

MONTHLY BUSINESS REVIEW

Covering financial, industrial
and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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No. 4

Loans to Industry

For the purpose of making working capital available to established industrial or commercial businesses located in the Fourth Federal Reserve District, the Federal Reserve Bank of Cleveland was authorized by provisions of Section 13b of the Federal Reserve Act, to extend credit for periods not exceeding five years, as follows:

- (1) To discount for or purchase from any bank or other financing institution, obligations entered into for the purpose of obtaining such working capital;
- (2) To make loans or advances to banks and other financing institutions on the security of such obligations;
- (3) To make direct loans to or purchase obligations of such business, in exceptional circumstances, when it appears that requisite financial assistance cannot be obtained on a reasonable basis from the usual sources;
- (4) To execute commitments with respect to the foregoing.

As provided by law a Federal reserve bank may assume up to 80 per cent of any loss that may be sustained on any such obligation acquired from a bank or other financing institution. The fact that the law authorizes direct loans by Federal reserve banks only "in exceptional circumstances" and when the borrower "is unable to obtain requisite financial assistance on a reasonable basis from the usual sources" clearly indicates that it is not intended that the reserve banks enter into competition with other banks or financing institutions.

Since the enactment of the amendment in June 1934, however, the Federal Reserve Bank of Cleveland has encouraged commercial banks to make and hold such loans under commitments from this bank, or to participate with it in joint advances. By obtaining a commitment, a bank may make a loan for not exceeding five years, be assured that it can turn the asset into cash at any time it desires within the terms of the commitment, and receive the benefit of the entire interest thereon, for the period carried, less a small commitment fee.

The special nature of advances under Section 13b is revealed by the fact that the law provided for the appointment of an Industrial Advisory Committee in each Federal reserve district to aid the banks in carrying out the provisions of the Act. Each application for an industrial loan or commitment is passed on first by the Industrial Advisory Committee, and is then transmitted, with the committee's recommendations, to the Federal reserve bank for final action. Each member of the committee for this district, whose name appears below, is a person actively engaged in some industrial pursuit.

F. A. Smythe, chairman

Pres., Thew Shovel Co., Lorain, Ohio

Daniel R. Davies, Vice Chairman

Pres., Acme Machinery Co., Cleveland, Ohio

Hugh L. Gaddis

Pres., Globe Machine & Stamping Co., Cleveland, Ohio

Edward C. Folsom

Pres., Ottawa River Paper Co., and Railway Materials Co., Toledo, Ohio.

August H. Tuechter

Pres., The Cincinnati-Bickford Tool Co., Cincinnati, Ohio

On April 24 this bank had outstanding \$1,336,000 of working capital loans and commitments aggregated \$1,425,000. It is felt that these accommodations have benefited industry by providing needed working capital, individuals by creating more employment, and banks by increasing earning power.

Additional information on the subject of working capital loans will be furnished gladly by the Federal Reserve Bank of Cleveland.

INDUSTRIAL activity in the fourth district in late March and the first three weeks of April was little changed from the preceding four-week period. Increases in some lines were offset by declines in others, particularly when allowance is made for seasonal variations. On the whole, however, the results of first quarter operations were reasonably satisfactory and compared very favorably with the corresponding period of 1934. In the case of automobiles it was thought that the first quarter increase was largely an early spring seasonal expansion, but the fact that retail demand has held up so well that factories have increased assembly schedules in each week of April indicated something more than an early seasonal improvement. Automobile assemblies in April were at a higher weekly rate than since August 1929, and March production, after allowing for seasonal variations, was 106 per cent of the monthly average of 1923-1925. In late March some slowing down in orders for parts and materials was reported by local manufacturers, but this situation improved in the first part of April as a better analysis of the retail market was obtained.

Steel ingot production, which declined in early April, judging by weekly reports of operations, increased slightly toward mid-month, although the rise was not up to seasonal movements of past years. Activity in the industry in late April was below a year ago, when advance buying was prompted by the announced price increase which became effective in the third quarter. Steel ingot production in the first quarter of 1935 was 22 per cent ahead of the same period of 1934 and little buying for inventory purposes was reported in the first three months of this year.

Strike threats caused production of rubber tires and bituminous coal to increase sharply in March, and inventories of these products at the beginning of April were somewhat abnormal. Tire stocks in hands of manufacturers on March 1, the latest figure available, were 7.5 per cent larger than a year ago and represented 3.5 months' supply in terms of current consumption. With the strike threat at least temporarily removed and the need for maintaining large stocks no longer existing, tire prices were sharply reduced by the granting of large discounts first to fleet owners and then generally in an effort to reduce stocks. These discounts were somewhat reminiscent of former tire price wars.

