July, thus confirming the reported decline in production and sales. The number employed was 22 per cent below last year.

Consumption of crude rubber by manufacturers in the United States in August was estimated to be 27,586 long tons, compared with 31,937 tons in July and 30,575 tons in August, 1930. Imports of crude rubber, however, continued above one year ago, the increase in August compared with a year ago being over ten per cent. At 38,370 long tons, they compared with 41,004 tons imported in July. Domestic stocks of rubber on August 31 were estimated at 241,816 long tons, an increase of over 50 per cent from August, 1930.

Rubber prices have declined more than 80 per cent since February, 1929, touching five cents a pound in September. The present low price has stimulated new uses of rubber, and products, which heretofore have been unprofitable, are being experimented upon by the rubber companies.

Clothing Production of men's clothing in August increased more than seasonally, employment at 17 concerns expanding four per cent in contrast to a five-year average July-to-August increase of only one per cent. The number employed by this industry in August was three per cent greater than in the corresponding month of 1930. In the first part of September, however, the unusually warm weather was a retarding factor. Advance purchases have been limited, and inventories, generally speaking, are low so that with the advent of cooler weather some improvement is expected.

Such favorable conditions are not so evident in the women's clothing and textile industries, though in the first two weeks of September an improvement in demand for women's clothing was reported. Style changes have stimulated purchases, but operations are below a year ago. Weather has caused some buying to be deferred.

This is particularly true of the woolen textile industry, the opening of the spring selling season occurring in the last week of September, which is four weeks later than last year and the latest opening on record. This naturally has slowed down production of textiles.

Operations at knit mills have been increasing.

Prices have followed a downward trend since the fall of 1929, induced partly as a result of declining consumer demand and a drop in raw material costs. At Cleveland, prices in important lines were reported 18 to 20 per cent below those of 1930.

Shoes Preliminary reports reveal that shoe production in the Fourth District expanded ten per cent from July to August and in the latter month was 1.5 per cent ahead of August, 1931. The improvement was slightly less than seasonal, however, and was smaller than the increase reported in other sections of the country, but much of the 31 per cent expansion in local shoe production reported in July was maintained.

Output of local factories in the first eight months of this year was only 1.3 per cent below the same period

of 1930, and the daily average seasonally adjusted index, as shown on the accompanying chart, has recovered appreciably from the low levels touched in the closing months of last year.

Manufacturers report that the unusually warm weather has had a retarding effect on orders and operations. Cheap shoes are in great demand and the companies specializing in this field have enjoyed a greater amount of business than have the concerns making high-priced shoes.

Raw hide prices have declined rather sharply in the past sixty days to a level well below seven cents a pound. This has encouraged buying by tanners. Hides and leather stocks are approximately ten per cent below one year ago.

Other Manufacturing Further weakness in many lines of activity was evident in the past month, though movements contrary to this general trend were reported in a few instances. This improvement, however, was more than offset by curtailed production in some of the leading industries, and employment in Ohio receded two per cent in August from July, a contrary-to-seasonal movement. All chief cities of the District, except Cleveland, Columbus, Dayton and Pittsburgh, reported declines in employment. With the exception of Pittsburgh, employment conditions at these centers were unchanged from July, but at the latter city there was an increase, both in the number employed and the number of hours worked. Compared with a year ago, the number employed by representative Ohio concerns was down 14 per cent in August.

That part of the glass industry engaged in making food containers was operating at peak levels in August and was unable to meet the sudden demand for jars. Retail stocks were depleted and factories were behind on shipments. A slight seasonal expansion was reported in the demand of window glass and moulded glassware, though orders have been for small quantities. Plate glass demand in early September was about on a par with the previous month and considerably below last year, reflecting the drop in high class building and automobile production. Manufacturers' stocks of window glass were reported slightly above normal, although on September 1, 1931, they were about 30 per cent below last year at that time.

Employment at 74 plants producing stone, clay and glass products was up one per cent in August from July in contrast to a five-year average decline of four per cent for that period. Brick and tile production showed little

change in August, but china and pottery operations were up more than seasonally, employment advancing ten per cent from July. It is estimated that plants in this section are operating at about 65 per cent of capacity.

