

MONTHLY BUSINESS REVIEW

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Fourth Federal Reserve District
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A further slight decline in the rate of business activity occurred in the fourth district in late May and the first three weeks of June. To a degree this was seasonal as the summer months approached, but in several lines it was more than could be accounted for in this way. Despite the contraction business sentiment in the latter half of June seemed better than it was a month earlier. A temporary feeling of uncertainty followed the Supreme Court's NRA decision, particularly as it affected price, wage and hour agreements, but, judging by reports, this proved to be of relatively short duration and little change has developed along these lines up to the present time.

Debits to individual accounts at banks in 24 cities of the fourth district in the four weeks ended June 19 were 16 per cent ahead of the same period of 1934, whereas the gain for the year to date was 15 per cent. Rising prices in the past year were a factor responsible for part of the increase, but prices at department stores throughout the country, according to *Fairchild's* retail price index, were about 3 per cent lower June 1 than on the same date in 1934, but the rise in the cost of living, according to the *National Industrial Conference Board*, has been about five per cent in the past year.

Employment in May was down more than seasonally from April; there was a rise in applications for relief in this section and an increase in the number of new applications received by employment services in the first half of June. Wage rates have been maintained, generally, but the number of hours worked has been reduced at many plants in recent weeks.

Residential construction continues to be a bright spot in the business picture; contracts awarded for this type of work in this district in May were 57 per cent ahead of 1934 while the gain for the year to date was 51 per cent from the same period of the preceding year. They were larger than since 1931, but much below pre-depression levels. In the first half of June further improvement in this type of construction was reported.

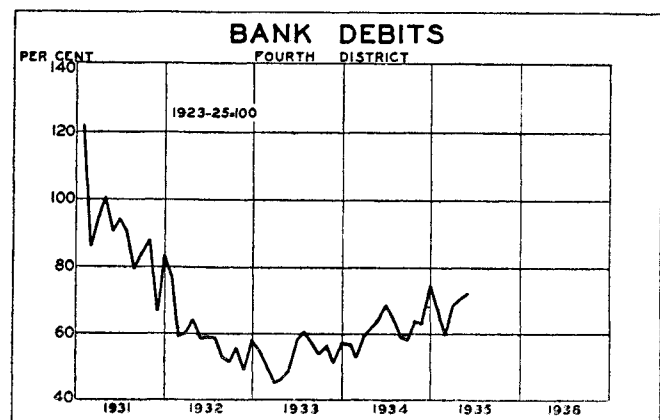
In the industrial field automobile production in the third week of June was holding up quite well. Weekly production figures pointed to a larger June total than since 1929, but assembly plants were working down inventories of parts and materials and were specifying for only limited ship-

ments from fourth district plants. Many parts plants curtailed operations in June; plate glass demand was down quite sharply; industrial paint sales were reduced and steel mill activity dropped to about 36 per cent of capacity. A comparison of current steel mill operations with last year when schedules were being buoyed up by expected price increases (which failed to materialize) is unfavorable, but for the first five months of the year a gain of three per cent in steel production was shown from 1934.

Department store sales have been adversely affected by weather conditions and the dollar value of May sales in the fourth district was 6.7 per cent below May 1934. The decline from April was seasonal, but sales in the first five months of 1935 were only slightly larger than in the same period of the preceding year.

Coal production increased sharply in early June because of the strike possibility, but when it failed to materialize a contraction occurred in mine operations. Stocks of coal above ground are unusually large, both in terms of current consumption and in contrast with other recent years. Electric power production in this district in the first four months of the year was 6.5 per cent ahead of 1934 and crude oil output in the same period was up 14.6 per cent.

There was a slight increase in the number of commercial failures in this district in May compared with a year ago, but the number of defaults so far this year was about the same as in the corresponding period of 1934. Life insur-



ance sales in May in Ohio and Pennsylvania were 15 per cent smaller in May than a year ago, but in the first five months of 1935 an increase of 4.2 per cent was reported.

Agricultural conditions generally are much better than in 1934 or 1933 although the season is unusually late. Recent rains have delayed work in many sections, but early-sown grains, hay and pastures have been materially benefited.

FINANCIAL

An increase in holdings of United States Government securities by both the Federal Reserve Bank of Cleveland and weekly reporting member banks in leading cities of the fourth district was the principal change in the condition figures of these institutions in the four weeks ended June 19. Demand deposits of member banks declined between May 22 and June 19, but time deposits increased slightly in the period. Savings deposits at selected banks throughout the district were 4.9 per cent larger on May 31 than a year earlier and a slight increase was recorded in the latest month.

