

# MONTHLY BUSINESS REVIEW

Covering financial, industrial, and agricultural conditions

in the

**Fourth Federal Reserve District**

**Federal Reserve Bank of Cleveland**

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No. 8

Gains in trade and industry were reported in late June and the first half of July which placed operations definitely above a year ago, and in several lines made them approach or even exceed 1931 levels. A slight tempering of the sharp rate of expansion was apparent in the latter part of July. However, this might have been a belated seasonal change, for normally in July and August there is a considerable letdown in most lines of activity.

Accompanying the gain in production, employment and pay rolls expanded quite materially in June and July. In Ohio the gain in industrial employment in June was reported to be approximately 9.5 per cent, compared with a five-year average reduction for this period of one per cent. Pay rolls showed a sharper upturn because wage increases were granted in many lines. According to the U. S. Department of Labor, employment in the entire country in June was up 14 per cent from the low point touched in March. Pay rolls were up 29 per cent in the same period and were approximately ten per cent higher than a year ago. Despite the increase they are still less than half as large as the monthly average of 1926.

As in May the gains in this district in June and early July were largely the result of improvement in the iron and steel, automobile and allied industries. The steel producing rate at Pittsburgh and Cleveland rose eight points in the four latest weeks. At the same time Youngstown mills increased operations 14 points or approximately 28 per cent. The automobile industry continued to be the chief source of steel orders, though miscellaneous buying improved and a few rail orders for maintenance materials were reported. Price advances were quite general, which caused buyers to place rather large orders in June and July, but a tapering-off in the latter part of the month was reported.

Iron ore receipts at Lake Erie ports in June were over six times as large as a year ago and in the first half-year were  $7\frac{1}{2}$  times what they were in the corresponding period of 1932. More boats have been, or are soon to be placed in operation carrying ore from upper lake ports than since 1929.

Automobile production moved contrary to the seasonal trend of past years in June and output was 38.3 per cent higher than a year ago. Further improvement occurred in early July and orders for parts and materials received by local manufacturers indicated little summer dullness in this industry.

Coal production in recent weeks has been the highest for this season in two years, output of local mines being up 58 per cent in June from the corresponding month in 1932. Shipments of soft coal in June from Lake Erie ports were up 46 per cent from last year.

Electric power production continued to show gains, the total for this district in May being 8.8 per cent above May a year ago, and further gains in June and July were indicated by preliminary reports. Tire production increased sharply in May and June and conditions in Akron are very much improved.

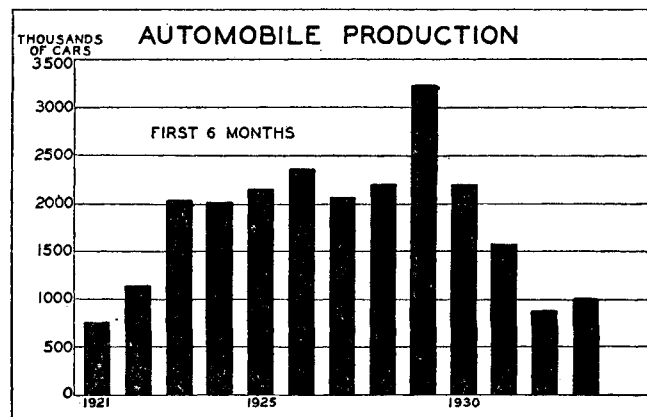
The glass industry has experienced an unprecedented demand for goods in recent weeks and orders for electrical appliances and household goods have improved. Paint and paper companies are operating at capacity levels in most cases.

Retail buying in June improved contrary to the seasonal trend of past years and sales in the latest month were slightly higher than a year ago, the first gain since April, 1930.

Agricultural conditions continue to be quite unfavorable, though the wheat crop in this district was much larger than in most sections of the country. Other crops have been very adversely affected by lack of moisture in recent weeks.

## FINANCIAL

In the month ended July 25 there was a reduction in demand for reserve bank credit in the fourth district. The volume of loans made to customers by reporting member banks in leading cities continued downward, however,



although there was little change in deposits in the latest month. The volume of financial transactions was up sharply in June, debits to individual accounts being only 0.8 per cent below June, 1932, despite the fact that funds impounded in closed banks remain at high levels. Bank debits in the first six months of 1932 were 19.5 per cent below the same period of last year. Payment of liquidating dividends at a few of the larger failed banks stimulated trade in some sections of the district in the latter part of July. Savings deposits at selected banks increased one per cent in June, but on June 30 they were 9.3 per cent smaller than on the same date of 1932.

