

MONTHLY BUSINESS REVIEW

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in the

Fourth Federal Reserve District

Federal Reserve Bank of Cleveland

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Little change in the volume of fourth district business from the level of recent months was manifest in the closing week of January or the first three weeks of February and a waiting attitude seems to be displayed generally. Increases in a few of the less important industries of the district were reported, but these were partly seasonal and were offset by reductions in other lines so that the general level of activity in the latter part of February was about the same as a month earlier.

Employment throughout the district declined from December to January at a more-than-seasonal rate, with each of the major industries reporting reductions except the textile, shoe, and automobile parts accessory groups. Some weakness in the latter was reported in the first half of February.

Commercial failures did not increase the usual seasonal amount in January and were down 22 per cent from the first month of 1932. Liabilities of the defaulting concerns were 38 per cent smaller in January than a year ago.

The extremely cold weather in early February caused a sharp increase in coal production at mines throughout the country as retailers found it necessary to replenish their depleted stocks. Coal production of local mines was nine per cent greater in January than a year ago.

Manufacture of shoes and clothing increased in January; the former expanded at a much-greater-than-seasonal rate, and in the opening month of the year was 7.4 per cent ahead of the same period of 1932. Several pottery plants resumed or increased operations in early February following the annual exhibit of products.

Iron and steel production fluctuated at a rate between 19 and 20 per cent of capacity in the first three weeks of February though some weakness was visible near the end of the period. The contraction in automobile production was largely responsible for the decline in steel output, there being very little demand from the railroad or construction industries. A little more activity in residential construction in this district was reported in January compared with December, but the general building situation is still very unfavorable.

Tire price reductions caused an increase in retail sales, but this was not reflected in production schedules, which, however, were up slightly in anticipation of spring buying.

Retail trade throughout the district declined slightly less than the usual seasonal amount in January, judging

by department store sales, though, compared with a year ago, a falling-off of 22 per cent was shown in the dollar value.

The general movement of both retail and wholesale commodity prices was downward in January. The latter improved temporarily coincident with the extremely cold weather.

FINANCIAL

The effect of the Michigan bank moratorium and the subsequent limitations on banking operations within that state was quite pronounced on industrial and credit conditions in the fourth district in the month ending February 25. A goodly proportion of this district's business is carried on with firms whose banking connections were affected by the restrictions. Several of the large manufacturers have now made arrangements for usual payments, but the flow of goods and funds was temporarily hampered by recent developments.

Not knowing what the effect of the moratorium might be, banks in this district fortified themselves against any unusual demands by increasing their cash on hand. Reporting member banks increased their holdings of cash from \$21,000,000 to \$36,000,000 between February 1 and 15, but in the following week the amount of cash in vault declined somewhat. Borrowings from the reserve bank increased quite sharply in the first three weeks of February and the downward trend of deposits at reporting member banks continued in the four latest weeks.

Savings deposits at 44 reporting banks throughout the district declined 1.2 per cent in January, being down 0.8 per cent in western Pennsylvania and 1.4 per cent in Ohio. Compared with a year ago savings deposits were off 5.6 per cent on February 1.

The dollar volume of check transactions in 24 cities of the district in the five weeks ended February 21 was 16.8 per cent below the same interval of 1932. This was an improvement from the preceding period when the reduction was 29 per cent.

In the month of February there was one small bank suspension in this district, compared with eight in January; two previously closed banks reopened and a new National bank was formed during the month.

Reserve Bank Credit. Total volume of credit extended by the Federal Reserve Bank of Cleveland on February 21 was \$230,545,000, an increase of nearly \$33,000,000

in the four latest weeks to a point only \$2,000,000 below the recent high figure reported in July, 1932, which was the highest level for any time since 1920. The increase in the four latest weeks was due to larger holdings of all types of paper.

Bills discounted for member banks rose \$20,000,000 in the four weeks ended February 21 as demand for Federal reserve notes increased in the period and member bank reserve deposits were reduced. At \$46,041,000 on the latest date, discounts were very much below a year ago when they amounted to \$121,217,000.

Holdings of bankers' acceptances, which remained at unusually low levels for over six months, increased \$5,000,000 in the latest week, coincident with sharp increase in the System's holdings following the reduction in the buying rate at New York.

Moderate increases occurred in the System's holdings of U. S. Government securities in the three latest weeks and on February 21 investments in Government securities, of both this bank and other reserve banks, were close to the high level maintained in the latter part of 1932.

Member bank reserve deposits were reduced \$6,000,000 in the four latest weeks, but, at \$137,000,000, they were about the same as a year ago, though down considerably from preceding years.

Circulation of this bank's Federal reserve notes increased \$20,000,000 in the first three weeks of February, most of the expansion occurring between February 8 and 15, the period in which the Michigan bank holiday was announced. Note circulation, at \$305,863,000, is still \$5,000,000 below the same date a year ago, but the volume of notes outstanding is unusually large in view of the low level of business and prices, compared with previous periods when a much smaller volume of money sufficed for the greater activity.

Member Bank Credit. Between January 25 and February 21, loans and discounts of reporting member banks in leading cities of the fourth district were reduced \$22,000,000, most of the contraction occurring in the latest week. Compared with a year ago, total loans, at \$1,039,000,000, are down 17 per cent. Investments of member banks increased in the first half of February, but holdings of Government securities were reduced in the latest week, so that total investments on February 21 were \$6,000,000 lower than on the last report date in January. Holdings of other than Government securities were reduced slightly in the four latest weeks.