Reserve Bank Credit. The Federal Reserve Bank of Cleveland increased its holdings of Government securities \$5,000,000 in the week of June 12, the first change in this item since November 1933. On the latest date holdings of these securities amounted to \$218,025,000, whereas total bills and securities on this same date amounted to only \$220,216,000. The difference was made up of \$1,563,000 working capital loans to industrial concerns in this district, \$182,000 in bills discounted for member banks, and acceptances amounting to \$446,000. The two latter items were of negligible importance and were practically unchanged in the four latest weeks.

Loans to industry increased a very moderate amount in the four latest weeks, the net gain for the period being slightly more than \$100,000. Commitments to make industrial advances declined slightly in the four weeks and on June 19 amounted to \$1,491,000.

Circulation of Federal reserve notes fluctuated moderately in the four latest weeks and this bank's liability for notes outstanding was still approximately the same as a year ago. It was slightly higher than at the beginning of 1935. Reserve deposits of member banks dropped from \$320,000,000 on May 22 to \$302,000,000 on June 19, but they were still far in excess of actual requirements. In May daily average excess reserves of fourth district banks were \$162,257,000, a new high level and an increase of nearly \$5,000,000 from the preceding month. The gain in excess reserves in the latest month was entirely for the account of country member banks.

Member Bank Credit. A slight reduction in the volume of credit extended by reporting member banks in leading cities of the fourth district occurred in the four weeks ended June 19, excluding holdings of United States Government securities. Loans on securities increased in the first three weeks of this period, but declined in the week ended June 19 to approximately the level of late May. Commercial loans showed a moderate contraction in the first three weeks of June, but they were still higher than a year ago and at the beginning of 1935.

Reporting member banks in this district increased their holdings of Government securities \$18,000,000, or 2.9 per cent, in the four latest weeks, but investments in other than

Government securities declined slightly in the period. The increase in total investments more than offset the drop in loans so that total credit extended by these banks was \$15,000,000 higher on June 19 than in the third week of May. The increase from a year ago was three per cent.

The gain in total deposits from last year was approximately ten per cent, but a slight contraction occurred in the four latest weeks. The falling-off was due to a decline in demand and Government deposits, but the former, at \$769,000,000 on June 19, compared with \$623,000,000 on the same date of 1934. Time deposits were up slightly in the four latest weeks, but, at \$457,000,000 on the latest date, were slightly under last year at that time.

MANUFACTURING, MINING

Iron and Steel A falling-off in demand for iron and steel generally occurs in the summer months. This year is proving no exception. In fact, daily average steel ingot production has been declining since February, although during May and the first half of June the contraction has been at a moderate rate. The decline preceded the falling-off in automobile production by several weeks, and in the third week of June steel mills were operating at about 36 per cent of capacity. This was a drop of about nine points from the corresponding period of May, while a year ago output was at better than 60 per cent of capacity. The current situation, however, is vastly different from mid-1934 when steel users were ordering materials in much larger quantities than was warranted by the rate of general business activity then prevailing. Last year at this time a strike possibility was quite apparent and price increases were expected in many circles so far as third quarter steel orders were concerned, both of which prompted considerable stocking of steel. Since neither of these materialized, steel mill operations dropped very sharply at the beginning of the third quarter as consumers began to reduce their raw material inventories.

In mid-1935 there was little incentive for steel users to buy beyond current needs. The industry recently has been subsisting chiefly on small miscellaneous orders. Although automobile assemblies held up quite well in June, most manufacturers had ample stocks of materials and parts, and new orders from this source were of little importance. Structural steel work was quite limited and little buying of steel by railroads has occurred recently.

So far as operations in principal centers of the fourth district were concerned, the most pronounced falling-off in the past month was in the Wheeling district where activity declined from 68 to 48 per cent. This was due principally to a contraction in tin plate demand and was largely seasonal. Operations at Pittsburgh dropped from 38 to 30 per cent and at Youngstown from 50 to 41 per cent. At Cleveland operations ranged from 54 to 48 per cent in the four-week period, but were buoyed up by considerable demand for wire, especially farm fencing material and strip steel. Farm implement and equipment manufacturers are reported to be operating at unusually high levels for this season of the year.

So far as actual output was concerned, the decline in steel ingot production in May erased much of the lead which the first four months of the year held over 1934. Daily average output was 96,372 gross tons, a reduction of 3.8 per cent from April and total output, at 2,602,000 tons, was down 22.4 per cent from May 1934. In the first five

months of the year 13,615,000 tons of steel were produced, an increase of 3.3 per cent from the corresponding period of 1934. At the end of April the gain in steel production for the year to that time was 12 per cent.

Daily average pig iron production in May was 55,986 gross tons. This was an increase of less than one per cent from April, but total production, at 1,736,000 tons, was down 15.6 per cent from May of last year. Five-months' production, at 8,271,000, was 4.5 per cent greater than in the same period of the preceding year. According to *Steel* there were 96 blast furnaces in operation on May 31, one less than at the end of April.