There were only 135 commercial failures reported in the fourth district in June, a reduction of 54 per cent from last year and liabilities of the defaulting concerns also were less than half as large as those reported a year ago. The number of failures in the half-year ended June 30 were 31 per cent smaller than in the corresponding period of last year and liabilities were down 27.8 per cent in the same period.

**Reserve Bank Credit.** Loans made to member banks in this district declined from \$24,065,000 on June 21 to \$11,044,000 on July 19 and in the first three weeks of July direct loans to members averaged lower than since 1917. One year ago bills discounted were about \$53,000,000. Investments in Government securities increased slightly in the four latest weeks in conjunction with the System's open market operations, but the gain was more than offset by the decline in bills discounted. Total bills and securities on July 19 amounted to \$196,722,000, and in early July they were lower than since the spring of 1932. Of the total amount of credit outstanding, however, Government securities owned represented 94.6 per cent of all bills and securities held, since holdings of acceptances were only \$702,000, an unusually low level.

Note circulation continued to decline in the four latest weeks despite the fact that trade and industry advanced sharply. The reduction was small, amounting to \$5,000,000, but, at \$309,000,000, Federal reserve notes and bank notes in circulation were only \$14,000,000 higher than a year ago. Total deposits, including reserve deposits, increased \$17,000,000 in the four latest weeks.

Total reserves of the Federal Reserve Bank of Cleveland were up \$23,000,000 in the four weeks ended July 19, and the ratio of reserves to deposit and note liability combined, at 65.7 on the latest date, was up three points from a month ago and was ten points higher than last year at this time.

**Member Bank Credit.** Judging by reports from member banks in leading cities, the volume of loans made to customers continued to decline in the four weeks ended July 19, loans on securities and "all other" loans sharing about equally in the reduction. Investment holdings of these banks declined moderately through the sale of other than Government securities, the latter showing a slight increase in the period. Total deposits of reporting member banks, excluding Government deposits, were practically unchanged in the four weeks ended July 19. Compared with the low point touched on March 1, a gain of about \$100,000,000, or 15 per cent, was shown to date. Following the passage of the Banking Act of 1933, there was a considerable transfer of funds from demand to time deposits. The former dropped from \$592,000,000 on June

21 to \$537,000,000 on July 19, and in the same period time deposits increased from \$369,000,000 to \$423,000,000. This Act, which forbids the payment of interest on demand accounts, caused a considerable shifting of bank balances from demand to time accounts and also from one section of the country to another, though little change in the latter was indicated by reporting member bank figures in this district.

## MANUFACTURING, MINING

### Iron and Steel

For an accurate understanding of the situation in steel between the third week of June and July, production, specifications, and orders must be differentiated.

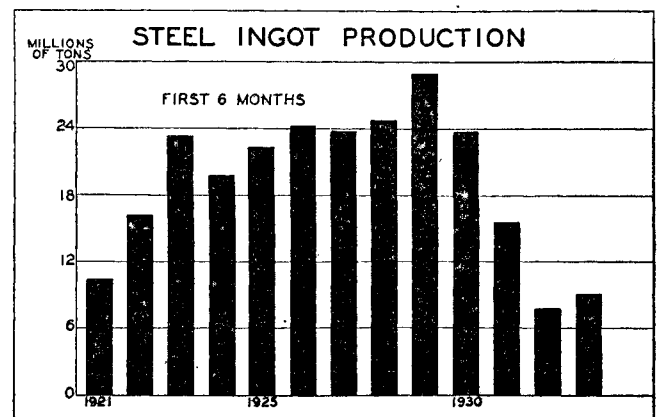
Approaching the beginning of the third quarter, consumers specified their second quarter contracts to the fullest extent in the last half of June. In those products where second quarter prices were extended through July, specifying showed no abatement in the first half of that month. In those products where an increase became effective, specifications declined moderately.

The result was that the rise in steel production continued unabated, the national average going from 51 per cent in the third week of June to 57 per cent in the third week of July. Early July production benefited not only from specifying against the July extension of prices in some products, but also from the fact that late June specifying against expiring contracts was so heavy that deliveries automatically were carried over into July. A leveling off in the rate of expansion appeared in the closing week of the month.

During the last half of June, new buying was heavy and there was no diminution in orders for products where prices remained stationary, but price increases, especially in the flat rolled lines, removed much of the incentive for coverage. Hence what might be considered new commitments tapered rather sharply in the first half of July in contrast with continued heavy specifications and a further advance in production.