In the coal industry, extension of the existing wage agreement to June 16 was followed by a very sharp drop in coal production (about 70 per cent) in the first week of April. Some recovery occurred in the following week, but large coal stocks above ground, built up in anticipation of the strike, retard production which in March was higher than since March last year when output was abnormally high.

Plate glass production in March reached a new high level for all time and was 67 per cent ahead of the same month of 1934. Window glass demand also has improved, but molded glassware orders have declined. Manufacturers of electrical apparatus and supplies enjoyed the best first quarter in several years and sales in the first half of April were reported in very favorable volume compared with last year.

The spring clothing season, which is just about completed from a production standpoint, compared quite favorably with 1934, but sales, according to reports, were somewhat retarded by the late Easter and the unfavorable spring weather just prior to that date.

Retail sales generally, as reflected by reports from department stores in leading cities of the district, were eight per cent smaller in March than a year ago, but when allowance is made for seasonal variations and fluctuations in the Easter date, the index of daily average sales was higher than since 1931. Preliminary reports on April sales were not encouraging. In the first quarter dollar sales, with no allowance for Easter, were 0.2 per cent larger than in the same period of 1934, and current retail prices were slightly under a year ago.

While some improvement was evident in residential building in this district in March and the first quarter compared with similar periods of the two preceding years, the dollar value of contracts awarded was still very much below the ten-year average. The value of total contracts awarded in the first quarter was less than half as large as in the same period of 1934 because of a sharp decline in publicly-financed construction.

Life insurance sales in Ohio and Pennsylvania in March were three per cent larger than in the same month of 1934, but the gain for the first quarter was 17 per cent.

Employment in this section increased more than seasonally in March and further improvement was indicated by reports covering the first half of April. In Ohio the employment index was five per cent higher in March than a year ago. Payrolls showed a larger increase because of the higher wage rates and also the increase in the number of hours worked.

FINANCIAL

The financial situation in the fourth district so far as it was reflected in condition figures of reporting member banks in leading cities and the Federal Reserve Bank of Cleveland was little changed in the five weeks ended April 24 from earlier periods of the year. A slight increase in commercial loans occurred in the period, but deposits showed a sharp upward tendency, reflecting chiefly continued spending of Federal funds. There was a decline in commercial failures from February to March; the number reported in the fourth district was 13 per cent under March 1934 and the lowest for that month since 1920. Liabilities of the defaulting concerns increased from February, but were five per cent smaller than in March last year.

Savings deposits at selected banks throughout the district increased slightly in March and at the month end were 5.4 per cent larger than at the close of March 1934. Debits to individual bank accounts in 24 leading cities of the district were 14 per cent larger in March than in the same month of 1934, and the increase in the volume of debits in the first quarter was 15 per cent.

Reserve Bank Credit. The Federal Reserve Bank of Cleveland had on hand or due from the United States Treasury \$423,000,000 in gold certificates on April 24. This was down somewhat from the peak for all time of \$461,000,000 on April 3, but was approximately \$80,000,000 greater than a year ago. The large increase in reserves in the year has made it possible for the bank largely to replace gold certificates for Government securities as collateral for note circulation. The February 1932 amendment to the Federal Reserve Act, and its extensions, permits Federal reserve banks to substitute Government securities for gold or commercial paper as collateral for Federal reserve notes so long as the 40 per cent minimum of gold reserve is maintained. A year ago this bank had \$55,000,000 in Government securities pledged to secure note circulation. In the first part of April 1935, note circulation of this bank was collateraled almost entirely by gold certificates, the rest being made up of eligible paper amounting to \$52,000; the decline in this bank's holdings of gold certificates in mid-April, however, again necessitated the pledging of \$20,000,000 of Government securities as collateral for note circulation.

Bills discounted for member banks in the fourth district declined from \$664,000 on March 20 to \$62,000 on April 24. This latter figure represented a new low level for bills discounted. The volume of Government securities owned was unchanged in the five latest weeks, but acceptance holdings declined slightly.

Industrial advances made to provide working capital declined from \$1,353,000 on March 20 to \$1,336,000 on April 24. Although this bank's holdings of Government securities in April were unchanged from last year, the decline in bills discounted and acceptances from a year ago was greater than the industrial advances which have been made up to the present time so that total credit extended was slightly smaller on April 24 than on the same date of 1934.