On the latest date, member bank total investments were up about nine per cent from a year ago, entirely through larger holdings of Government securities, for holdings of other securities were down \$38,000,000, or 10.8 per cent. The increase in investments in the past year offset part of the contraction in loans in that period and on the latest date total credit extended by member banks was 7.2 per cent below the corresponding date of 1932.

Net demand deposits of reporting member banks in leading cities were reduced \$41,000,000, or 5.4 per cent between January 25 and February 21. Time deposits declined \$14,000,000, or 1.7 per cent in the same period. Most of the reduction in both time and demand deposits occurred in the latest week. Compared with a year ago,

demand deposits are down about five per cent and time deposits about six per cent.

The following table shown the principal assets and liabilities of Federal reserve banks and reporting member banks, for this district and the entire country, on designated dates.

MANUFACTURING, MINING

Iron and Steel Steel production, which opened the new year at about 12 per cent, had advanced to 18 per cent by the third week of January, but a further rise to 19 per cent in the last week of January apparently about exhausted the industry's momentum and operations held rather close to this rate through the third week of February. In the last week of the month considerable weakness in fourth district steel centers was reported.

To a large extent, the early January rebound was caused by a substantial flow of small miscellaneous requirements, reinforced by moderately good automotive releases. By late January, automotive orders receded slightly, no further support from miscellaneous users materialized, and the railroads and the building industries were ordering very little steel.

Benefiting from the dominant flow of automotive requirements, fourth district mills through late January and early February were operating on a more substantial basis than other districts. Youngstown mills advanced from 15 per cent in the last week of January to 21 per cent in the third week of February, but receded four points in the last week of the month; Pittsburgh expanded from 16 per cent to 21 but dropped back to 18 per cent; Cleveland, evidencing the easier situation in the automotive industry, retreated from 41 to 31 per cent.

January steel ingot production, for the country as a whole, developed a substantial gain over December when it turned in a daily rate of 38,704 gross tons and a total of 1,006,297 tons, this representing 17.78 per cent of capacity. In December, the daily rate was 32,485 tons, the month's total 844,618 tons and the per cent of capacity

Banking Statistics

Federal Reserve Banks

	Federal Reserve Bank of Cleveland (In Millions)			Federal Reserve System (In Millions)		
	Feb. 21, 1933	Feb. 24, 1932	Jan. 25, 1933	Feb. 21, 1933	Feb. 24, 1932	Jan. 25, 1933
Gold Reserves.....	241	273	243	3,118	2,938	3,259
Discounts.....	46	121	27	327	835	265
Acceptances.....	8	7	3	174	133	31
U. S. Securities.....	177	69	169	1,834	741	1,763
Total Bills and Securities.....	231	197	199	2,340	1,724	2,064
Federal reserve notes in circulation.....	306	311	277	3,000	2,643	2,706
Total Deposits.....	146	145	149	2,399	1,973	2,587

Weekly Reporting Member Banks

	Fourth District (In Millions)			United States (In Millions)		
	Feb. 21, 1933	Feb. 24, 1932	Jan. 25, 1933	Feb. 21, 1933	Feb. 24, 1932	Jan. 25, 1933
Loans on securities..	474	558	479	4,199	5,438	4,173
All other loans.....	565	689	582	5,666	7,171	5,867
Total Loans.....	1,039	1,247	1,061	9,865	12,609	10,040
Investments.....	804	739	810	8,392	6,997	8,579
Demand Deposits...	791	835	836	11,286	11,001	11,936
Time Deposits.....	789	841	803	5,499	5,685	5,636

15.02. In January, 1932, the industry was engaged 25.96 per cent.

The recovery in pig iron in January was less marked, the daily rate being 18,348 gross tons, the month's total 568,785 tons and the per cent of capacity engaged 12.6. In December the rate was 17,650 tons, the month's total 547,179 tons and the rate of activity 12.5. A net gain of three, all of the steelworks classification, put active blast furnace stacks up to 45 out of 291 as of January 31.

From the week ended January 21 to that ended February 28 the reduction in the iron and steel composite of the magazine *Steel* was from \$28.55 to \$28.31. The low point in this period was \$28.27, with a recovery of four cents in the third week of February as a price stabilization movement got under way, prompted partly by publication of the huge losses experienced by the industry in 1932. Total deficit for the entire steel industry was estimated at \$160,000,000, or over \$12 for every ton of steel produced in the period.

In mid-February, therefore, many wire products, which had suffered reductions in January, were advanced \$1 per ton; sheets were being reclassified to produce a more impregnable price structure and semifinished steel producers accounted it an achievement to hold their levels against the pressure which demoralized sheets and wire.

Coal

Output of coal in January, both in the country and the fourth district, declined more than seasonally from December as moderate weather affected domestic consumption and industrial activity and transportation of goods fell off. Production of local mines in the opening month of the year exceeded the same period of 1932 by 9.4 per cent, while in the entire country output was slightly under last year. Compared with the average of the past ten years, however, mines of this district extracted 47 per cent less coal in January, there being 10,033,000 tons produced in the month.