In mid-July the situation was further complicated by the filing of the steel industry's code under the National Recovery Act and a general 15 per cent increase in wages. This wage advance was effective as of July 15. It was expected that new prices soon to be filed would compensate for this increased cost.

So far as the fourth district was concerned, the unusual activity for this season of the year in the automobile in-



dustry in late June and early July accounted for much of the gain shown; the rate at Pittsburgh from June 24 to July 22 advanced from 41 per cent to 48; at Cleveland from 80 to 87 and at Youngstown from 52 to 66 per cent of capacity. Save for some delay due to extremely hot weather, tin plate demand continued to keep those mills operating at practical capacity, tin plate and automotive steel thus far being the chief reason for the rise in steel.

Miscellaneous buying tended to broaden steadily, and in an unspectacular way requirements of railroads for various materials for equipment maintenance bulked comparatively large. Building remained a distinct laggard with pipe line construction also in the doldrums.

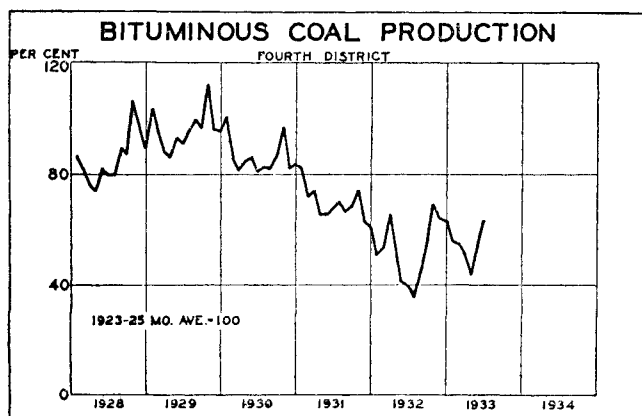
June production of steel ingots was sufficiently large to overcome the deficit of the preceding months, and in the first half of 1933 more steel was produced than in the first half of 1932. The comparison is 8,989,192 tons for 1933, against 7,697,210 for the first half of 1932. The June daily rate, at 99,904 tons, represented the industry operating at 45.9 per cent.

In pig iron the rise was equally encouraging. The daily rate of 42,165 tons in June gave the month a total of 1,264,953 tons, but, unlike steel, pig iron output in the first half of 1933 was 4,444,750 tons, not equal to the 5,164,520 tons made in the same period of 1932.

**Coal** Production of bituminous coal in the fourth district in June amounted to 11,350,000 tons, the highest for that month in two years. Compared with May, output was up 17.3 per cent, whereas the ten-year average May-to-June change in this district was an increase of 1.2 per cent. The gain from May to June in the entire country was 10.6 per cent.

Compared with a year ago output of local mines was up 58.2 per cent, the large gain more than offsetting losses reported in previous months, and the half-year production of 58,125,000 tons was 7.7 per cent greater than in the same period of 1932.

Several factors contributed to the advance in June; higher operations at steel plants necessitated larger supplies of coke, and prices advanced slightly; expansion in other lines of industrial activity, together with greatly increased railroad operations and the possibility of higher coal prices caused dealers and industrialists to order coal,



even more than was necessary for immediate consumption.

In addition, shipments of coal from Lake Erie ports increased sharply in June as lake traffic assumed more normal proportions as a result of larger iron ore shipments from Lake Superior ports. Soft coal is used as a return cargo by boats going up the lakes for iron ore. Such shipments in June amounted to 3,925,000 tons, an increase of 46 per cent from June, 1932, and for the season to date coal shipments were 38.7 per cent larger than in the same interval of 1932.

In mid-July coal production had expanded to a level above that prevailing in 1931, and was further above a year ago than in June. The situation at coal mines has improved materially as additional men were called back to work and wage increases were granted in several instances.

**Automobiles** Moving absolutely contrary to the seasonal trend of past years automobile production in June increased 16 per cent from May and, at 253,322 units, output was 38.3 per cent higher than a year ago. The Federal Reserve Board's seasonally adjusted index advanced from 51 to 62 per cent of the 1923-1925 monthly average, whereas a year ago it was 47. The advance from May and last year was so large that assemblies in the first half of 1933 exceeded one million cars and trucks, and they were 15.6 per cent greater than the number of cars assembled in the first half of 1932. According to weekly estimates, and excluding the first week of July when a slight contraction occurred due to the short week, further advances were apparent in the first three weeks of the latest month. On the basis of figures now available, it is estimated that July production will almost double that of a year ago.