Federal reserve note circulation increased slightly in the five latest weeks, but this bank's liability for note circulation in late April was approximately the same as a year ago. Reserve deposits of member banks increased quite sharply in recent weeks and at \$307,000,000 they were approximately \$70,000,000 larger than at this time last year. While reserve requirements of member banks have increased in the year much of the gain in deposits represented excess reserves which in March averaged \$157,000,000. This was an increase of nearly \$15,000,000 from the February figure and compared with \$108,000,000 in March 1934.

Member Bank Credit. The most significant development at reporting member banks in the fourth district in the five latest weeks was the continued upward movement in commercial loans. No decided increase was apparent, but an expansion of nearly eight per cent has occurred since the first of the year. Loans on real estate at these reporting banks have shown no change in recent weeks and are slightly smaller than at the beginning of the year. Loans on

securities continued to show a downward trend in late March and the first three weeks of April, and a reduction in these collateral loans of 18 per cent was evident from last year at this time. Investments in United States Government securities and those fully guaranteed by the Government increased slightly in the five latest weeks, but were still under the peak attained earlier this year. While total credit extended by weekly reporting member banks was greater on April 24 than in the third week of March, it was down somewhat from the recent high point touched in December 1934, notwithstanding the fact that total deposits at these same banks increased since the beginning of the year.

Time deposits showed little change in the five latest weeks, but demand deposits increased quite sharply to a new high level since the Banking Holiday. In the five latest weeks an increase in demand deposits of \$28,000,000 was reported and they were \$130,000,000 higher than in April 1934.

MANUFACTURING, MINING

Iron and Steel

Steelworks' operations, as a national average, were at the same level in the week ended April 20 as in the week ended March 23, namely 46 per cent. In the period, however, some slight falling-off was followed by a recovery of two points in two weeks. Operations at Cleveland in the same period dropped from 70 to 62 per cent; Youngstown from 60 to 50, and then recovered to 58; Wheeling activity was reduced from 92 to 76 per cent, while Pittsburgh mill operations fluctuated somewhat, but showed a net gain of one point in the four weeks. Activity at steel mills in late April compared unfavorably with corresponding periods of 1934, because a year ago and in most years the spring rise in operations occurred later than it did this year. In the first quarter of 1935 the operating rate of the steel industry was 22 per cent higher than in the opening quarter of 1934. Sustained demand for iron and steel, with no bulge in any consumer classification, but gains in moderate-size miscellaneous orders, has been encouraging to steel manufacturers generally.

Steel specifications at Pittsburgh and some other centers in the first three weeks of April were heavier than in the comparable period last month, notwithstanding the slightly lower general operating rate which followed the mills' catching up with earlier commitments. Pig iron shipments were 5 to 10 per cent larger than in March, and better than since last June.

Automobile steel specifications have held up very well and

have been the main support of the entire industry. Agricultural implement requirements instead of tapering as they usually do at this season, are strong, while orders for farm fencing now are in better volume than since 1930. Tin plate production continues at 85 per cent.

Daily average steel ingot production in March was 108,873 gross tons, 4.7 per cent less than in February, although the extra days in March gave a total output of 2,830,700 tons, up 3.2 per cent from the preceding month. For the first quarter output was 8,406,995 tons, a gain of 21.6 per cent over the comparable period last year.

Daily average pig iron output in March, at 57,120 gross tons, was only 0.96 per cent less than in February, according to *Steel*. It was the first month since last October in which the daily average failed to show a gain. Total output, 1,770,990 tons, was 9.6 per cent above February. On March 31 there were 97 stacks in blast, one more than on February 28.

Coal

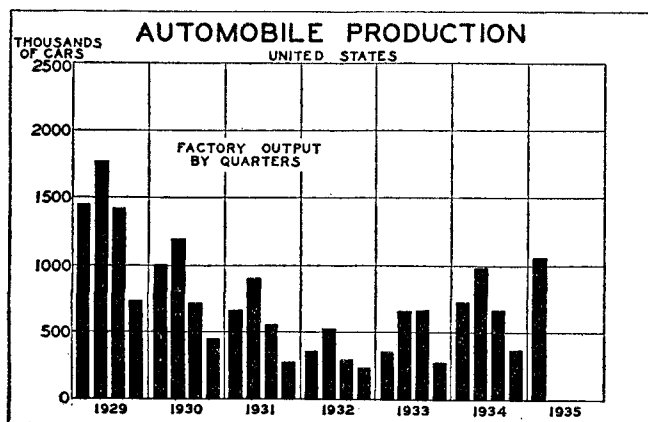
Although coal production at fourth district mines increased from February to March the gain was much smaller than was reported in the same period of 1934 and output in the latest month, at 15,261,000 tons, was 4.2 per cent under March 1934. In the entire country coal production in March was slightly in excess of the corresponding month of the previous year, activity at the mines being stimulated by the general feeling that a strike might interfere with mine operations. As a result large coal consumers bought considerably more coal than was needed for current operations and stocks above ground are reported to be large for this season of the year.