The extreme cold weather in early February caused daily average production to increase about 28 per cent and in the second week of the month it exceeded daily average output in the corresponding week of 1932 by 13 per cent. Retail distribution facilities were taxed to capacity furnishing household coal and were compelled immediately to replenish depleted stocks. Practically no change in industrial demand was reported. Larger

sales of domestic-size coal have resulted in an increase in slack coal stocks which are difficult to dispose of because of the depressed industrial situation.

Total stocks of bituminous coal at the beginning of the year were lower than at any corresponding time since 1920, following the great strike of 1919. The supply of coal on hand at industrial and retail yards was 35,500,000 tons, or 16.4 per cent less than a year ago. Retailers had 9.5 per cent less coal on hand than a year ago, while industrial stocks were down 18.4 per cent in the same period. Prompt railroad deliveries and the fact that the rate of production at mines is much less than capacity make it unnecessary for users to keep large stocks on hand.

Automobiles

January output of automobiles in the United States was about 12.8 per cent ahead of December and exceeded production in the opening month of 1932 by 1.5 per cent. The January increase from the preceding month followed an expansion of 80 per cent in December compared with November, and activity in the latest month was up about 200 per cent from the low point in October.

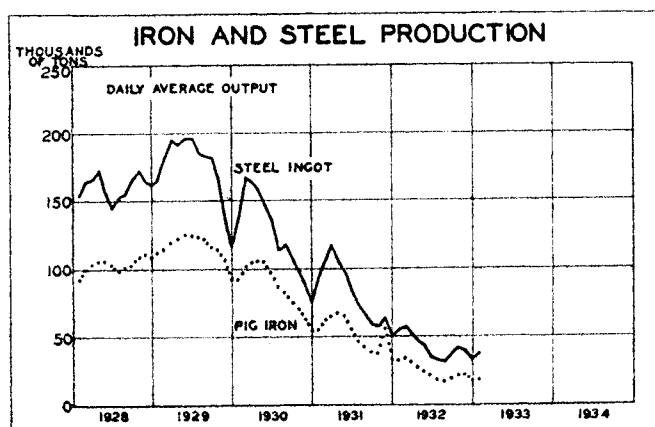
The December-January increase was less than has occurred in preceding years at that season, however, and the adjusted index of the Federal Reserve Board dropped from 60 to 43 per cent of the 1923-25 monthly average. Recent month-to-month changes in the automobile industry lose much of their significance because of the changed seasonal pattern which appears to be developing in the industry.

A rather sharp falling-off in February was indicated by the weekly production estimates. In the third week of the month the *Annalist* adjusted weekly index was only slightly above the low point of October. Operations at several plants were affected by labor disturbances, and the fact that production declined at a time when in past years it was increasing caused the index to drop sharply. These difficulties appeared to be about overcome in the third week of the month as schedules at nine plants were higher than in the preceding period. The increases were comparatively small so far as total output was concerned and reductions at five other plants, including one major small-car factory, more than offset the gains. Now that dealers are supplied with models, production is being held down pending developments in the retail sales field.

Retail demand for passenger cars improved in December and, on the basis of preliminary returns for January, was slightly ahead of the first month of 1932 and almost double the December total. Truck sales also increased in December, and in January were only slightly below the corresponding month of the preceding year, according to reports.

Tires, Rubber

The rubber tire industry has just passed through another price war, the effects of which were more widely felt than some of the previous ones. An almost chaotic situation prevailed for a few days and a huge volume of tires was sold at less than half the prevailing list price. Dealers' stocks were sharply reduced as a result of the increased selling, and though there has been some restocking, oper-



ations at Akron factories have not expanded to any extent. The net result is that prices appear to have stabilized at lower levels with the same relative relationship existing prior to the price-cutting.

According to reliable reports, the number of employees engaged in tire production in January was ten per cent below the same period of 1932, and in addition the number of hours worked has been lowered from 20 to 25 per cent in the past year. There was little change, either in the number of employees or hours worked, in January and the first half of February from that prevailing in December, though usually there is an expansion at that time of year in preparation for the greater activity in the spring months.

Tire shipments in December and January to the automobile industry were up slightly, as a result of the increase in car assemblies, but replacement sales, prior to the price-cutting, were very limited. December, 1932, shipments, according to the *Rubber Manufacturers' Association*, were 35 per cent below the same month of 1931 and were 8.3 per cent below production in the closing month of 1932. Output in December was 25 per cent smaller than in the corresponding period of the preceding year. With the exception of one month, production of tires in the last half of 1932 exceeded manufacturers' sales by a considerable margin; stocks in producers' hands increased over 50 per cent in the half-year and on December 31 were only 1.7 per cent smaller than at the end of 1931. The increase in the six-month period was partly a rebound from the low level to which inventories receded prior to the date the Federal tax became effective.

Crude rubber imports in January were only slightly smaller than in the same month of 1932, but the supply of crude rubber in this country continues to be close to 25 per cent larger than a year ago. World production of crude rubber has been curtailed until it is about in line with demand, but any change in takings would almost certainly be followed by increased production. Crude rubber prices recently have been slightly under three cents a pound.

Clothing The clothing and textile branch of industry in this district is unique in that the number employed by the 37 firms reporting to the Ohio State Bureau of Business Research was five per cent higher in January than a year ago, and, at 88 per cent of the 1926 monthly average, the index was unchanged from December. In the separate branches, however, some variations were shown. The number engaged in the manufacture of men's clothing was down three per cent in January from the preceding month, though the index was 96 per cent of the base period, one point lower than a year ago. In the women's and miscellaneous branches, the number of employees increased three per cent from December to January and in the latest month was 13 per cent above a year ago.