Retail buying in recent months has increased quite sharply, but the estimate of June passenger car registrations indicates that a gain of only 16 per cent was made from a year ago, whereas passenger car production in the period was up 31.9 per cent. Reports from dealers covering the first three weeks of July indicate that sales in the period held up quite well for this season of the year.

Passenger car assemblies in June numbered 211,483 units and in the first six months 849,234 new cars were made, a gain of 16.1 per cent from the same period of 1932. Truck assemblies increased sharply in June and were 83.8 per cent above a year ago, whereas the gain in the six-month period was 12.7 per cent.

Orders for auto parts and materials were received in good volume by local concerns in June and early July, indicating that production schedules were being maintained.

As yet there have been no price increases announced, though reports of some being imminent have followed the increased raw material and parts prices. Automobile registrations in Ohio and western Pennsylvania in June numbered 16,209 units, the highest since June, 1931. They showed an increase of 25 per cent from June, 1932.

**Tires, Rubber** While tire and rubber factories have been consuming crude rubber at an unprecedented rate in the past six weeks there are indications that some of the activity resulted in

an increase in inventories. Sales of tires for original equipment increased with the advance in automobile production, while replacement tire sales, though up sharply from the low point touched earlier this year, have not shown the gain indicated by crude rubber consumption figures.

According to the *Rubber Manufacturers' Association*, crude rubber consumption in June was 51,326 long tons, a new high record. This compares with 44,580 tons in May and represents an increase of 23.8 per cent from June last year when domestic consumption was unusually high due to the fact that tire companies were operating at high rates supplying dealers with stocks prior to the date the Federal tax on tires became effective. In the first six months of the year consumption was 184,724 tons, a slight reduction from the 190,924 tons used in the corresponding period of 1932.

Imports of crude rubber in June were 22,729 tons, a decrease of 17.5 per cent from May and of 45.1 per cent from June, 1932. The sharp drop in imports in contrast with the increase in rubber consumption caused domestic crude rubber stocks to decline to 333,954 tons on June 30, slightly less than was on hand a year ago. Record rubber consumption in June occurred in the face of price increases of more than 100 per cent; rubber was quoted at ten cents a pound in the third week of July.

Most tire companies expanded operations sharply in June and showed a further increase in the early part of July, judging by reports from leading producers. Employment at Akron was up 13 per cent from May to June and in the latest month was 6.7 per cent above a year ago. Part of this increase represented a building up of inventories which were very low earlier this year. Efforts to dodge the processing tax on cotton tire fabrics also partly accounted for the increased output.

Tire production in May was 35.5 per cent ahead of the same month of 1932, and the Federal Reserve Board's adjusted index advanced to 94 per cent of the 1923-1925 monthly average from 65 in April and a low of 41 in March. In the first five months of 1933 production was off 18.7 per cent from the same period last year.

#### Clothing

The improvement mentioned a month ago in the clothing industry continued in the latter part of June and the first two weeks of July, according to reports received. Manufacturers in all lines have experienced more forward buy-

ing than in several past years and some report enough orders on hand to keep plants operating at present levels for the remainder of the year. Confusion regarding commitments as a result of the National Industrial Recovery Act was still prevalent in late July because of failure of enactment of codes covering this and allied industries.

Sharply advancing raw material prices no doubt were factors responsible in part for the larger volume of orders, although considerably more retail buying of clothing was reported in June than for many months. Sales of men's clothing at reporting department stores in the fourth district were 20 per cent larger than in the same period of 1932, and women's clothing sales were off only 5.7 per cent, the decline occurring chiefly in dresses, for sales of coats and suits were only one per cent smaller than in June, 1932.

As an indication of the sharply increased activity in the clothing and textile industry cotton consumption in June was 696,472 bales in the entire country, the greatest amount reported for any month on record, and wool consumption in May, the latest available, was three times as great as in May last year. Price increases undoubtedly were partly accountable for the larger mill orders, for wool was bringing 40 per cent more than a year ago, and cotton has advanced over 100 per cent in the past few months. Stocks of finished goods also were built up in an effort to avoid the processing tax which goes into effect August 1.