Despite the fact that activity at local mines in March was slightly under last year, production in the first quarter was four per cent ahead of 1934 and exceeded any similar period since 1930. The wage agreement which expired on April 1 and over which a strike was expected to develop was extended temporarily two months. With coal production in March considerably in excess of demand, output in the first half of April was very much reduced from earlier weeks. The lake coal shipping season started a little earlier this year than in 1934, some loading being reported in March. In mid-April, however, considerable uncertainty was reported in the industry; the wage question was only postponed; there were large stocks of coal above ground; and prices were weak.

Automobiles

With retail demand for automobiles holding up somewhat better in late March and the first three weeks of April than was expected earlier in the year, automobile production increased week by week in April to the highest level since 1929. Orders for parts and materials, which fell off in late March, improved in the first half of April, according to reports. Production in the third week of April, according to *Cram's* figures, was in excess of 110,000 units, higher than in any week since August 1929. Registrations of new passenger cars in the first quarter of the year were estimated to be 60 per cent ahead of the corresponding period of 1934, and reports covering the first three weeks of April indicated that spring buying was holding up very well.

According to the Department of Commerce 429,830 cars and trucks were made by 112 manufacturers in March; 29



of these made passenger cars, while 83 manufactured trucks, and ten of the 29 passenger car manufacturers also produced truck models. This was an increase of 26 per cent from February, approximately equal to the seasonal rise and was 27 per cent ahead of March 1934. The seasonally adjusted index of the Federal Reserve Board was 106 per cent (preliminary) of the 1923-1925 monthly average, up one point from February and compared with 78 per cent in March last year. Output in the first quarter was 1,063,139 cars and trucks, the highest for any similar period since 1929 and higher than in any three months since the second quarter of 1930. The increase in first quarter production from 1934 was 46.8 per cent.

Passenger car production in March was 361,813 units, a gain of 29.6 per cent from March 1934, but output in the first quarter, at 869,162 units, was 50 per cent greater than in the corresponding period of the preceding year. There were 68,018 trucks produced in March, an increase of 15 per cent from March 1934, and the gain in truck production in the first quarter was 33 per cent.

Although passenger car production in the first quarter was up 50 per cent from a year ago, new automobile financing in the period was up 53 per cent. The volume of new financing in March was 41 per cent higher than in March 1934.

Rubber Tires

Chief interest in the rubber and tire industry in the past month was centered around the labor question. Its settlement in mid-April through negotiations in Washington without a strike developing was very heartening to the northern part of this district and to the city of Akron particularly. While the effect of the removal of the strike possibility on plant operations is not fully known a decline in activity to permit a scaling-down of inventories of finished tires in hands of manufacturers, dealers, and at automobile assembly plants is indicated by current reports.

Plant operations in the first quarter were at a considerably higher rate than was warranted by current orders. Automobile manufacturers, who normally have very few tires on hand, built up tire stocks equal to about one month's supply chiefly because of the strike threat. Dealers and distributors also ordered tires somewhat in excess of current demand. Despite this large movement from the production center, manufacturers' stocks of tires were reported much larger than usual for this season of the year. At the end of February, the latest month for which complete information is available, tire stocks in hands of manufacturers were 11,183,674 casings, the highest for this season since 1930, and the highest on record, in terms of current consumption. At the rate tires were being ordered in February, inventories represented 3½ months' supply.

Tire sales in the first quarter to automobile manufacturers were considerably larger than in corresponding periods of other recent years, but the small volume of tire sales for replacement purposes was very disturbing to manufacturers. They were reported to be approximately 20 per cent smaller in the first quarter of 1935 than in the same period of preceding years. The season of heavy replacement sales, however, is just beginning, and price reductions in the form of large trade discounts were offered by dealers in the third week of April as a stimulant to spring sales in an effort to reduce inventories.