Correspondents reported an increase in sales as well as in operations in January and the first part of February, but this is largely a seasonal change. Production of spring models caused many plants to operate at capacity levels for the past several weeks, and the lateness of the Easter date this year is expected to prolong the spring season somewhat.

Buying by retailers has not been in particularly large

volume, but the number of orders already placed was quite encouraging to producers, considering the general state of affairs. Demand is confined largely to low-priced merchandise and the decline in prices from a year ago makes the dollar comparison an unfavorable one.

Stocks of raw and manufactured goods in hands of producers are low and retail stocks also are down. On January 31 stocks of women's clothing at fourth district department stores were valued at 34 per cent less than a year earlier and men's clothing stocks were down about 29 per cent in the same period. The decline in the retail price of clothing at department stores, which amounted to about 12 per cent in the past year according to *Fairchild's* index, was partly responsible for the drop in the value of clothing stocks at local stores.

Other Manufacturing Irregularities were reflected in operations of the smaller manufacturing industries of the district in the latter part of January and the first half of February. Disturbances in automobile centers from several causes affected production schedules at many factories of the district and the general waiting attitude displayed in many fields was also disturbing.

Auto Parts and Accessories. Employment at plants engaged in the manufacture of automobile parts increased 12 per cent from December to January, but in the latest month the index of the Ohio Bureau of Business Research was only 64 per cent of the 1926 average, a reduction of nine per cent from a year ago. A slackening occurred in the first part of February as releases on orders were held up due to disturbances at Detroit and elsewhere, and to the slowing down in retail automobile sales. Inventories are satisfactory generally, and less raw and finished goods are on hand than a year ago.

Clay Products. A resumption or an increase in operations at several clay products plants occurred in early February, the rebound offsetting, in part at least, the decline in January which resulted in a 15 per cent drop from December in employment at local plants. Increased orders followed the annual show at Pittsburgh, but plants are operating at only slightly more than half capacity. Conditions at brick and tile plants are very depressed.

Glass. Conditions in the glass industry showed practically no change in the past four weeks. Employment in January was up one per cent from December and was three per cent above one year ago. Plate glass shipments were interrupted by developments in the automobile industry. Container sales and shipments also declined, both of which affected employment somewhat.

Hardware, Machinery. Employment in the machinery industry dropped three per cent from December to January and one per cent in the metal products industry in the same period. In both cases the change was greater than seasonal. Machine tools were in slightly better demand in early February and electrical supply sales were larger in that period than in January. Engineering specialty sales dropped in January. Stocks of raw and finished goods are materially below last year.

Paints. Sales of paints in the first part of February improved and inquiries from dealers, whose stocks are low generally, have been more numerous. The number of

hours worked by local plants is somewhat under last year and the number of employees also is down. Stocks of finished goods are being increased in anticipation of greater spring demand.

Shoes. Production of footwear at 31 establishments in the fourth district in January was up considerably more than seasonally from December, the 42 per cent increase in the two months being the largest for any similar period on record. The expansion was larger than was reported for the entire country and output of local plants in January was 7.4 per cent ahead of the initial month of 1932.

TRADE

Retail The dollar value of sales in January at reporting department stores throughout the district was 22.4 per cent below the corresponding period of 1932, the falling-off ranging between 18 per cent at Akron and 26 per cent at Pittsburgh. For the fiscal year ending January 31, sales were off 26 per cent.

The reduction in sales from December was about the usual seasonal amount, and the adjusted index was 54 per cent of the monthly average of the three years 1923-25. This was still slightly above the low point touched in the summer of 1932, though sales in the entire country declined to a new low level in January.

Retail department store prices declined one per cent in January, according to *Fairchild's* index, and on the latest date were 12.5 per cent below the same date a year ago.

The proportion of basement sales to total store sales was somewhat greater in January than a year ago and, on the basis of figures received from 29 stores, the decline in basement sales, compared with last year, was 17.7 per cent as against a falling-off in total store sales of 22.4 per cent.

In the individual departments smaller declines than the drop in total sales were shown in the cotton and woolen dress goods, linens, domestics, art goods, handkerchiefs, underwear, sports' wear, furs, men's clothing and furnishings, draperies, glassware and sporting goods departments.

The dollar value of stocks on January 31 was 23 per cent below the same date a year ago and the reduction from December was slightly more than seasonal, the adjusted index declining from 54.3 to 53.9 per cent of the monthly average of the three years 1923-25.

As for several past months, the ratio of credit to total sales in January was below a year ago, the reduction being 4.2 per cent. The 4.6 per cent ratio of installment to total sales was the same as in January, 1932, but buying on regular 30-day accounts has been curtailed.

Collections continue to hold up fairly well, payments during January on accounts receivable on December 31 being only 2.7 per cent below a year ago. The dollar volume of collections is down because of the reduction in sales.

Chain grocery and drug sales were down quite sharply in January, the reduction in the former from the same month last year being 9.5 per cent, while sales of the latter were down 15 per cent.