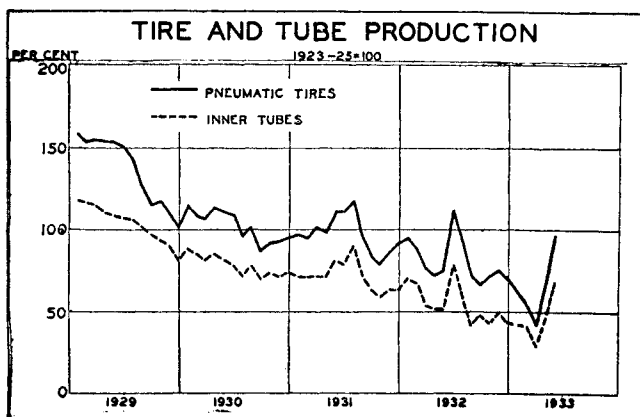
In the fourth district employment at clothing and textile plants increased 15 per cent from May to June, and in the latest month was 27 per cent ahead of a year ago. For the six-month period employment this year averaged eight per cent better than in the same interval of 1932. Most factories are now operating full time and some pay increases have been reported.

#### Other

##### Manufacturing

A further extension of the upward movement in some of the smaller manufacturing lines of the fourth district was apparent in the latter part of June and the first three weeks of July. This was particularly favorable in view of the fact that this is normally the dull season of the year, and as yet signs of a summer lull are not very noticeable. Operations in some cases have been to replenish inventories, prompted by the general increase in raw material prices, though retail buying has been stimulated slightly by the improved employment situation and larger pay rolls.

**Auto parts, Accessories.** Paralleling the upward movement in automobile assemblies, parts and accessory concerns in this district reported a sharp increase in operations in June which is contrary to the seasonal movement of past years. Employment, according to the Ohio State University Bureau of Business Research, increased 13.4 per cent from May, whereas the average change in the five years 1928-32 was a decline of 3.5 per cent. In the latest month the number employed was 23.1 per cent above a year ago. Pay rolls also increased moderately. Up to the third week in July there were no indications of a seasonal slackening in assemblies, and specifications for parts and accessories continued at a high rate. In past years the automobile industry has experienced a considerable letdown at this time of year.



**Brick and Tile.** Activity in the brick and tile industry continues at an unusually low level and there was a decline of four per cent in employment from May to June, which was contrary to the trend of past years. In May, the latest available, production of face brick was 33 per cent below a year ago and only 6.5 per cent of the machine capacity of the entire country was being utilized. Stocks on hand are down about 20 per cent from last year.

**China, Pottery.** Operations in the china and pottery industry of this district continued upward in June and the first part of July. Employment in June was up 7.5 per cent from May and was 44 per cent above a year ago. The average May-to-June change in the past five years was a decline of 3.2 per cent. According to reports there are fewer potters out of work at the present time than during the past four years. Selling prices remain unchanged and collections are reported "fairly good."

**Electrical Supplies.** Demand for electrical appliances continued to improve in June and the first part of July contrary to seasonal trends of past years. Manufacturers of electrical goods, particularly refrigerators, are operating at comparatively high levels. Employment in June at 29 concerns was 37 per cent above a year ago and 29 per cent above the 1926 monthly average. Dollar value of retail sales of electrical appliances at department stores in the fourth district in June was 76 per cent greater than a year ago.

**Glass.** Sections of the glass industry have experienced an unprecedented demand for goods. This is particularly true of the molded and laminated divisions. Orders for plate and flat rolled glass continued at low levels, partly because of the situation in the building industry. Employment in June at all reporting Ohio concerns was 70 per cent above a year ago and the index of the Bureau of Business Research was 63 per cent above the average of 1926.

**Machinery, Machine Tools.** Operations at most companies manufacturing machinery or machine tools increased quite sharply in June, whereas in most past years a seasonal decline has been experienced. Companies increasing production schedules found it necessary either to replace or repair equipment which had been idle for some time, and rush orders kept the machine tool and machinery concerns of this district operating at levels much above those of early spring, though slightly below a year ago.

**Paint.** The paint industry experienced a marked improvement in June and the first half of July. Rapidly rising raw material prices, particularly raw linseed oil, caused many paint users to order heavily and obtain contracts for the remainder of the year. Most companies are operating at capacity levels and the number employed increased in the past three months. Reconditioning of factories, railway and marine equipment, unusual activity in the automobile industry and considerable house painting were factors contributing to the favorable condition reported.

**Paper.** Paper board mills are operating at capacity levels supplying many new users of containers with their products. Paper mills, with the exception of newsprint, also experienced a sharp increase in demand, orders being received in recent weeks in a volume exceeding pro-

ductive capacity. Advancing prices and uncertainties regarding the Industrial Recovery Act caused users of paper to place orders for goods in excess of current needs.

