



MONTHLY BUSINESS REVIEW

Covering financial, industrial, and agricultural conditions

in the

Fourth Federal Reserve District

Federal Reserve Bank of Cleveland

Vol. 15

Cleveland, Ohio, October 1, 1933

No. 10

An increase in consumer buying, but a contraction in most lines of industrial operation was apparent in this district and other parts of the country in the latter part of August; a falling-off in both was evident in early September. The Federal Reserve Board's index of industrial production, after correcting for seasonal fluctuations, dropped from 100 in July to 92 per cent of the 1923-25 average in August, while the adjusted retail trade index for the entire country rose from 68 to 71 per cent of this same average.

Of the important industries, the most pronounced decline occurred in steel ingot production as buying was sharply curtailed. Although the drop in fourth district steel centers was substantial, the fact that the automobile industry continued to specify for materials in fairly satisfactory volume maintained local plant operations at a level somewhat above the average for the entire country. In fact, slight increases in steel operations were shown for Cleveland and Youngstown in late September as specifications against contracts which expire October 31 were increased.

In view of the drop in industrial activity, the increase in employment and pay rolls in August was somewhat of a paradox. In the fourth district, employment gains averaging ten per cent in industrial centers and of over five per cent in the entire section were reported between July 15 and mid-August. Pay roll figures are not available, but the sharp increase in retail buying in the period suggested considerable improvement in this field.

Department store sales in leading cities of the fourth district had a 40 per cent larger dollar volume in August than a year ago, and, while part of the gain was due to higher prices, these advances were insignificant in comparison with the sharp upturn in sales. Although usually there is an increase in sales from July to August, the expansion in the past month was much more than seasonal and the adjusted index rose from 64 to 72.6 per cent of the 1923-1925 monthly average. Value of stocks also increased more than seasonally, but the gain was largely due to higher prices.

Coal production increased more than seasonally in August, the improvement from the same month last year being 77 per cent at mines in this district. Although a moderate slackening occurred in early September, the later weeks of the month showed that output was still

much higher than in the preceding year. Tire production in August and early September was down somewhat from the high levels reported earlier this year, but production and sales were still materially above last year at this time. Automobile assembling in August exceeded July and held up quite well in the first part of September, which was of particular benefit to local parts and accessory companies. A moderate improvement in the construction industry and its allied lines was reported in August, due entirely, however, to increased public works and utility building.

Crop prospects improved in many localities as a result of more normal weather conditions, but yields of principal crops are still reported much below the ten-year average. Prices of goods farmers buy have advanced recently at a faster rate than agricultural prices and the improvement in farm purchasing power reported earlier this year has been partially cancelled.

FINANCIAL

Changes in reserve and reporting member bank credit in the fourth district in the four weeks ended September 20 were relatively unimportant. Borrowings from the reserve bank continue at very low levels and loans made by reporting member banks in leading cities still showed a downward trend, though holdings of Government securities by both the reserve and member banks increased slightly in the period. Total deposits at member banks were unchanged in the four latest weeks.

In September, eight banks were licensed in this district and of the 1,402 banks in operation on March fourth, licenses have been granted to 1,122, unlicensed banks number 243, and 37 are in process of liquidation, have been merged with other institutions, etc. Although no accurate recent figures of deposits in the unlicensed banks are available, the proportion of total deposits still tied up is known to be relatively small.

Savings deposits at representative banks in this district increased 0.7 per cent in August, but on September 1 they were 5.2 per cent smaller than a year ago. Debits to individual accounts at banks in 24 cities in this district were 3.2 per cent larger in the four weeks ended September 20 than in the same period of 1932, but for the year to date a decline of 13.4 per cent was shown in bank debits.

Life insurance sales in Ohio and Pennsylvania in August were 7.7 per cent larger than a year ago. This was

the first increase shown for many months. For the year to date a decline of 12.7 per cent was reported. A slight increase in the number of commercial failures reported occurred in August, according to *R. G. Dun*, although the number was still 57 per cent below the same month of 1932. Liabilities of the defaulting concerns were down 41 per cent from August last year.