The reported increase in employment at automobile parts and accessory concerns, amounting to two per cent in August compared with July, was in contrast to a five-year average decrease of three per cent for this period. Compared with a year ago the decline was eight per cent. September schedules were not seasonally higher than those in August, operations generally being on a very limited scale.

Hardware, machinery, and machine tool production continued very irregular in the past month, and in some cases was below the July level. One large maker of metal containers reported a rather general increase in demand for goods from other than canning sources.

Paint companies in the first half of September were operating at levels unchanged from a month ago and orders from industrial sources continue to lag. An increase in orders for paint spraying equipment, not entirely seasonal, and not confined to any one industry, was experienced in the early part of September.

The paper and boxboard industry was operating near 60 per cent of capacity in August and continued at approximately that level in September.

Food manufacturing companies were engaged at higher levels than a year ago, based on the Ohio State Bureau of Business Research employment figures, an increase of six per cent being shown from July to August.

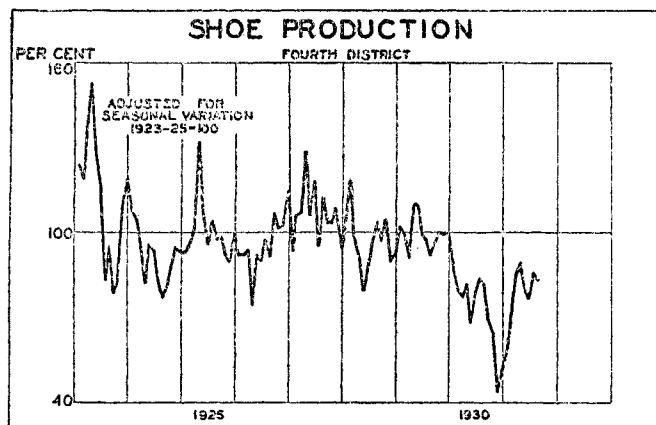
TRADE

Although some improvement was reported from July to August in retail trade in the Fourth District, the expansion was not up to the seasonal movement of past years. The adjusted index of department store sales dropped from 81.2 in July to 79.6 per cent of the 1923-'25 monthly average in August and was lower than for any month since February, 1922.

Compared with one year ago, the dollar value of sales in August was off nearly 15 per cent and the discrepancy between sales in the first eight months of this year and the same period of 1930 was about ten per cent. As has been pointed out repeatedly, however, the drop in sales is partly accounted for by the reduction in prices. The *Fairchild* index of retail prices of department store articles, which has been computed only since the first of this year, was 11.5 per cent lower in August than in January.

In the individual cities declines were generally quite pronounced. Youngstown reported a reduction of 32 per cent, Toledo 24 per cent, Columbus 21 per cent, Akron 19 per cent and Wheeling 18 per cent from August, 1931. The other principal cities showed losses which were smaller than the falling-off in the entire District.

Normally there is an increase in stocks from July to August, but this year the dollar value of stocks on August 31 was slightly smaller than a month earlier and 15 per cent below one year ago. The seasonally adjusted stock index was 71.7 per cent of the 1923-'25 monthly average, compared with 83.4 one year ago. The stock turnover rate in August was the same as last year, but the cumulative rate for the first eight months was 2.32 compared with 2.19 in the same period of 1930.



The ratio of credit to total sales was 56.1 in August as against 60.6 in the corresponding period of 1930, but accounts receivable were only seven per cent smaller than a year ago. Collections in August on accounts receivable on July 31 amounted to 28.8 per cent compared with 31.2 per cent in August, 1931, a reduction of about eight per cent.

Decreases were reported in all the various departments except millinery and oriental rugs, the former showing an increase of 14 per cent from a year ago, despite the lower prices. While the change in styles of women's headwear no doubt has resulted in larger sales in allied departments, this fact is obscured by price declines. Dollar sales of women's coats and dresses were 15 and 21 per cent smaller, respectively, than in August, 1930, and misses' clothing sales were off 11 per cent. Men's clothing sales were down 14 per cent, boys' clothing 18 per cent and shoes about 13 per cent. House furnishings showed a drop of five per cent, toilet articles and books and stationery six per cent, and women's hosiery 27 per cent.