Crude rubber consumption by manufacturers in the Unit-

ed States was 42,620 long tons in March, compared with 43,187 tons in February and 47,097 tons in March 1934. Consumption in the latest month was slightly under imports, which amounted to 44,041 tons, and inventories of crude rubber therefore increased slightly, but at 383,185 tons, were approximately 25,000 tons smaller than at the close of the first quarter of 1934. So far this year crude rubber prices have declined generally, current quotations being approximately two cents a pound under the opening levels of the year. Following the provisional strike settlement a slight improvement was reported, although on the latest date prices were approximately two cents under last year at that time.

Little change was reported in the number of employees at rubber factories in March, but the index compiled by the Bureau of Business Research of Ohio State University was 1.4 per cent lower than in March 1934. Some reduction in the number of hours worked per week was indicated in reports covering the first half of April.

Clothing

Production of spring clothing was practically completed by mid-April and plant operations were expected to remain at low levels until late in May when fall model production usually starts. Manufacturers report that sales of spring lines compared very favorably with 1934. Employment at local textile and clothing plants in March was four per cent above a year ago and many factories had increased the number of hours worked per week (with permission of code authorities) beyond the maximum of 40 hours per week permitted by the code. Operations at men's clothing factories compared more favorably with last year than at plants manufacturing miscellaneous and women's wear.

Preliminary reports on pre-Easter buying indicated that clothing sales, after allowing for changes in the Easter date, were quite favorable. Some accumulation of finished clothing was reported in early April, but this was largely seasonal, although unfavorable weather was also reported to have retarded sales somewhat. A slight reduction in retail clothing prices was reported in March and in the latest month they were down from two to four per cent, compared with a year ago. Prices of women's clothing, according to *Fairchild's* index, declined more than men's clothing.

Other Manufacturing

Activity in most of the smaller manufacturing lines of the fourth district held up quite well in late March and the first part of April. Operations at some plants declined seasonally, but at others production continued at the highest level in several years.

Auto Parts and Accessories. Although there was a slowing-down in the demand for automobile parts and accessories in the first half of March to permit assembly plants to scale down inventories, the fact that new sales of passenger cars have held up so well in recent weeks caused auto manufacturers to increase specifications for parts and materials in the late March and the first half of April. Parts makers in this section were quite optimistic in mid-April and operations at that time were reported to be approximately double what they were a year ago. Employment at local factories in March showed little change from the preceding month, but there was an increase in the number of hours worked per week generally.

Brick and Tile. Passage of the Federal works' relief bill was encouraging to brick and tile manufacturers although its full effect cannot be felt for several months. Output at local plants has increased recently, but the gain was chiefly seasonal. The comparison of sales with last year was somewhat unfavorable, partly because in early 1934 prices were increasing and orders were placed in anticipation of demand in order to obtain the lower prices.

China, Pottery. Sales of china and pottery so far this year have been considerably ahead of the same period of 1934, but a falling-off was reported in the first half of April. This was partly seasonal, but cancellations of orders placed earlier in the year, because of price increases ranging from seven to ten per cent, were reported. The advance was necessitated by a wage increase of $8\frac{1}{2}$ per cent granted pottery workers as of April 1. Plant operations in mid-April were reported at 80 to 85 per cent of capacity.

Electrical Supplies. Manufacturers of electrical apparatus and supplies, including household equipment, reported the best first quarter in several years so far as sales and orders were concerned. The falling-off in orders reported in early March apparently was only a temporary slump and sales in the first quarter were 25 to over 50 per cent larger than in the same period of 1934. Employment at reporting firms in this district averaged 12 per cent higher in March than a year ago and the increase from February was considerably more than seasonal.

Glass. Plate glass production in March was reported to be 16,532,000 square feet, the highest monthly output on record. This was 1,800,000 square feet in excess of the previous peak in August 1929 and the gain from last March was 67 per cent. Capacity operations were reported in the industry with output generally going directly into consumption channels, orders from the automobile industry being responsible for the greater part of the activity. According to reports, demand for window glass has improved recently; the increased sales were more than could be accounted for by the gain in building operations. Little manufacturing for stock purposes was reported; demand for stemware recently has shown a falling off.

Hardware. Sales of hardware and screw machine products improved in March. The increase was partly seasonal, but also resulted from expansion in the automobile, agricultural implement, and general manufacturing industries. Employment at local concerns was ten per cent greater in

March than in February. Sales in the first quarter were reported to be considerably better than in other recent years.