Reserve Bank Credit. Total credit extended by the Federal Reserve Bank of Cleveland increased about \$8,000,000 between August 23 and September 20. The gain was due entirely to increased holdings of Government securities, which, on the latest date, totaled \$199,085,000. This expansion again represented participation in the System's open market operations. Borrowings of member banks were down about \$1,000,000 in the four most recent weeks, and on the latest date, at \$11,439,000, they were close to the low level reported in mid-July.

Circulation of Federal reserve notes and bank notes declined in the four latest weeks at a time when in several past years an increase in note circulation was reported. This reduction was all the more significant in view of the fact that prices, particularly retail, increased quite sharply in August and September. Total note circulation, however, at \$308,000,000, was still about \$25,000,000 higher than a year ago. Total deposits dropped about \$8,000,000 between August 23, and September 20, and the ratio of reserves to deposits and note liability combined dropped from 64.5 to 62.8. On the latest date, however, it was still about three points higher than a year ago.

Member Bank Credit. Total credit extended by reporting member banks in the fourth district showed practically no change in the four latest weeks, although there was a decline in total loans in the period. This was offset by increased holdings of Government securities amounting to \$5,000,000. Loans on securities were reduced \$6,000,000 between August 23 and September 6, but increased \$3,000,000 in the following week. "All other" loans still continue to decline. Total deposits were practically unchanged in the period, the \$4,000,000 drop in demand deposits being offset by a corresponding increase in time deposits. The accompanying chart shows the week-to-week change in total credit extended and total deposits by reporting member banks in leading cities from March 1 to the present time. The gain in deposits in the period has

been 11.6 per cent, whereas the increase in credit extended has been only 2.3 per cent and all the expansion in the latter has been in holdings of Government securities. Member banks are maintaining considerably more than the required amount of reserves with the Federal Reserve Bank of Cleveland; the excess over legal requirements in August averaged \$30,000,000. In August, 1932, excess reserves at member banks were \$4,000,000 and in 1931 they were \$2,800,000.

MANUFACTURING, MINING

Iron and Steel

Steelworks operations in the United States dropped from 51 to 41 per cent from the middle of August to the third week of September. In the Cleveland-Lorain district the rate declined from 77 per cent to 56 per cent, but rallied in the week ended September 16 to 60 per cent; Youngstown operations dropped from 53 to 45 per cent, then advanced slightly; Pittsburgh fell from 43 to 35 per cent, and Wheeling mills in the latest week were operating at 75 per cent of capacity.

This pick-up in the Cleveland and Youngstown districts after several weeks of successive reductions reflected the need for additional steel to fill third quarter contract specifications for finished products, mainly sheets, strip, bars and wire, which under the steel code had to be shipped before October 1.

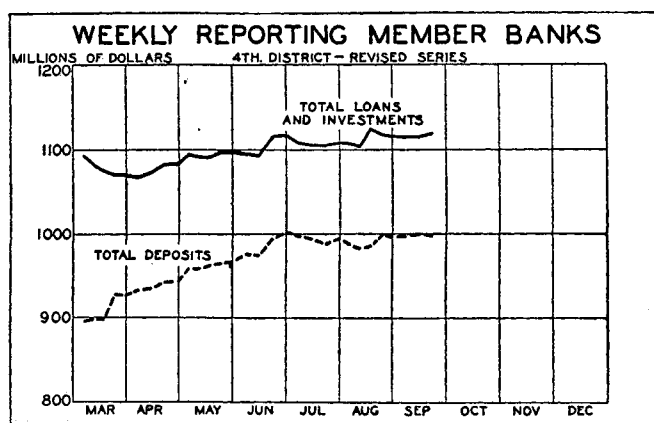
As most of these contracts were placed at lower prices than now prevail, consumers were anxious to obtain the material. New bookings, however, were off sharply from the levels of a few weeks ago.

With September automobile assemblies close to the August output, automotive steel requirements were the main support of the local markets. Public and private construction improved slightly though many local and state governments are still waiting to determine what financial aid they can obtain from the R. F. C. before proceeding with various projects. Railroad purchases remained light.

Under the iron and steel code, producers filed new price schedules August 29, to apply for the remainder of the quarter. Pig iron was advanced \$1 a ton in practically all districts. In steel, the principal advances were made in sheets and strip. The new set-up of basing points, differentials, extras and code regulations created considerable confusion which was a further cause of slow buying. As late as September 16 leading iron and steel producers were uncertain as to their prices on heavy finished steel and many of the lighter finished products for fourth quarter, and they reported few inquiries on which to quote.