**Shoes.** Production of shoes in June at 30 establishments in the fourth district was up 12 per cent from May, a greater-than-seasonal increase. Output in the latest month was 45.8 per cent higher than a year ago and in the first half-year factories made 25 per cent more footwear than in the same period of 1932. Salesmen now showing fall goods report a much larger volume of orders than for the past three years and output of local factories in June was greater than for any corresponding month since 1927. Prices of hides and leather have advanced sharply. Hides in mid-July were quoted at 12½ cents a pound compared with five cents a pound a year ago. Some of the recent buying has been prompted by these advanced prices, although some improvement in retail shoe sales has occurred recently, particularly in the low and medium-priced classes.

### TRADE

**Retail** The value of department store sales in leading cities of the fourth district in June was 0.7 per cent higher than in June, 1932. This was the first increase from the corresponding month a year ago since April, 1930. The decline in sales from May to June was slightly less than seasonal, and the adjusted index rose from 61.2 to 62.0 per cent of the 1923-1925 monthly average. Four of the seven individual reporting cities experienced increases in sales in June. In the first six months of 1933 the sales volume was 15 per cent smaller than in the corresponding period of 1932. A further improvement in retail trade was reported in July, particularly in the latter part of the month in centers where liquidating dividends were paid by some of the closed banks.

Larger pay rolls and the somewhat general feeling that retail prices were on the verge of an increase no doubt were factors partly responsible for the expansion in June sales. According to *Fairchild's* index, retail prices advanced 2.6 per cent in June from the May level, and from the low point touched in April the advance has been 4.2 per cent. Compared with a year ago, however, current prices are still down 3.8 per cent. It is interesting to note that prices of yard goods and home furnishings recorded the largest gains and it was in these departments that the greatest improvement in sales was experienced. All home furnishing departments, excluding musical instruments, showed favorable gains from a year ago, and sales of cottons, linens and domestics also showed increases from last year. Sales of silverware, men's clothing and furnishings, and some women's apparel were larger than in June, 1932.

Dollar value of stocks declined 0.6 per cent from May to June, the drop being slightly less than seasonal, but on June 30, stocks were still valued at 20 per cent less than on the corresponding date of 1932. Approximately the same per cent of total sales in June were credit sales as a year ago, but an increase in installment buying was noted in the period. Such sales in June accounted for 6.4 per cent of total sales, whereas a year ago installment buying represented only 4.5 per cent of all sales.

A slight improvement in collections was reported, pay-

ments in June on accounts receivable at the end of May amounted to 32.0 per cent, whereas last year collections were 29.6 per cent of the accounts receivable at the end of the preceding month.

**Wholesale** A slightly greater-than-seasonal increase in the four reporting lines of wholesale trade occurred in June, and sales of two groups, dry goods and hardware, were considerably larger than a year ago. Depleted inventories and the possibility of increased prices caused retailers to specify quite heavily and the dollar value of dry goods sales was 34 per cent larger in June than a year ago. The gains of the past two months offset part of the large losses reported earlier in the year and the decline in sales in the first six months of 1933 from the same period of 1932 was only 6.9 per cent. Hardware sales were nine per cent larger in June, but down 10.9 per cent in the first six months from corresponding periods of 1932.

Wholesale drug and grocery sales have been lagging somewhat, the former being 13 per cent smaller in June than last year and a reduction of 20 per cent was recorded in the first six months. Grocery sales were down 3.5 per cent in June and 11.4 per cent in the January-to-June interval from corresponding periods of 1932.

#### BUILDING

Building operations in the fourth district in June showed a slight increase from the preceding month, but were still 27.8 per cent below the corresponding month of 1932, and the decline in the six-month period was 46 per cent. Gains over May were recorded in residential and non-residential building of sufficient size more than to counteract losses in public works and utilities. Compared with a year ago all major classes of building showed gains except public works, and in this latter classification the decline was so large that it more than overbalanced the gains recorded in the other groups. Considerably more factory building was reported in June, 1933, than a year ago or than in May.

Contracts awarded in June were larger than last year in Akron, Cincinnati, Cleveland, Dayton, Erie, Pittsburgh and Youngstown, but for the year-to-date gains were shown only in Dayton and Toledo.

Though actual awards have lagged somewhat, the value of contemplated projects reported has increased materially in recent months. In June it totaled \$79,000,000, compared with \$74,000,000 in May and \$13,000,000 a year ago. Although a marked improvement in the value of non-residential building contemplated was shown from last year, the major part of the increase was to be found in the public works and utilities classifications.

Lumber dealers throughout the district reported a spurt of speculative buying in June, although several indicated that some real improvement had occurred in the month. Retail lumber prices have increased approximately 20 per cent, according to reports.