Sales at reporting wearing apparel stores in August were 11 per cent below last year and in the first eight months were off ten per cent.

Chain drug and grocery stores experienced a rather decided falling-off in sales in August, the reductions from a year ago being 10.5 and 12.1 per cent, respectively. Cumulative sales for the first eight months were 2.6 and 3.9 per cent below the same period of 1930.

Furniture sales were practically unchanged from the low level reported in July.

Wholesale Trade August dollar sales of 76 reporting wholesale firms, representing four major lines, were only 64 per cent of the 1923-1925 monthly average compared with 86 a year ago and 102 per cent in August, 1929. Combined sales in August were 25 per cent below last year and were nearly 40 per cent below the same month two years ago.

Although in past years there has been some seasonal improvement in these four lines from July to August, this year dry goods sales were the only ones to expand and then they were 26 per cent below last year. Grocery sales declined nine per cent from July to August and were 28 per cent below last year. Hardware sales also were nine per cent smaller in August than in July, but were 25 per cent under August, 1931. Drug sales receded 12 per cent and were down nine per cent in August compared with a year ago. Sales reductions in the first eight months compared with the same period of 1930 were, groceries 18 per cent, dry goods 26 per cent, hardware 23 per cent and drugs eight per cent.

Grocery stocks were reported only four per cent below last year, but other lines showed declines of more than 20 per cent.

Reporting drug firms were the only ones to indicate a greater falling-off in accounts receivable than in sales. Collections have been rather poor.

BUILDING

According to the F. W. Dodge Corporation, construction contracts awarded in this District in August were valued at only \$17,461,000, a reduction of 48 per cent from the same month of 1930. Each of the three major groups

contributed to the general loss with non-residential building and public works and utilities suffering most, each class showing a reduction of 53 per cent from August, 1930.

Residential building contracts awarded increased slightly from July to August, but were still 26 per cent below the low level of last year. In the first eight months of this year residential building has been 35 per cent less than in the same period of 1930. This type of construction began declining much earlier than other types, which partly accounts for the smaller reduction.

Non-residential building was down 50 per cent and public works and utilities contracts were off 40 per cent in the first eight months of 1931, compared with a like period of 1930. Total building showed a loss of 43 per cent in the period in this District, an amount somewhat in excess of the 31 per cent decline so far this year in the 37 eastern states.

Two of the larger cities, Pittsburgh and Dayton, showed larger contracts awarded in August than a year ago.

Contemplated projects reported in August increased from July, chiefly because of a spurt at Pittsburgh, but the value was still much below other recent years.

Lumber and building supply dealers report no change from the low levels prevailing recently, though some seasonal quickening is generally experienced in early fall.

AGRICULTURE

The unusually warm weather in August and early September, coupled with adequate rainfall in all but a few northern counties, caused Fourth District crops to mature earlier than usual, and in some sections the more perishable fruit and truck crops ripened so rapidly that considerable congestion was reported at markets, the supply exceeding the demand.

The hay, wheat and other small grain crops have been harvested, some corn has been cut, and other principal crops have matured enough so that 1931 production estimates can be made with some degree of certainty. According to the Department of Agriculture, acreage yields of 23 major crops are expected to be about ten per cent above last year's small yield, but 1.2 per cent below the ten-year average yield. In general, however, it was stated that, considering both acreage and yield per acre, the combined production of principal food crops is expected to be somewhat above the usual average.

In the Fourth District, estimates of all principal crops except potatoes were revised upward in August and, as shown in the following table, excluding oats, were much larger than the harvest of 1930. Compared with the five-year average harvest, three major crops showed large increases, but decreases were reported in oats, hay and potatoes.