Pig iron production in August averaged 59,137 gross tons a day, compared with 58,108 tons in July. Total production was 1,833,265 tons, a gain of 1.7 per cent. At the close of the month 98 blast furnaces were in operation, a reduction of seven from July 31.

Daily average production of steel ingots in August was 107,430 gross tons, compared with 128,152 tons in July. Total calculated production for the eight months this year was 15,093,613 tons, in contrast with 9,350,662 tons in the corresponding period last year.



Iron ore receipts at Lake Erie ports continued to increase in August and in that month, at 3,930,000 tons, they were over six times larger than a year ago and exceeded any month since October, 1930. Ore consumed was less than receipts and stocks at furnaces and on Lake Erie docks increased to 30,155,875 tons on September 1, but this was 2,000,000 tons less than was on hand a year ago.

Coal Coal production in the fourth district increased from July to August despite the fact that conditions within the industry caused disturbances and uncertainty in many sections. Output in August was 14,230,000 tons in this section, the highest for any month since January, 1931, and represented a gain of 76.5 per cent from last year. The gain in output of fourth district mines in the first eight months of this year was 25 per cent.

The increase in local mine production, both from July and a year ago, was much greater than the average shown for the entire country, partly because of the improvement in lake coal shipments so far this season. In August coal loaded at Lake Erie ports for shipment to Canadian and upper lake cities amounted to 5,225,000 tons, a gain of 48 per cent from last year, and in the first eight months of 1933 these shipments were up 52.6 per cent. The increase in industrial operations, particularly in steel plants, also partly accounted for the gain in coal production this year, since industrial stocks have been limited in size for some time and buying is largely for current consumption. Uncertainty as to the provisions of the coal code regarding wages to be paid and prices established for the various grades of coal and the falling-off in industrial production were partly responsible for the irregularities apparent within the industry in September. Little stocking by industrial concerns is reported.

Automobiles The mainstay of industrial production for the past several weeks, so far as this district is concerned, was the automobile industry, which, prior to late September, has been assembling cars at a rate only slightly lower than the peak touched in late July. Total production in August, according to the Department of Commerce, was 236,480 cars and trucks, a gain of 15 per cent from July and 162 per cent from August a year ago, when only 90,325 units were turned out. The increase from July was small,

but in all years since 1929, a rather sharp falling-off in automobile assembling has occurred. Barring June this year, output was higher than for any month since early 1931.

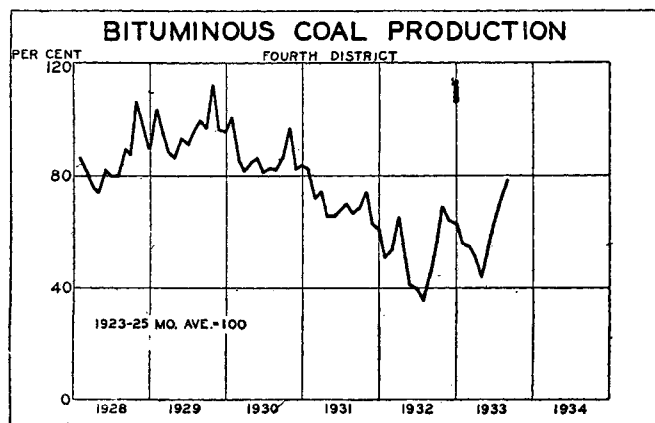
Passenger car production was practically unchanged from July to August, but was up 157 per cent from a year ago and output in the first eight months, at 1,239,401 units, was 37 per cent above the same period of last year. More cars have been manufactured since the first of the year than in the entire twelve months of 1932. Truck production in August numbered 41,336 units, a gain of 187 per cent from the corresponding period of 1932. Compared with July, output was up almost 3,300 units, partly reflecting the better industrial conditions prevailing. In the first eight months of 1933, truck production was 40 per cent ahead of the same period of 1932.

Although operations declined in late August and the holiday week of September, assemblies were increased in the second week of the month and, according to *Cram's* reports, over 48,000 units were made in the week ended September 16. This was more than double output in the same period of 1932.