Wholesale All lines of wholesale trade declined seasonally in January in this district, but the reduction was smaller than in 1932 and about the same as occurred in early 1931. Compared with a year ago, sales were down approximately 16 per cent and were only 43 per cent of the monthly average of the three years 1923-25. In the four lines reporting sales, wholesale grocery business was down 16 per cent from a year ago and 7.5 per cent from December; dry goods sales were off 16 per cent from January, 1932, and 27 per cent from December of that year; hardware sales in January were 18.5 per cent under last year and 20 per cent below December; and drug sales, which have been holding up relatively better than most lines, were down 10.5 per cent from January, 1932, and 8.5 per cent from the closing month of last year.

In view of the sharp reduction in sales, collections have held up quite well. Dollar value of stocks in all reporting lines has been materially reduced.

BUILDING

Construction activity in the fourth district in January was valued at \$4,074,000, a reduction of 20 per cent from December and of 41 per cent from January, 1932. In past years the value of building contracts awarded showed rather wide fluctuations from December to January, being partly affected by weather conditions, etc. Variations ranging from an increase of 72 per cent to a reduction of 51 per cent have been shown in the past ten years, an expansion being reported in four years and a contraction in six years.

Total awards in the latest month were less than one-seventh as large as the average value of contracts let in January in the preceding ten years and the report covering the first half of February indicated a further falling-off in that period.

Residential building in this locality showed important gains over December, chiefly in the construction of small houses, though there were only 200 projects started in January throughout the district. In the non-residential class, increases over December were reported for commercial, educational, hospital, and religious and memorial buildings; losses were shown for factories, and public and recreational structures. Substantial reduction, both from December and January, 1932, were evident in public utility contracts awarded in January and new public work projects also compared unfavorably with these periods.

The situation in the building supply industry, naturally, is very unfavorable. Stocks of manufactured materials are almost nil and raw material stocks are down sharply from a year ago. Orders received by lumber producers were considerably smaller than in early 1933. Cement production at mills in this district dropped sharply in January, partly seasonal, and was 13 per cent below output in the same month of 1932.

AGRICULTURE

The Department of Agriculture's report of livestock on farms as of January 1, 1933, showed an increase in the number of cattle and hogs on farms throughout the entire country from a year earlier, but the number of

horses, mules, and sheep declined in the period. The farm value of all livestock on the latest date was estimated at \$2,661,985,000, a drop of 16.7 per cent in the past year and 40 per cent from January 1, 1931. The farm value per head of horses increased slightly in the past year, but the value of all other animals declined sharply. The number of cattle on farms increased 3.9 per cent in 1932 and was 15 per cent above 1928, the recent low. The number of swine on farms was 2.8 per cent larger than on January 1, 1932, but the number of sheep was 3.2 per cent smaller than at the beginning of last year, the first reduction since 1923.

In the states included in the fourth district, the number of horses and colts on farms as of January 1 was about three per cent smaller than a year earlier. There was, however, a greater number of meat animals on farms as 1933 began than at the time of the survey in 1932. The increase in the number of cattle on farms (including those on feed and those kept for milk) ranged from one per cent in Pennsylvania to three per cent in Kentucky and West Virginia and five per cent in Ohio.

The number of sheep and lambs on farms in this section was practically unchanged in the past year which was in contrast with the decline of 3.2 per cent in the entire country. Ohio ranks seventh in sheep-raising, having 2,129,000 of these animals on farms on January 1.

Swine on farms increased from eight to 20 per cent in the four states of the district, compared with an increase of 2.8 per cent in all states. In 1932 there were over 4,000,000 pigs raised on Ohio farms, the number remaining on farms on January 1 being 2,486,000.

Tobacco Selling of this district's 1932 tobacco crop has been about completed, only a small amount of tag-end tobacco remaining to be disposed of at the present time. This type of leaf usually brings a low price, but there has been a decided drop in tobacco prices in recent weeks, so that, grade for grade, the prevailing price now is materially less than it was when the markets reopened in January after the holiday.

The average price received for burley tobacco sold on auction floors this season was quite satisfactory on the whole, according to reports, though final figures are not

yet available. The selling season opened with an average price in the first week of \$13.43 a hundred pounds, compared with \$11.77 in the same period of 1931. As the season progressed, prices advanced until a range of 15-16 cents a pound was reached in early January. This was almost 50 per cent better than the average price for all burley tobacco sold in the 1931-32 season.

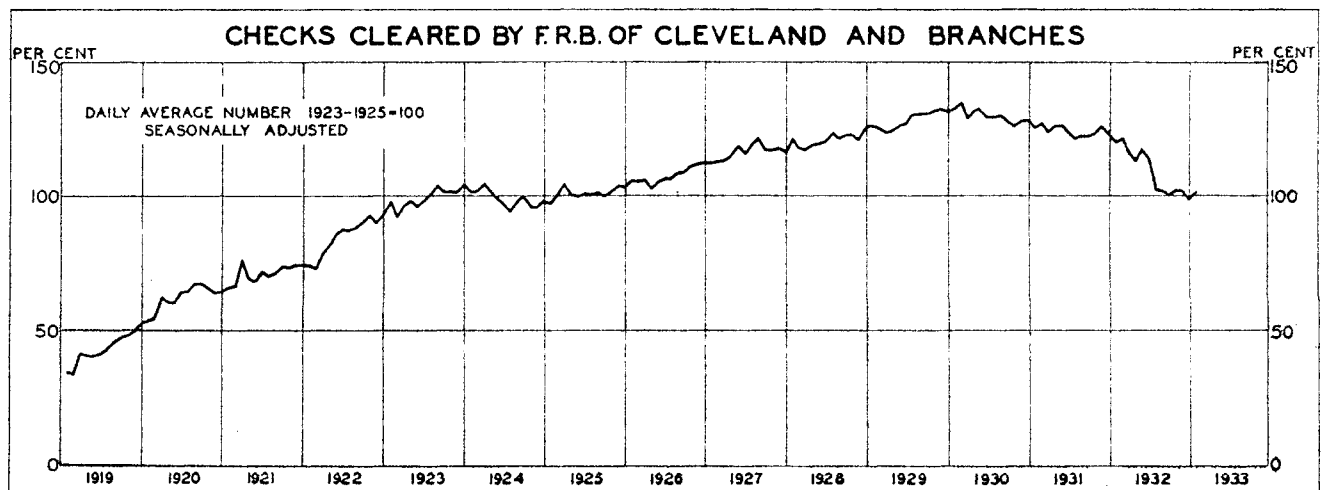
The returns this season were well distributed, for more of the crop was of average quality, with leaf thin in character and of more desirable color, than in 1931. In that year a small part of the crop was of high quality, some of it was of average quality, but the bulk of the crop was of low grade. Because of the condition of the 1932 crop, prices for low and medium grades of tobacco have been considerably higher than a year ago, while top grades are cheaper.