FOURTH DISTRICT CROPS
(In thousands)

	Estimate Sept. 1, 1931	Crop Harvested 1930	% change 1931 compared with 1930	Average harvest 1925-1929	% change 1931 compared with average
Corn, bu.	205,870	106,417	+93.5	184,000	+11.9
Wheat, bu.	57,655	32,929	+75.1	32,275	+78.6
Oats, bu.	72,309	77,746	- 7.0	89,171	-18.9
Hay, tons	5,384	3,605	+49.3	6,320	-14.8
Tobacco, lbs.	190,103	157,416	+20.8	130,169	+46.0
Potatoes, bu.	17,772	15,619	+13.8	20,536	-13.5

The accompanying diagram, however, reveals that, com-

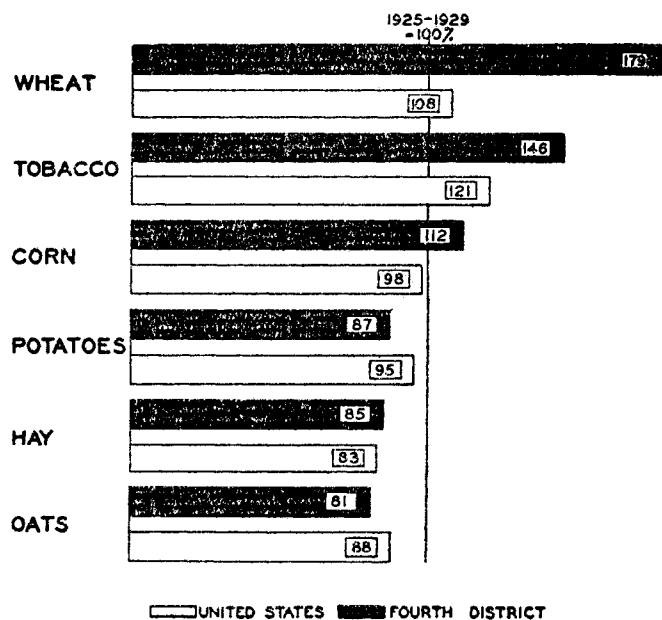
pared with the five-year average, estimated production of four of the six principal crops of the Fourth District was much better than in the entire country. The two exceptions are oats and potatoes, but these slight reductions are more than offset by the gains in the other major crops. As in the Fourth District, estimated production of oats, hay and potatoes in the entire country was below the five-year average harvest of these crops.

Of these six major Fourth District crops the greatest improvement in the past month was reported in tobacco, but the corn estimate was raised over 5,000,000 bushels, or 2.8 per cent while in the entire country the estimate was revised downward two per cent. Present indications point to a yield of 44.5 bushels per acre in Ohio, which is five bushels above any of the other ten leading corn producing states. The indicated yield in Pennsylvania is even higher, being 48 compared with a five-year average yield of 41.4 bushels per acre.

The oat crop estimate was revised upward in August, but the present prospect is for a smaller-than-average crop, though acreage yields in Ohio and Pennsylvania are about on a par with the five years, 1925-1929.

Potato prospects are less promising in this section than in the entire country and estimated production is 13.5 per cent below the five-year average harvest. Favorable weather still may be of benefit to the crop. Serious blight was reported in many fields.

All fruit estimates were revised upward in August and present indications point to record crops. The following table shows estimated 1931 crops of four principal fruits as a per cent of the five-year average harvest of these crops in the four states of this District and the entire country. It is observed that, compared with the 1925-1929 average, local fruit crops make a much better showing than do those of the entire country.



September, 1931. Estimates of Six Principal Crops of the Fourth District and United States compared with the Five-year 1925-1929 Average Harvest

FRUITS

	September 1, 1931, estimate as a per cent of the average harvest of the five years 1925-1929				
	U. S.	Ohio	Pa.	Ky.	W. Va.
Apples	128.2	231.6	150.7	194.0	181.8
Peaches	140.8	195.6	171.0	206.0	242.8
Pears	109.0	138.6	127.1	140.1	184.6
Grapes	68.7	138.5	126.0	136.3	133.0

The peach crop has been a record one, with fruit large and of good quality where properly thinned. Trees not thinned were overloaded with small peaches. Warm weather caused the late varieties to ripen earlier than usual, and markets have been glutted with fruit. Though the extremely low prices have stimulated home canning and preserving, it is probable that large quantities will be left unharvested.