Several uncertainties have complicated the general situation in recent weeks, but retail buying of automobiles, according to reports, has held up very well and in mid-September it was understood to be close to the August level which was very much above last year.

The relatively high rate of operations in this industry in late August and the first part of September was particularly helpful to steel, parts and accessory, tire, glass, etc., companies located in this district which depend upon the automobile industry for a large part of their orders. While the time of year for model changes is rapidly approaching, which usually affects output considerably, changeovers apparently are being spread over a wider period of time, and as yet have had little effect on output. Makers of cars in the low-priced field continue to operate at fairly satisfactory levels and prior to the third week of September no significant recession in demand for these cars had appeared.

Rubber, Tires The manufacturing end of the rubber industry experienced a falling-off in sales and production in August and the first part of September, although both were materially above the levels reported a year ago at this time. These declines were seasonal to a degree, but in addition, were a reaction from the high rate of production and buying in May, June and early July. Improvement from early 1933 is still substantial and output in July, according to the *Rubber Manufacturers Association* figures, which represent about 80 per cent of the industry, was up 58 per cent from a year ago, but was down slightly from June. Excluding June of this year, production was larger in July than in any month since May, 1930. The sharp gain from last year is partly accounted for by the fact that output a year ago was unusually small following the heavy production of June, prior to the enactment of the Federal tax on tire sales. Shipments in July and August, according to reports, have held up quite well, and inventories



are lower now than at the beginning of the year.

Employment at 22 rubber factories in this district increased almost eight per cent in August from July, a contra-seasonal gain brought about largely through operations of the N. R. A. and the adoption of a four-shift system of six hours each. Compared with a year ago, employment in this industry was up 38 per cent and the first eight months averaged about three per cent better than the same period of 1932.

Consumption of crude rubber by manufacturers in United States was down about 12 per cent in August from July, but, at 44,939 long tons, it was 89.4 per cent above August, 1932. Consumption was only slightly larger than crude rubber imports in the latest month and domestic stocks of crude rubber on August 31 were estimated at 325,418 long tons. This was slightly lower than a year ago, but rubber stocks continue unusually large.

In the mechanical goods division of the industry, sales have been increasing for several months and recently they have been running close to 50 per cent above the same period of 1932. Footwear sales lagged somewhat in the first six months of the year, but current orders for fall delivery have been running heavier.

The trend of finished goods prices has been distinctly upward for some time, due to the increasing cost of crude rubber and other materials entering into the manufacture of these products. The recent increases in selling prices have raised tire prices to the levels prevailing about six months ago. Costs of raw materials entering into the manufacture of this product have increased from 75 to 100 per cent in recent months and are very much above last year. In the third week of September crude rubber was quoted at 7 $\frac{3}{4}$ cents a pound and cotton was a little better than ten cents. One year ago these prices were about 4 and 6.6 cents a pound, respectively.

Clothing Consumer buying of clothing increased quite sharply in August, partly because it was felt generally that prices were to advance. This did occur in many lines in early September and the mark-up was necessary because of sharp increases in raw material prices, higher operating costs, processing taxes, etc. Raw Ohio wool was quoted at 43 cents a pound in September compared with 23 cents a year ago. Following the advance in retail prices in September, buying declined quite sharply and factory operations were curtailed. Cold weather is anxiously awaited to test consumers' reaction to the increase so as to provide a gauge for operations in the next few weeks.

In August, clothing and textile companies in this district were employing 51 per cent more help than in the same month of 1932, and the four per cent gain from July was contra-seasonal. At the 40 plants reporting to the Ohio State University Bureau of Business Research the number employed was 8.2 per cent above the 1926 monthly average. Men's clothing companies showed a greater improvement from July than did others, but the latter companies experienced a much larger gain from last year. Production of women's clothing dropped in August from the July level, but output still exceeded a year ago.

Manufacturers' stocks of finished goods are almost nil, according to reports, but dollar value of clothing stocks

at department stores in this section was somewhat higher than a year ago at this time. Retail prices of men's clothing, according to *Fairchild's* index, are up 7.5 per cent from last year and women's apparel prices have advanced 14 per cent in the period.