Farmers in this district are quite enthused over the favorable price they have received for their crop, which, however, has been largely a direct result of the very poor tobacco yield in other sections of the country and to the 25 per cent reduction in the size of the 1932 burley tobacco crop from the preceding year. Higher prices have resulted in talk of larger acreages in the coming season.

CHECK CLEARINGS

That the Federal check tax of two cents on every item drawn has had an inhibiting effect on the number of checks used in this district is clearly brought out by the accompanying chart. This shows an index of the daily average number of checks handled by the Federal Reserve Bank of Cleveland and its branches in Cincinnati and Pittsburgh with the daily average of the three years 1923-25 representing 100 per cent. The index was adjusted for seasonal variations so that irregularities resulting from this source do not influence the movement of the curve.

The increase in the volume of business done and the increased popularity of the check as a means of settling financial obligations is shown by the sharp advance in the index during the years 1919 to 1929. The depression of 1921 had little effect on the upward movement, but the 1924 period of depressed business caused the index to level off in that year and early 1925 and



from then until 1929 the advance was at a slower rate.

The peak in the number of checks handled was reached in late 1929, though the daily average number handled in the entire year 1930 was slightly higher than in 1929. Every business day of 1930 this bank and its branches cleared on an average 286,609 checks. This does not include checks handled in "packages," each package being counted and handled as one check, although the package might have contained many individual checks. However, so far as the movement of the index is concerned, this in all probability would cause the index to show an even sharper decline, for package checks arise only in clearings against banks in reserve bank or branch cities. Payment of local bills by cash instead of check is much more feasible, and has been resorted to, to a greater extent, than in payment of out-of-town bills.

The daily average number of checks handled by this bank and its branches in 1932 was 15.8 per cent under 1930 and 12.0 per cent below 1931, the decline in general business being responsible for part of the downward movement in the past three years.

The sharp drop in the adjusted index in July, 1932, however, clearly shows that the levying of the check tax was directly or indirectly responsible for a large part of the falling-off. For the past seven months, the number of checks passing through these offices has been close to the level of 1924, and was 17 per cent below the same period of 1931.

Increased postage rates, which occurred at the same time the check tax was levied, and the wider use of a metered service charge, are also factors affecting the use of checks, for the writing and mailing of each check now costs not less than five cents and may cost as much as ten cents. The decline in the number of checks used is partly responsible for the increased amount of money in circulation.

Wholesale and Retail Trade

(1933 compared with 1932)

DEPARTMENT STORES (53)	Percentage increase or decrease		
	SALES	STOCKS	COLLECTIONS
	Jan.	Jan.	Jan.
Akron.....	-17.8	-9.3	-23.8
Cincinnati.....	-22.5	-26.9	-27.4
Cleveland.....	-18.0	-31.6	-23.7
Columbus.....	-20.4	-20.2	-23.0
Pittsburgh.....	-25.5	-21.9	-28.2
Toledo.....	-21.6	-22.2	-28.1
Wheeling.....	-20.4	-21.0	-23.2
Other Cities.....	-26.5	-17.2	-32.8
District.....	-22.4	-22.9	-27.3
WEARING APPAREL (12)			
Cincinnati.....	-33.1	-18.9	-31.1
Other Cities.....	-26.9	-21.5	-23.2
District.....	-29.3	-20.5	-25.3
FURNITURE (44)			
Cincinnati.....	-32.4	.....	-29.5
Cleveland.....	-28.7	.....	-36.9
Columbus.....	-5.5	.....	-17.0
Dayton.....	-23.5	.....	-25.6
Toledo.....	-41.8	.....	-45.3
Other Cities.....	-26.6	.....	-34.5
District.....	-26.2	.....	-33.6
CHAIN STORES*			
Drugs—District (4).....	-15.3	.....	.....
Groceries—District (6).....	-9.5	.....	.....
WHOLESALE GROCERIES (35)			
Akron.....	-31.0	.....	.....
Cleveland.....	-18.8	.....	.....
Eric.....	-8.3	.....	.....
Pittsburgh.....	-14.4	.....	.....
Toledo.....	-22.8	.....	.....
Other Cities.....	-9.8	.....	.....
District.....	-16.0	-22.7	-20.6
WHOLESALE DRY GOODS (10).....	-16.2	-19.1	-20.2
WHOLESALE DRUGS (13).....	-10.5	.....	-7.8
WHOLESALE HARDWARE (14).....	-18.5	.....	-14.0

*Sales per individual unit operated.