Rains caused apples to increase in size, and prospects, in general, improved in August. In Ohio, the crop is estimated to be more than twice as large as the five-year average harvest. Production is estimated at 14,980,000 bushels, and the state ranks fourth among all other states of the country.

Pears are not as promising as apples or peaches, but a better-than-average crop is forecast.

The grape crop outlook continues promising in this section, though prospects in the entire country were reduced six per cent in August, due chiefly to a decided reduction in California where the September 1 condition of 52 per cent was the lowest on record. In the Lake Erie grape belt, damage from insects and disease has been negligible and fruit is generally large. The average date for beginning harvest is scheduled for about September 28.

Although bumper crops in this section place local farmers in a relatively better position than those in other sections of the country, curtailed purchasing power, caused by reduced employment, and a drop of 25 per cent in wholesale prices of farm products in the past year have drastically affected the farmers' gross income. Last year gross income on farms was 22 per cent below the 1929-'30 season.

Tobacco

Estimates of the size of the tobacco crop in the Fourth District were revised upward in August and the crop indicated by the September 1 condition report was 21 per cent larger than the record harvest of last year and 46 per cent ahead of the average harvest in the five years 1925-1929.

Production of burley tobacco, the most important type raised in this section, is now estimated at 455,222,000 pounds which is 35,000,000 pounds greater than the estimate of August 1, 1931, and more than 100,000,000 pounds (or 30 per cent) larger than the record crop of 1930. In this connection it should be remembered that acreage planted was estimated to be 13 per cent larger than a year ago, which shows that the bulk of the increase is due to greater yields per acre.

By mid-September it was reported that about three-fourths of the tobacco had been cut, with that left in the fields ripening very fast. The season has been ideal, with plenty of warm weather and just enough rain to provide adequate moisture. Present conditions are very favorable for curing and the tobacco already cut has colored nicely and should make very good leaf. Storage

Summary of National Business Conditions

(By the Federal Reserve Board)

Volume of industrial production and factory employment, which usually increases at this season, showed little change from July to August, and the Board's seasonally adjusted indexes consequently declined. The general level of wholesale prices remained, in August, at about the same level as in the two preceding months, but declined somewhat in the first three weeks of September.

Production and Employment

Industrial production, as measured by the Board's seasonally adjusted index, declined from 83 per cent of the 1923-1925 average in July to 80 per cent in August, which compares with the previous low level of 82 per cent for December, 1930. Output of steel, which ordinarily increases in August, declined further to 31 per cent of capacity, reflecting in part curtailment in automobile production; lumber output also decreased, contrary to seasonal tendency. Activity at textile mills and shoe factories showed about the usual seasonal changes, and production in these industries continued to be in substantially larger volume than a year ago. In the latter part of August, output of crude petroleum decreased 30 per cent, the reduction being in east Texas, following earlier curtailment in the Oklahoma fields; in the middle of September production increased somewhat.

Volume of factory employment, which usually increases at this season, showed little change from the middle of July to the middle of August. The number employed in the clothing and shoe industries and in canning factories increased, while employment at steel mills, automobile plants, foundries, and car building shops declined.

Value of building contracts awarded, as reported by the F. W. Dodge Corporation, continued to decline in August and for the first eight months of 1931 was 31 per cent less than in the corresponding period of 1930, reflecting decreases of 18 per cent in contracts for residential building, 30 per cent for public works and utilities, 54 per cent for factories and 56 per cent for commercial building.

Department of Agriculture crop estimates, based on September 1 conditions, were about the same as estimates made a month earlier. High yields per acre and large crops were indicated for cotton, winter wheat and tobacco, while crops of spring wheat and hay were expected to be unusually small, chiefly on account of dry weather. The corn crop was estimated at 2,715,000,000 bushels, 600,000,000 bushels larger than last year, but 50,000,000 bushels smaller than the five-year average.

Distribution

Daily average freight car loadings declined somewhat in August, contrary to the seasonal movement, while department store sales increased, but by an amount slightly smaller than is usual in August.