Other Manufacturing Recent developments have brought about an unusual situation in most lines of industry in the past few weeks. The general employment situation, so far as reducing the number of unemployed is concerned, has been improved. This was accomplished by a spread in the volume of work, to a large degree, as a result of the N. R. A. codes, which in the case of most industries, have required a reduction in the number of hours worked.

Auto Accessories. August shipments from automobile parts and accessory plants held up very well for this season of the year and, though a slight decline was reported for the first part of September, operations in general at these factories far exceeded those of a year ago. Employment in August, the latest available, at 37 companies was 56 per cent above last year at that time and a gain of 5.4 per cent was recorded from July, whereas the average July-August change in the past five years was a reduction of 6.6 per cent.

Brick and Tile. A slight increase in building activity and possibility of further expansion of public works as a result of the allocation of Federal funds to construction projects caused a contra-seasonal increase in operations at brick and tile plants in this section in August. Employment, however, continues under a year ago and only a very small part of the potential capacity of this industry is being utilized at the present time.

China, Pottery. August was a very good month for most companies in this industry, according to reports, a decided improvement being shown over July and a year ago. Part of the increased buying is attributed to the fact that prices are expected to increase when the industrial code is approved. Employment was up six per cent in August from July, at eight concerns, and was 87 per cent better than in August, 1932. Prices of raw materials used by this industry have advanced 10-15 per cent in recent weeks.

Electrical Supplies. There has been a steady increase in orders received by electrical apparatus and supply companies in this district in the past few months and August was no exception in this respect. Compared with a year ago gains in both the number and size of incoming orders ranged from 30 to over 100 per cent. Much of the activity has been in the lighter machinery lines, though some large projects are pending. Compared with a year ago employment at 27 concerns was up 32 per cent in August.

Glass. Production and sales of flat glass and molded glass products in August continued at very high levels compared with a year ago, and the employment index of this industry was up 131 per cent. A slight falling-off in orders was observed in the first part of September which was reported as being partly seasonal, particularly in the container and molded glass industry. Raw material prices have increased and a compensating advance

in the finished product has occurred in many instances.

Machinery, Machine Tools. Though retooling of automobile factories has begun in some cases in preparation for production on new models, operations of most machinery and machine tool factories in this district continue at low levels. Compared with a year ago, however, decided improvement was evident. There is some demand for used machinery and replacement parts, but with little expansion or new industrial construction, orders for capital equipment continue in a limited volume.

Paint. Conflicting reports have been received from paint manufacturers; some tell of a falling-off in orders in late August and early September, whereas others state that buying has held up quite well, particularly in view of the fact that August sales usually are down quite sharply from the peak normally occurring in the spring and early summer months. Raw material price changes in recent weeks have been nominal although a shortage of some materials is reported.

Paper. Demand for boxboard in mid-September was not as great as in August, but operations of producing plants continue at very satisfactory levels compared with a year ago. The accumulated boxboard orders reported in August were worked off in September as the supply of waste paper increased. Paper production in August was up from July and employment was 12 per cent above a year ago. Raw material inventories have increased in recent months.

Shoes. Production of shoes at fourth district factories increased 23.4 per cent from July to August, a much-greater-than-seasonal gain, and in the latest month output was higher than since August, 1928, being 56 per cent ahead of the corresponding month of 1932. In the first eight months of this year local plants produced 28 per cent more shoes than in the corresponding period of last year. Increasing raw material and labor costs have prompted buying generally and retailers have shown a tendency to replenish their depleted stocks.

A slight drop in hide prices occurred in September, but, at 13c a pound, heavy native steer hides compared with 8½c a year ago. Dollar value of women's and children's shoe sales in August was 19 per cent greater than a year ago at department stores in this district and men's and boys' shoe sales were up 25 per cent in the same period. Part of the gain represented higher prices, but better retail demand for footwear was reported in the past month.

TRADE

Retail Increased consumer buying in August was reflected in the reports on retail trade for this district, and indications that purchasing held up fairly well in early September have been received. Dollar value of sales at reporting department stores in August was 40 per cent higher than a year ago, the increase from July being considerably more than seasonal. The adjusted index of sales advanced from 61 per cent in July to 72.6 per cent of the 1923-1925 monthly average in August and was higher than since December, 1931. Despite the fact that

considerable improvement has occurred in recent months, dollar sales for the first eight months of this year were still 7.1 per cent under the corresponding interval of 1932.