Fourth District Business Statistics

(000 omitted)

	Jan. 1933	Jan. 1932	% change from 1932
Fourth District Unless otherwise specified			
Bank Debits—24 cities.....	\$ 1,484,000	2,090,000	-29.0
Savings Deposits—end of month:			
27 selected banks, O. & Pa.....	\$ 629,647	665,739	-5.4
Postal Receipts (9 cities).....	\$ 2,355	2,510	-6.2
Life Insurance Sales:			
Ohio and Pa.....	\$ 74,801	96,984	-22.9
Retail Sales:			
Department Stores—54 firms.....	\$ 9,328	12,023	-22.4
Wearing apparel—12 firms.....	\$ 513	726	-29.3
Furniture—44 firms.....	\$ 298	403	-26.2
Wholesale Sales:			
Drugs—13 firms.....	\$ 1,127	1,259	-10.5
Dry Goods—11 firms.....	\$ 597	713	-16.3
Groceries—33 firms.....	\$ 2,749	3,273	-16.0
Hardware—14 firms.....	\$ 584	736	-18.4
Building Contracts—Residential.....	\$ 970	1,916	-49.4
—Total.....	\$ 4,074	6,924	-41.2
Commercial Failures—Liabilities.....	\$ 5,951	9,628	-38.2
—Number.....	251	322 ¹	-22.0
Production:			
Pig Iron, U. S..... Tons	567	973	-41.7
Steel Ingots, U. S..... Tons	1,006	1,459	-31.0
Automobiles—Pass. Cars..... U. S.	3	3	+ 0.6
Trucks..... U. S.	3	3	+ 5.7
Bituminous Coal..... Tons	10,033	9,167	+ 9.4
Cement—O., W. Pa., W. Va..... Bbls.	214	246	-13.0
Electric Power—O., Pa., Ky..... k.w.h.	1,083 ²	1,180 ²	-8.2
Petroleum—O., Pa., Ky..... Bbls.	1,792 ²	2,076 ²	-13.7
Shoes..... Pairs	1,593 ²	2,125 ²	-25.4
Tires, U. S..... Casings	1,593 ²	2,125 ²	-25.0

¹ actual number
² December
³ confidential

Debits to Individual Accounts

(Thousands of Dollars)

	5 weeks ending Feb. 21, 1933	% change from 1932	Year to date	Year to date	% change from 1932
			1932 to Feb. 21, 1933	1931 to Feb. 24, 1932	
Akron.....	43,359	-22.5	84,660	117,857	-28.2
Butler.....	5,962	-14.2	11,593	13,847	-16.3
Canton.....	19,431	-11.4	35,071	40,800	-14.0
Cincinnati.....	248,746	-18.0	467,374	539,949	-20.8
Cleveland.....	411,233	-13.6	795,465	1,061,974	-25.1
Columbus.....	91,981	-17.7	175,499	227,712	-22.9
Dayton.....	43,862	-13.7	85,463	100,003	-22.5
Eric.....	17,892	-32.8	34,951	51,010	-31.5
Franklin.....	2,197	-39.5	4,104	7,409	-44.6
Greensburg.....	5,080	-18.5	9,186	13,966	-34.2
Hamilton.....	6,176	-33.5	12,354	17,594	-29.8
Homestead.....	1,666	-45.9	3,177	5,492	-42.2
Lexington.....	21,538	-16.6	43,314	52,713	-17.8
Lima.....	7,716	-9.0	14,737	15,495	-4.9
Lorain.....	2,622	-35.6	5,195	7,498	-30.7
Middletown.....	5,059	-25.8	9,869	12,363	-20.2
Oil City.....	8,072	-18.1	15,631	19,148	-18.4
Pittsburgh.....	518,480	-16.9	992,290	1,306,196	-24.0
Springfield.....	11,025	-21.2	20,701	28,446	-27.2
Stuebenville.....	4,852	-29.0	8,978	12,870	-30.2
Toledo.....	77,270	-14.2	143,519	175,219	-18.1
Warren.....	4,350	-14.0	7,884	9,406	-16.2
Wheeling.....	25,755	-13.6	51,543	61,981	-16.8
Youngstown.....	22,570	-28.1	42,201	67,312	-37.3
Zanesville.....	5,003	-26.4	9,662	13,984	-30.9
Total.....	1,611,897	-16.8	3,084,421	4,030,244	-23.5

Fourth District Business Indexes

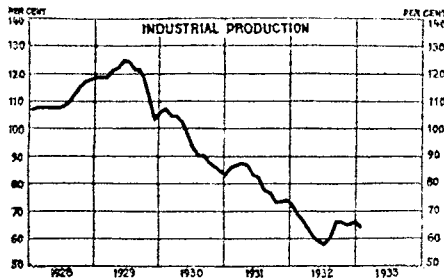
(1923-1925 = 100)