Prices

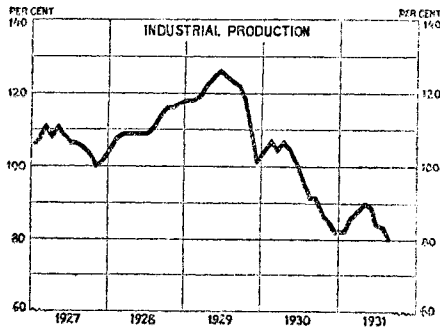
The general level of wholesale prices increased from 70.0 per cent of the 1926 average in June and July to 70.2 per cent in August, according to the Bureau of Labor Statistics, reflecting increases in the prices of livestock, meats, dairy products and petroleum, offset in large part by decrease in the prices of grains, cotton and cotton textiles. During the first three weeks of September, prices of livestock, meats, hides and cotton declined, while prices of dairy products continued to increase.

Bank Credit

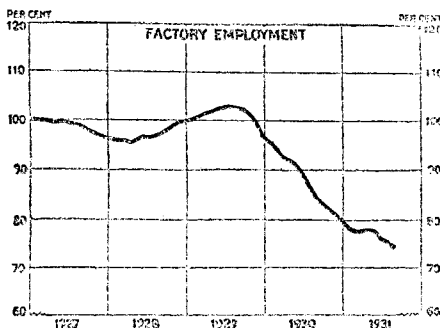
Volume of reserve bank credit, which had increased by \$240,000,000 during the month of August, increased further by \$70,000,000 in the first part of September, and in the week ending September 19, averaged \$1,265,000,000. The demand for the additional reserve bank credit arose chiefly from an increase of \$295,000,000 in the volume of currency outstanding; there were also further transfers to the reserve banks by foreign correspondents of funds previously employed in the acceptance market, offset in large part by a growth of \$60,000,000 in the country's stock of monetary gold. Following the suspension of the gold standard act by Great Britain, more than \$100,000,000 in gold was added to the amount held by the Federal reserve banks under earmark for foreign account and there was a corresponding decrease in the country's stock of monetary gold.

Loans and investments of reporting member banks in leading cities, after declining in July and the first half of August, showed little change in the three-week period ending September 9. There was a further decline in loans on securities while the bank's holdings of investments increased somewhat. In the following week, the banks added \$227,000,000 to their holdings of United States Government securities when an issue of \$800,000,000 of United States Government bonds was brought out, while holdings of other securities were reduced by \$40,000,000. Loans on securities continued to decline and "all other" loans were also reduced, contrary to the usual seasonal tendency.

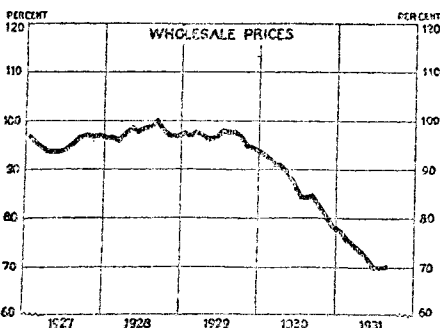
Money rates in the open market continued at low levels. On September 22 the rate on bankers' acceptances advanced from $\frac{1}{8}$ of one per cent to one per cent. Yields on high-grade bonds increased during the last half of August and the first part of September.



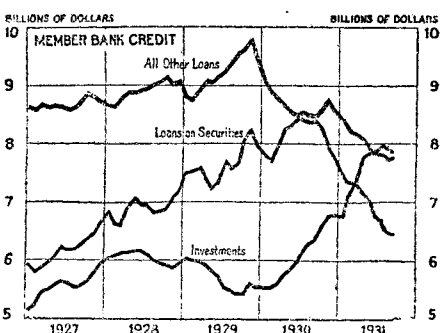
Index number of industrial production, adjusted for seasonal variation, (1923-1925 = 100). Latest figure, August, 80.



Federal Reserve Board's index of factory employment with adjustment for seasonal variation (1923-1925 average = 100) Latest figure, August, 74.1.



Index of United States Bureau of Labor Statistics (1926 = 100). Latest figure, August, 70.2.



Monthly averages of weekly figures for reporting member banks in leading cities. Latest figures are averages of first three weeks in September.