Not all the gain reported was due to improved buying, for prices in August, according to the *Fairchild* retail price index, showed an unusually sharp increase. The average gain for the month was 8.4 per cent and this followed an increase of 5.2 per cent in July and smaller gains in preceding months, the total advance from the May 1 low point having been 19 per cent, with a gain of 12 per cent being shown from September 1, 1932. Prices on many individual items have advanced more than 25 per cent from the low; these include cotton goods, furniture, hosiery and luggage.

Dollar value of stocks rose about 12 per cent in August from July, and a gain of 1.4 per cent from last year was shown, the first advance from the preceding year since 1928. Here again the price increase was a factor, but buyers for many departments are adding to their stocks.

A greater proportion of the total sales reported in August were credit sales than in July or a year ago, the increases being entirely in installment buying. Deferred payment sales represented 9.8 per cent of total sales, whereas last year they amounted to only 7.1 per cent. Accounts receivable were only 1.3 per cent smaller than a year ago, a rather insignificant change compared with the large reductions reported in earlier months of this year. Collections improved somewhat and the ratio of collections in August to accounts receivable on July 31 was 30.2 per cent, whereas last year it was 26.1 per cent. Payments on both regular and installment accounts have increased.

Decided improvement in furniture buying from the unusually low levels reported last year and earlier months of 1933, has been shown recently by reports from cooperating firms. August sales were almost double those reported last year and the recent gains have been sufficient to cause an increase of 7.2 per cent to be shown in sales in the first eight months of 1933, from the same period of 1932. As has been previously pointed out, the improvement in retail buying has been most pronounced in home furnishing goods, etc., although in August some of the clothing and ready-to-wear departments of department stores showed very sizeable gains from last year.

Wholesale

A somewhat more-than-seasonal increase in sales of wholesale drugs, groceries, and hardware occurred in this district in August, according to reports received. All four reporting groups, including dry goods, showed larger dollar sales in August than in the corresponding month of 1932. Hardware sales were up 46 per cent from last year, but were still only 57 per cent of the 1923-1925 monthly average; dry goods sales increased 52 per cent from August, 1932, and amounted to 44 per cent of the three-year average; wholesale grocery sales were 18 per cent larger in August than a year ago and they totaled 66

per cent of the 1923-1925 average and wholesale drug sales were 2.2 per cent greater than last year, but they totaled 73 per cent of the base period. Price increases were an important factor in the larger volume, although in general some retail stocking-up was reported in most lines.

BUILDING

Increasing to the highest level reported this year, building activity in this district in August was only seven per cent below the same month of 1932. At \$12,039,000, contracts awarded were almost double the volume reported in July. Improvement also was shown in other parts of the country, but the gain locally and elsewhere was due to increased activity in public works and utilities as Federal funds, allocated to the construction industry as a part of the effort to stimulate business recovery, began to flow into actual projects.

In the fourth district residential contracts were valued at \$2,026,000 in August, only slightly under the July figure, but 8.7 per cent below the amount reported in August, 1932. In the first eight months of this year residential building had a contract value of \$13,804,000, compared with \$16,054,000 in the same period of 1932. Non-residential building, excluding public works and utilities, had a higher contract value in August in this section than in either August, 1932, or July this year. For the eight-month period the comparison with last year was not a favorable one.

Contracts for public works had a higher value in August than in July, but they were less than one-third of the amount reported in the corresponding month of 1932. Public utility contracts showed the largest gain in dollar value in August, both from July and a year ago, of all of the major classifications of the construction industry.

The value of contemplated work reported in August was down somewhat from that shown in July, but was over 50 per cent higher than in August, 1932.

Most building supply dealers reported a falling-off in demand for materials in late August and the first part of September and considerable uncertainty regarding prices, etc., prevails. The speculative buying apparent in earlier months of this year has practically disappeared and the industry generally is marking time at present. Demand

for hardwood lumber used in the construction of furniture, etc., has improved.

Cement production of fourth district mills was up 45 per cent in August from a year ago and a gain of 24 per cent in the eight-month period of this year from the same interval of 1932 was shown. Anticipated increased public construction has caused producers to step up operating schedules.