Machinery, Machine Tools. Machine tool orders received by manufacturers of such equipment in March were 18 per cent larger than in February and considerably ahead of March 1934. In the first quarter demand for machine tools and small tools was better than since 1930 and inquiries received by local manufacturers in the first half of April were encouraging. Employment at local plants in March was up considerably more than seasonally from February and was approximately eight per cent higher than in March 1934. Foundry equipment manufacturers reported a falling-off in orders in March and the volume received was about ten per cent under March 1934. Shipments in the latest month were considerably ahead of a year ago.

Paint. Early spring sales of household paints have been reported in much larger volume than a year ago. Plant operations in March continued at or near capacity and large stocks of paint have been built up in anticipation of a good spring season. Demand for industrial paints, particularly those used in automotive and allied lines, has held up very well in recent weeks. Prices of some products entering into the manufacture of paints have increased since the beginning of the year.

Paper, Boxboard. Paper production in March and the first part of April was approximately ten per cent ahead of the corresponding period of 1934, and the gain in the first quarter was between 10 and 15 per cent. According to reports some stocking of paper occurred in the early months of this year, largely because of fear of higher prices. Boxboard production has shown little change in recent weeks.

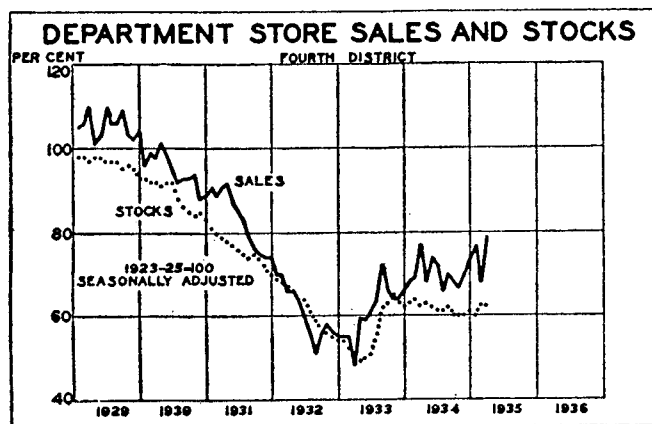
Shoes. Although shoe production increased less than seasonally in this district in March and output of local factories was 8.6 per cent under the same month of 1934, results of first quarter operations compare very favorably with previous years. The gain in production of local plants in the period from 1934 was 12 per cent and output exceeded every first quarter since 1928. Most plants in mid-April had completed their spring production and were dependent chiefly on reorders from retailers. These were limited in early April because of unfavorable weather.

TRADE

Retail

The comparison of the dollar value of retail department store sales in March with the corresponding period of 1934 was distorted by the fact that last year all pre-Easter buying occurred in that month, while in 1935, with Easter occurring on April 21, the greater part of this seasonal trade did not materialize until April. As a result dollar sales at 50 reporting stores throughout the fourth district were 8.5 per cent smaller in March than a year ago. When allowance is made for variations in the Easter date the seasonally adjusted index of dollar sales increased sharply from the low level of February when sales at Ohio stores were in limited volume following the imposition of the sales tax in late January. At 79.1 per cent of the 1923-1925 monthly average this adjusted index was up over 11 points and was higher than since mid-1931.

March sales in all larger cities of the district were down from 5 to 18 per cent from a year ago, but in the smaller cities March sales were five per cent larger than in March



1934. In the first three months of the year dollar sales at reporting stores in the fourth district were 0.2 per cent larger than in the same period of last year, no allowance being made for variations in the Easter date.

The ratio of credit sales (both installment and regular) to total sales was approximately the same in March as in February, but slightly more purchasing was on credit in March this year than a year ago. The ratio of basement store sales to total sales at 30 reporting stores was approximately ten per cent smaller in March than in the same month of 1934, and the dollar value of such sales was off 16.8 per cent in contrast with the drop of 8.5 per cent in total store sales.

The dollar value of stocks at reporting stores was 0.5 per cent larger on March 31 than a year ago and the gain from February in anticipation of the increased Easter trade was 7.2 per cent. The seasonally adjusted index of department store stocks was 62.3 per cent on March 31 compared with 62.5 per cent at the end of February and 62.0 per cent on March 31, 1934.

Collections held up quite well in March, although the ratio of total collections in the month to all accounts receivable on February 28 was slightly smaller than in February. Compared with a year ago the collection ratio was up 1.5 per cent.

Retail prices at department stores, according to *Fairchild's* index, declined 0.4 per cent in March and on April 1 were 3.7 per cent under a year ago. Despite this drop current prices are approximately 24 per cent above the low point of May 1933, but they are 27 per cent under the level of late 1929.