#### AGRICULTURE

According to the Department of Agriculture, the year 1933 to date has been less favorable for crop production than the corresponding portion of any crop season in fifty years. Estimates indicate that even with average

weather during the remainder of the year yields of principal crops will be much below the average production of the five years, 1926-30. Seventeen of the 19 listed crops showed a condition on July 1 which indicated that probable yields would be considerably below average.

Crop areas in June had only about half the normal rainfall and at the same time temperatures were much above average. This followed an unusually wet spring which prevented proper soil preparation in some cases and delayed planting in general.

In addition, several other significant developments occurred in the past month. The program for the reduction of cotton, wheat, and tobacco acreages, with producers benefiting from funds raised by a processing tax was announced by the Secretary of Agriculture. Farm prices have advanced sharply, the average gain in prices received by farmers advancing almost 50 per cent from the low of February. Grain prices in mid-July were the highest in three years. The ratio of prices received for farm products to prices paid for certain goods farmers buy was 72 per cent of the 1909-14 average in July, compared with a low of 43 about a year ago.

With the exception of wheat and hay, crops in this section were in about the same condition on July 1 as in the entire country and averaged somewhat below preceding years. The following table shows the July 1 estimate of probable yields of principal crops compared with the harvest of 1932, for both the fourth district and the United States.

#### ESTIMATED PRODUCTION OF PRINCIPAL CROPS

	Fourth District			United States		
	1933	1932	% change from 1932	1933	1932	% change from 1932
Wheat, bu. ....	38,853	35,908	+ 8.2	495,681	726,233	-31.8
Corn, bu. ....	131,400	158,549	-17.1	2,384,032	2,875,570	-17.1
Oats, bu. ....	38,420	55,920	-31.3	698,941	1,238,231	-43.6
Tame Hay, tons..	3,967	3,826	+ 3.7	66,047	69,794	- 5.4
Tobacco, lbs. ....	119,037	121,582	- 2.1	1,244,637	1,015,512	+22.6
Potatoes, bu. ....	15,215	19,465	-21.8	396,423	357,679	-14.3

**Wheat.** The July 1 condition of winter wheat in this section was about equal to the average condition of past years, a very favorable situation so far as local farmers are concerned in view of the very poor crop condition in other sections of the country. High temperatures in June hastened ripening, and harvest was completed much earlier than usual. Some damage may have resulted from premature ripening, but average yield in Ohio was estimated to be about 19.5 bushels per acre. The fact that acreage harvested was somewhat above that harvested in 1932 was responsible for the 8.2 per cent gain in the total crop.

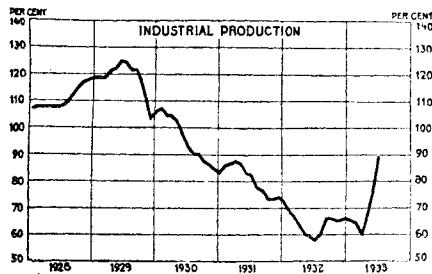
The rise in grain prices in the past three months has been little less than spectacular. Cash wheat in mid-July was bringing \$1.20 a bushel in Ohio, the highest in three years, compared with less than fifty cents a bushel in earlier months this year. Farmers having wheat carried over from previous seasons or crops to thresh this year are unusually fortunate.

**Corn.** Warm weather is conducive to corn growing, but unfavorable conditions prevailed at planting time and lack of moisture in late June and the first part of July caused the latest estimate of probable yield in the fourth district to be about 17 per cent below the harvest of 1932. This drop was approximately the same as in the entire country.

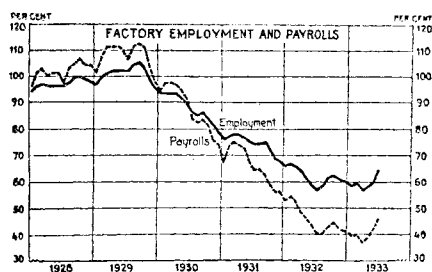


## Summary of National Business Conditions

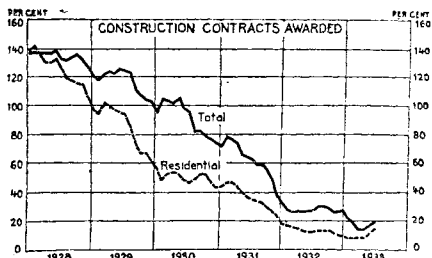
By the Federal Reserve Board



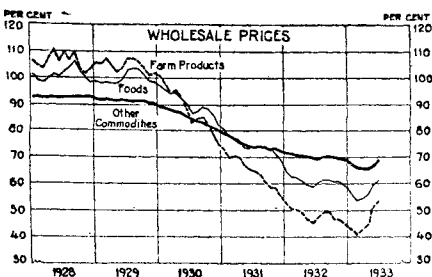
Index of industrial production, adjusted for seasonal variation. (1923-1925 average = 100) Latest figure, June, 89.