	Jan. 1933	Jan. 1932	Jan. 1931	Jan. 1930	Jan. 1929
Bank Debits (24 cities).....	55	77	122	127	136
Commercial Failures (Number).....	172	221	174	121	134
“ (Liabilities).....	135	218	271	138	105
Postal Receipts (9 cities).....	91	97	115	126	122
Sales—Life Insurance (Ohio & Pa.).....	89	116	109	137	130
“ —Department Stores (53 firms).....	43	54	70	77	84
“ —Wholesale Drugs (13 firms).....	73	84	101	106	130
“ —Dry Goods (10 firms).....	23	28	48	62	70
“ —Groceries (33 firms).....	48	57	76	91	92
“ —Hardware (14 firms).....	29	36	49	64	74
“ —All (70).....	43	52	70	83	90
“ —Chain Drug (3 firms)**.....	65	77	86	82	81
Building Contracts (Total).....	6	15	38	73	115
“ (Residential).....	6	11	29	46	66
Production—Coal (O., W. Pa., E. Ky.).....	55	51	83	101	103
“ —Cement (O., W. Pa., W. Va.).....	18	20	42	60	68
“ —Elec. Power (O., Pa., Ky.).....	129	141	152	161	149
“ —Petroleum (O., Pa., Ky.).....	97	112	106	128	107
“ —Shoes.....	72	67	61	89	104

*December.
**Per individual unit operated.

Summary of National Business Conditions

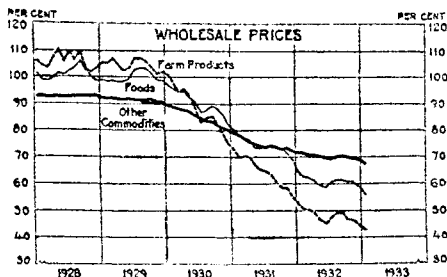
By the Federal Reserve Board



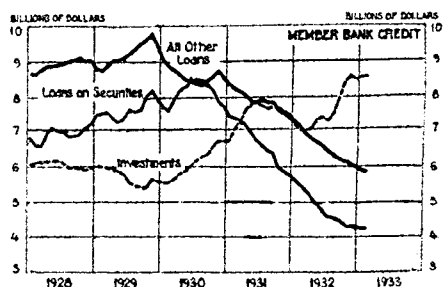
Index of industrial production, adjusted for seasonal variation (1923-1925 average = 100). Latest figure, January, 64.



Federal Reserve Board's index of factory employment with adjustment for seasonal variation (1923-1925 average = 100). Latest figure, January, 59.4.



Indexes of the United States Bureau of Labor Statistics (1926 = 100). Latest figures, January, farm products, 42.6; foods, 55.8; other commodities, 47.3.



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

Volume of industrial production increased in January by less than the usual seasonal amount and factory employment and payrolls continued to decline. Prices of commodities at wholesale, which declined further in January, showed relatively little change in the first three weeks of February.

Production and Employment

Industrial activity, as measured by the Board's index, which makes allowance for usual seasonal changes, declined from 66 per cent of the 1923-1925 average in December to 64 per cent in January, which compares with a low level of 58 per cent last July. Output of coal declined considerably, contrary to the usual seasonal tendency. Increases in activity in the cotton and silk industries were somewhat less than seasonal in amount, and there was a slight decline in production at woolen mills. Output of shoes increased seasonally. Activity in the steel industry showed a seasonal increase during January, and little change during the first three weeks of February. Automobile production, which had increased substantially in December, showed a further slight increase in January.

Factory employment declined between the middle of December and the middle of January by considerably more than the seasonal amount. Decreases were reported in most lines except in the cotton, wool, and silk industries, where employment increased.

Construction contracts awarded were in about the same volume in January as in December, according to the F. W. Dodge Corporation; in the first half of February the value of awards showed a decline.

Distribution

Volume of freight traffic was somewhat smaller in January than in December, reflecting a reduction in shipments of coal. Sales by department stores decreased after Christmas by more than the usual seasonal amount.

Wholesale Prices

The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, declined further from 62.6 per cent of the 1926 average in December to 61.0 per cent in January, reflecting substantial reductions in the prices of crude petroleum, gasoline, textiles, and dairy and poultry products. Prevailing prices for wheat, cotton, and hogs in January and the first three weeks of February were somewhat above the low levels reached in December.

Bank Credit

Between January 4 and February 21, there was an increase of \$319,000,000 in the demand for currency, accompanying banking disturbances in different parts of the country, and a decrease of \$64,000,000 in the country's stock of monetary gold. These demands were met by member banks in part by the use of their balances at the reserve banks, which declined by \$243,000,000 during the period, but continued to be considerably above legal requirements. Reserve bank holdings of United States securities declined by \$88,000,000 between January 4 and February 1, but increased by \$70,000,000 during the following three weeks; their holdings of acceptances increased by \$141,000,000, and discounts for member banks increased by \$76,000,000.

Loans and investments of reporting member banks in leading cities declined by about \$100,000,000 during the five weeks ending February 15. The banks' net demand deposits declined by \$390,000,000, reflecting largely reductions in bankers' balances, and time deposits showed a decrease of \$93,000,000 for the period.

Money rates in the open market were slightly firmer during the first half of February. Open market rates on 90-day bankers' acceptances, which had been $\frac{1}{4}$ of 1 per cent, had increased to $\frac{3}{8}$ of 1 per cent by February 20. Rates on prime commercial paper and on stock exchange loans remained unchanged. The minimum buying rate on bills at the Federal reserve banks of Boston, New York, and Chicago was reduced from 1 to $\frac{1}{2}$ of 1 per cent.