Sales of reporting furniture stores in March were 9 per cent smaller than in the corresponding month of 1934, but Cleveland stores accounted for all the decline; other cities reported an increase both for the month and for the first quarter. Sales at reporting wearing apparel stores in March were 20.8 per cent under March 1934, but in the first quarter of the year sales were down 5.7 per cent. Sales of these stores were more affected by the occurrence of Easter than were department stores. Chain grocery store sales were up 1.4 per cent in March and 5.5 per cent in the first quarter of 1935 from corresponding intervals of the preceding year, but dollar value of chain drug store sales was down 8.7 per cent in March and 2.4 per cent in the first quarter from the same periods of 1934.

Wholesale The increase in dollar sales of reporting wholesale firms from February to March was less than in the corresponding period of 1934. Wholesale grocery sales in March were 4.7 per cent smaller than in the same month of 1934, but in the first quarter an increase of 3.6 per cent was reported. Wholesale hardware sales were up 17.4 per cent in March and 7.5 per cent in the first quarter from corresponding periods of the preceding year. Sales of reporting dry goods firms were up slightly in March from last year, and the increase for the first quarter was three per cent. Wholesale drug sales in March were down 19 per cent from a year ago and in the first three months a reduction of 9.5 per cent was reported.

BUILDING

The residential branch of the construction industry continued to be the bright spot in the fourth district as well as in the entire country. Although contracts awarded for

this type of work in March in this district amounted to only \$2,402,000, an increase of 5.3 per cent from the corresponding month of 1934, the gain in residential construction in the first quarter of the year in this section was 50.7 per cent, according to reports from the *F. W. Dodge Corporation*. Despite this large percentage increase residential building was quite limited, compared with pre-depression years. Residential contracts awarded in 37 Eastern states of the country in March were reported to exceed the corresponding month of 1934 by 15 per cent, but in the first quarter the gain in residential building was 23 per cent.

The reported shortage in housing facilities and the increase in rents which has occurred recently, together with improved facilities for financing home construction, apparently has been responsible in part for the improvement in this field. Residential building activity in the fourth district not only exceeded 1934 in the first quarter, but also was better than in 1933, and closely approximated the value of contracts awarded in the first quarter of 1932.

Contracts awarded for nonresidential building and public works and construction in this section were much smaller in March and the first quarter of the year than in corresponding intervals of 1934. Curtailment of Federal financing of local projects was chiefly responsible for the decline which much more than offset the increase in residential construction in the periods. As a result total contracts awarded in the fourth district in March were 35.8 per cent under March 1934, and in the first quarter a reduction of 51 per cent was shown.

Lumber dealers reported considerable price uncertainty in early April, with reductions on some grades. Because of this condition buyers are reported to be very hesitant about placing even small orders except for immediate needs.

AGRICULTURE

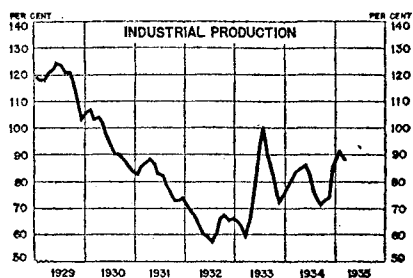
Spring farm work in most sections of the fourth district was somewhat more advanced in mid-April than a year ago, although excessive moisture in Kentucky has retarded soil preparation and the planting of tobacco seed beds. Temperature in March was above normal, but rainfall in Ohio and Pennsylvania was slightly deficient, although the shortage was not enough to cause particular damage. Rains occurred generally in mid-April, followed by unusually cold weather which somewhat damaged early fruits and crops, particularly in the southern part of the district.

The Department of Agriculture's April 1 report showed that the condition of winter wheat in this section was above the average for the entire country and also better than in recent years and that the condition of pastures was about average and much better than a year ago. For the entire country "crop prospects are about average for this season of the year, but a very serious drought situation still exists in the Great Plain states, including the area which normally produces about 15 per cent of the agricultural output of the United States. In the ten states chiefly affected more than 40 per cent of the winter wheat seeded last fall is expected to fail and liberal rainfall is urgently needed to revive pastures, wild hay, alfalfa and to permit the seeding of spring crops".