Indexes of factory employment and pay rolls, without adjustment for seasonal variation, (1923-1925 = 100) Latest figure, June, employment, 64.1; pay rolls, 45.9.



Indexes based on three-month moving averages of F. W. Dodge data for 37 eastern states, adjusted for seasonal variations, (1923-1925 average = 100) Latest figure, June, total, 19; residential, 14.



Indexes of the United States Bureau of Labor Statistics (1926 = 100) Latest figures, June, farm products, 53.2; foods, 61.2; other commodities, 68.9.

In June, as in the two preceding months, industrial activity increased rapidly and in the first half of July there was some further advance. Factory employment and pay rolls showed a considerable increase. Wholesale commodity prices rose rapidly until the third week of July when prices of leading raw materials showed a sharp decline.

### Production and Employment

Volume of industrial production, as measured by the Board's seasonally adjusted index, advanced from 77 per cent of the 1923-25 average in May to 89 per cent in June, as compared with 60 per cent in March. Activity in the steel industry continued to increase during June and, according to trade reports, during the first two weeks of July; in the third week of the month it showed little change. Demand for steel from the railroads and the construction industry continued at a low level. Output of automobiles, which usually declines at this season, increased in June and showed little change in July. Consumption of cotton by domestic mills was larger in June than in any previous month, and continued at a high rate during the first half of July. At woolen mills and shoe factories activity increased further in June to unusually high levels.

Working forces at factories increased substantially between May and June and the Board's seasonally adjusted index of factory employment advanced from 61 per cent of the 1923-25 average to 65 per cent. Factory pay rolls also increased by a considerable amount, to 46 per cent of the 1923-25 average.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed an increase in May and June, contrary to the usual seasonal movement.

Department of Agriculture estimates as of July 1 indicated a wheat crop of about 500,000,000 bushels, 350,000,000 bushels below the average of 1926-30, reflecting chiefly adverse weather conditions. Feed crops have also been seriously damaged. Cotton acreage on July 1 was estimated at about 41,000,000 acres, an increase of 4,000,000 acres over last year, but it is proposed as a part of the program of the Agricultural Adjustment Administration to reduce the area by about 10,000,000 acres.

### Distribution

Freight traffic continued to increase during June, reflecting in large part heavier shipments of coal, miscellaneous freight, and lumber products. Distribution of commodities through department stores showed about the usual seasonal decline in June.

### Wholesale Prices

Wholesale prices of commodities advanced from 64 per cent of the 1926 average in the first week of June to 69 per cent in the middle of July, according to the index of the Bureau of Labor statistics. This marked upward movement reflected large increases in the prices of most basic raw materials, including grains, cotton, hides, nonferrous metals, steel scrap, petroleum and rubber; most of these commodities are traded in on organized exchanges and enter into world trade. The prices of many manufactured products, particularly textiles, leather and gasoline, also advanced substantially. On July 19, 20 and 21, following rapid advances in the preceding period, prices of leading raw materials declined sharply.

### Foreign Exchanges

In the exchange market the value of the dollar in terms of the French franc declined to 69 per cent of its gold parity on July 18 and then advanced to 72 per cent on July 21.

### Bank Credit

During the four weeks following the enactment on June 16 of the Banking Act of 1933, which prohibits the payment of interest on demand deposits, net demand deposits of weekly reporting member banks in 90 cities declined by \$500,000,000, reflecting the withdrawal of \$300,000,000 in bankers' balances from banks in New York City and elsewhere, and the transfer of funds from demand to time accounts. Time deposits increased by \$260,000,000. The banks' holdings of United States Government securities increased during the four weeks ending July 12, and there was a further rapid growth in open-market brokers' loans, while loans to customers declined.

Return flow of currency amounted to \$90,000,000 during the five weeks ending July 19. During the same period the Federal reserve banks purchased \$85,000,000 of United States Government obligations and member banks reduced their indebtedness to the reserve banks by \$90,000,000. The withdrawal of bankers' balances from New York City reduced excess reserves of member banks in that city, while surplus reserves of member banks outside New York increased substantially.

Money rates in the open market generally continued at low levels, although recently slight increases have occurred in acceptance rates, time money against stock exchange collateral, and yields on short-term United States Government securities.