AGRICULTURE

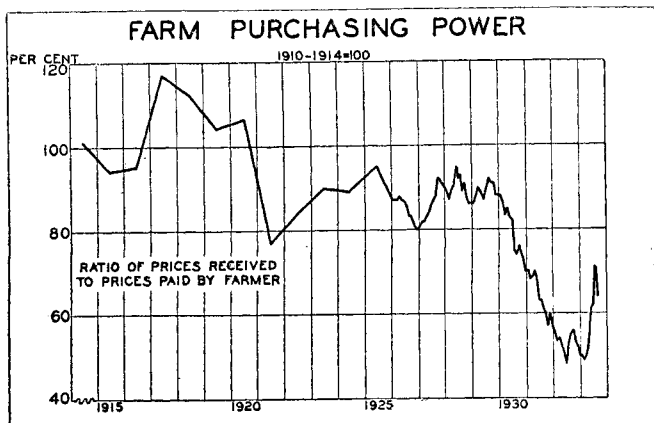
Crop prospects, in this district as well as in other parts of the country, which were reported as being very unfavorable a month ago, improved somewhat in most localities as a result of more normal weather conditions in August and early September. Despite this improvement, very low yields are generally reported for the late-maturing grains, fruits and potatoes. In the entire country aggregate yields are expected to be about seven per cent below last year and more than eight per cent below those of the previous ten years.

Although the ultimate effects of these declines on the gross farm income cannot accurately be determined at this time, preliminary estimates indicate that a substantial increase will result from the higher prices and the grants made by the Agricultural Adjustment Administration for reductions in certain crops.

Not only have farm prices risen, but the gain from the low level has been greater so far than the advance in prices of goods farmers buy. Though real income of the farmer, as determined by the ratio of prices received to prices paid for goods bought has improved, the drop in grain prices in August and the recent sharp increase in retail prices had quite an unfavorable effect on this ratio. Potential buying power in mid-September was down quite sharply from the July peak. Changes in the farmers' real income over the past 20 years are shown on the accompanying chart. If prices received were the same as prices paid for goods in terms of the base period, this index would be 100. For only a short period during the war were farm prices higher than other prices and in the past few years real farm income has declined almost 50 per cent. In the seven months from the low in February this year to the present, farm prices have improved nearly 48 per cent, while prices of goods farmers purchase have risen only about 15 per cent, a real gain in the farmers' position so far as prices are concerned.

In Ohio, according to the Agricultural Experiment Station, gross cash income from six principal agricultural products was 21 per cent higher in August than a year ago, but it was only 57 per cent of the five-year average of 1924-1928.

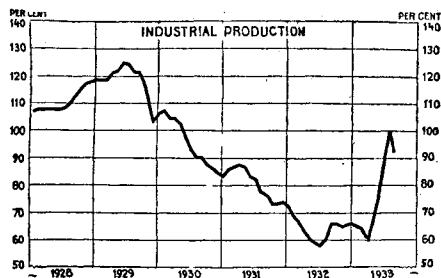
In comparison with the estimated yields of principal crops reported a month ago, the greatest improvement was shown in corn in this district. The gain exceeded 14,000,000 bushels, but, at 139,653,000 bushels, estimated production was still 20 per cent below the average harvest of the eight years 1925-1932. Rain was very beneficial in many sections, but in some areas it arrived too late to be of any help to the maturing crop. The crop is quite irregular this year; some fields are in very good condition, while others present a very stunted appear-



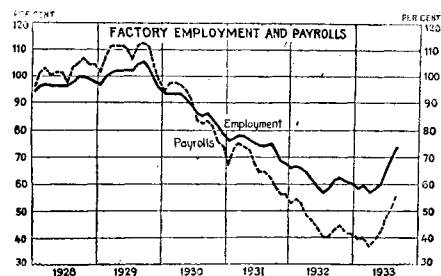
Ratio of prices farmers receive to prices paid for goods bought. (Based on indexes of the U. S. Department of Agriculture)