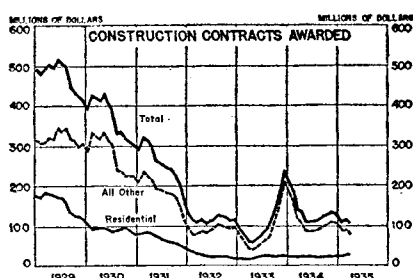
The condition of winter wheat on April 1 was reported to be 91 per cent of normal in Ohio compared with 88 a year ago and 73 per cent, the ten-year average April 1 condition. Assuming average conditions from now until

Summary of National Business Conditions

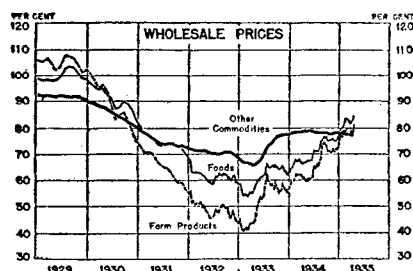
By the Federal Reserve Board



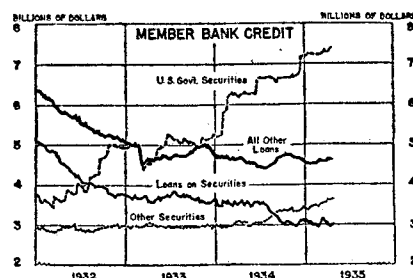
Index of industrial production, adjusted for seasonal variation (1923-1925=100). Latest figure, March, preliminary 88.



Three-month moving averages of F. W. Dodge data for 37 Eastern States, adjusted for seasonal variation. Latest figure based on data for February, March and estimate for April.



Indexes of the United States Bureau of Labor Statistics (1926=100). By months 1929 to 1931; by weeks 1932 to date. Latest figures, April 13, farm products 81.0; foods, 84.5; other commodities 77.3.



Wednesday figures for reporting member banks in 91 leading cities. Latest figures are for April 17.

VOLUME of industrial production, which usually increases somewhat at this season, showed little change in March. Building activity in the residential field increased in March and the first half of April, reflecting in part seasonal factors. Wholesale prices of farm products and foods, after declining in March, showed a considerable increase in the first three weeks of April.

Production and Employment

The Federal Reserve Board's adjusted index of industrial production, which makes allowance for changes in the number of working days and for usual seasonal variations, was 88 per cent of the 1923-1925 average in March as compared with 89 per cent in February and 90 in January. Steel production, after declining in the latter part of February, showed little change during March and the first three weeks of April. Output of automobiles increased further and was larger than in the corresponding period of any other year since 1929. In the cotton textile industry daily average output declined in March and, according to trade reports, showed a further considerable decrease in the early part of April. Activity at woolen mills also decreased somewhat in March while shoe production showed little change. Activity in the meat-packing industry in March, as in other recent months, was at a lower level than a year ago. Output of bituminous coal declined sharply in the early part of April, following an increase earlier in the year.

Factory employment and payrolls increased between the middle of February and the middle of March by somewhat more than the usual seasonal amount. The most marked increases were in industries producing machinery, furniture, and clothing, while employment in industries producing textile fabrics and foods showed a decline.

Value of construction contracts awarded for residential building increased in March and the first half of April, according to reports by the F. W. Dodge Corporation, while contracts for public projects continued at a lower level than a year ago.

Distribution

Distribution of commodities by rail showed little change in March; in the early part of April, however, shipments declined, reflecting a sharp reduction in loadings of coal. Department store sales increased from February to March by more than the estimated seasonal amount.

Commodity Prices

The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, advanced from 78.8 per cent of the 1926 average in the week ending March 23 to 80.3 per cent in the week ending April 20, reflecting chiefly advances in the prices of farm products and foods. The increase in the general index followed a decline from a level of 79.6 per cent in the early part of March.

Bank Credit

During the four weeks ended April 17 member bank balances with the Federal reserve banks increased by \$140,000,000 and excess reserves rose to \$2,100,000,000. This increase reflected gold imports of \$120,000,000 and disbursement of \$105,000,000 by the Treasury from the balance with the reserve banks, offset in part by an increase of \$60,000,000 in the demand for currency.

Total loans and investments of weekly reporting member banks in leading cities increased by \$150,000,000 in the four weeks ended April 17. Loans on securities declined somewhat during this period, while other loans and holdings of investments increased. Net demand deposits of these banks increased by \$380,000,000.

The rate for call money on the New York Stock Exchange was reduced in April to 1/4 per cent from the 1 per cent level that had been in effect for more than a year. Quotations for 90-day time money were also lowered to 1/4 per cent, and there was a reduction in rates on acceptances of the longer maturities.