Summary of National Business Conditions

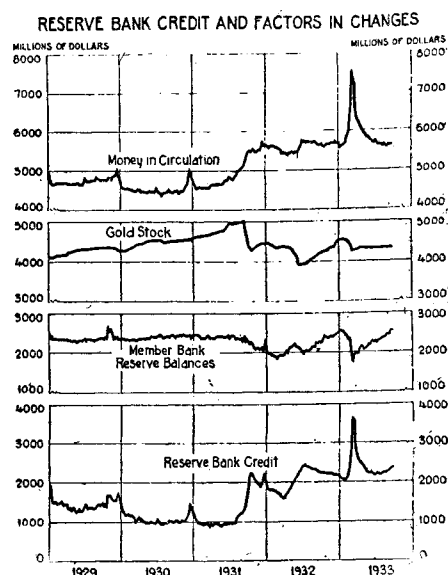
By the Federal Reserve Board



Index of industrial production, adjusted for seasonal variation (1923-1925 = 100). Latest figure, August, preliminary 92.



Indexes of factory employment and pay rolls, without adjustment for seasonal variation (1923-1925 = 100). Latest figure, August, employment, 73.4; pay rolls, 55.7.



Monthly averages of daily figures. Latest figures are averages of the first 20 days in September.

The general level of industrial production declined in August and the early part of September, reflecting reductions in activity of industries in which there had been a rapid rise in previous months. Employment and wage payments were larger in August than in July.

Production and Employment

The Federal Reserve Board's seasonally adjusted index of industrial production, which had been rising rapidly for several months, declined from 100 per cent of the 1923-1925 average in July to 92 per cent in August. The principal decreases were in the primary textile industries, in flour milling, and in output of steel ingots which declined from 59 per cent of capacity in July to 49 per cent in August. Average daily output of automobiles declined somewhat from the level of July. There were increases during the month in production of petroleum, nonferrous metals, and cigarettes; and output of lumber and coal increased seasonally.

During September, reports indicate further reductions in output of steel and flour; petroleum production slackened under new restrictions, and output of lumber decreased.

Increases in employment between the middle of July and the middle of August, the latest date for which figures are available, were general in most lines of industry, and there were numerous increases in wage rates and reductions in working hours. Compared with the low point of last spring there has been an estimated increase of 2,200,000 in number of industrial wage workers.

Value of construction contracts awarded, as reported to the F. W. Dodge Corporation, increased in August owing to awards for public works, particularly highways and bridges; contracts for other types of construction were in smaller volume than in July. An increase of \$1,000,000,000 in gross income of farmers for the year 1933 is indicated by estimates of the United States Department of Agriculture, primarily as a result of higher prices for certain farm products, notwithstanding small crops of grains, hay and potatoes.

Distribution

Sales by department stores increased in August, and the Board's index, which is adjusted for seasonal variations, advanced from 71 to 75 per cent of the 1923-1925 average, the highest level since the spring of 1932. The recent increase in dollar sales reflects to a large extent advancing prices.

The volume of freight shipped by rail declined slightly during August, on an average daily basis, although an increase is usual at this time of year.

Commodity Prices

The general average of wholesale commodity prices fluctuated within a narrow range during August and early September at a level of about 17 per cent above the low point of last spring. Prices of individual commodities showed divergent movements, decreases being reported for prices of domestic agricultural products, while prices of many manufactured goods, of coal, petroleum and other industrial raw materials increased. During the second and third weeks of September prices of commodities in organized markets advanced considerably.

Retail prices of food continued to advance.

Foreign Exchange

In the foreign exchange markets the value of the dollar in terms of the French franc declined from 75 per cent of its gold parity on August 15 to 65 per cent on September 22.

Bank Credit

At member banks in 90 leading cities, there was a growth of \$200,000,000 in net demand deposits in the four weeks ending September 13, following a decline of \$800,000,000 between the middle of June and the middle of August. More than half of the recent increase reflected a return of bankers' balances to New York City banks. The banks gradually reduced their holdings of United States Government securities following an increase in the week ending August 16, when a new issue of Treasury bonds was sold, and on September 13 their holdings were in about the same volume as in early August. There was some increase in commercial loans both at member banks in New York City and in other leading cities.

Member bank balances at the reserve banks continued to increase during August and the first three weeks of September, and excess reserves of member banks reached \$700,000,000. This increase reflected primarily additional purchases of Government securities by the Federal reserve banks, which have averaged \$35,000,000 a week since August 16. Money in circulation, which usually increases at this season, has shown little change in the past month, indicating a continued return from hoards.

Money rates in the open market showed a renewed decline during August and the first half of September.