Coal

Fluctuations in bituminous coal production so far this year have been more a result of anticipated labor difficulties, which so far have failed to materialize, than to changes in actual industrial demand. Consumers built up stocks in March prior to the time when the wage agreement between workers and employers expired on April 1 and the postponement of negotiations until June 16 was followed by a sharp curtailment of mine operations during April. As the June 16 date approached and possibilities of an agreement seemed remote, mine operations increased in early June to approximately the 1929 level, but the second postponement again caused coal production in this district and the entire country to be reduced sharply. According to reports, coal stocks above ground in early June were 25 to 30 per cent larger than a year ago. With industrial activity declining, stocks of coal in terms of days' supply are larger than they have been for some time.

Output of fourth district bituminous coal mines in May was 11,115,000 tons. This was 5.8 per cent below May 1934, but the increase from April, 24.7 per cent, was considerably more than seasonal. Despite the sharp increase in production on two occasions so far this year, output of local mines in 1935 has been 1.7 per cent less than in the same period of 1934. In the entire country a slight increase in coal production was recorded in the first five months of this year.

Coal shipments from Lake Erie ports so far in 1935 have been 22 per cent ahead of the preceding year. In recent weeks the heavy movement of coal from production centers has stimulated carloadings considerably.

Automobiles

Automobile production in the first three weeks of June recovered somewhat from the slump in mid-May, resulting from the

labor disturbances in Toledo and the Decoration Day shut-downs. The high rate of production recorded in April was not attained in May, output, according to the Department of Commerce, being 364,721 cars and trucks, a reduction of 23.7 per cent from the April figure. This falling-off was considerably greater than seasonal and the Federal Reserve Board's adjusted production index dropped from 110 to 94 per cent of the 1923-1925 monthly average. Despite this falling-off, however, operations in the industry continued above last year at that time, the gain in output for the entire month being 10.4 per cent.

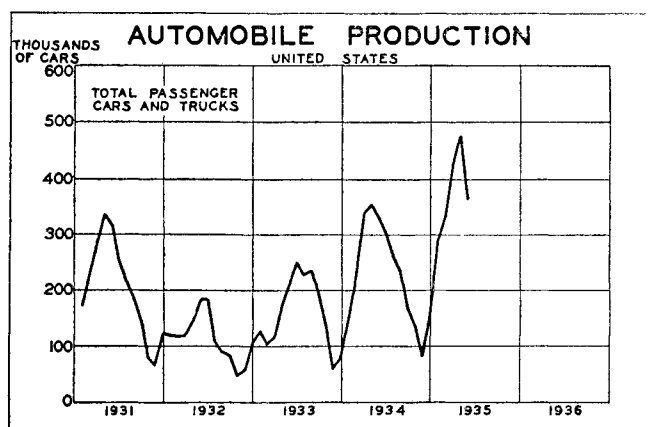
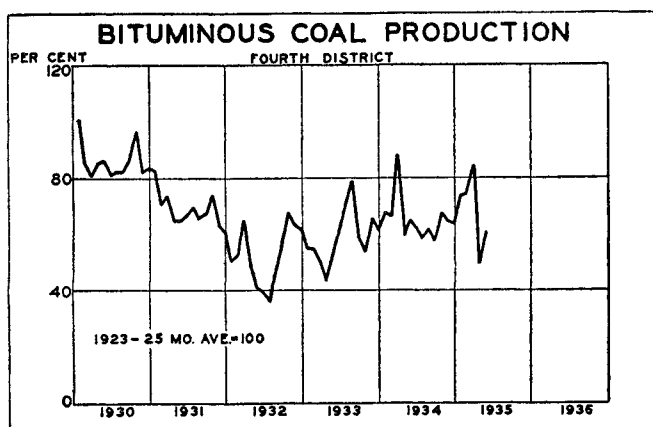
In the first five months of this year 1,900,817 cars and trucks were made. This compared with 1,407,786 cars and trucks in the same period of 1934, a gain of 35 per cent, and approximated total production in the entire year 1933. The gain in passenger car production in May from a year ago was 12 per cent, while truck production in the same period was up less than one per cent. For the year to date a gain in passenger car output of 38 per cent contrasted with an increase in truck production in the same period of 22 per cent.

Automobile assemblies in the first three weeks of June averaged close to 90,000 units a week, according to *Cram's* figures. This was nearly 20,000 units ahead of the same periods of 1934. Retail demand has held up very well in recent weeks, according to reports, and present indications were that June production would closely approximate that of May.

Retail sales of automobiles in principal counties of the fourth district in May were down more than seasonally from April but were 18 per cent above the same period of 1934 and a gain of 54 per cent was recorded for the first five months of the year. Dealers' stocks of new cars were reported normal in most cases, but the used car situation was not so favorable.

Tires, Rubber

Little change has occurred in tire plant operations in recent weeks, and the seasonal increase in replacement tire sales has not been up to expectations. The lag in this branch of the industry has been offset in part by continued demand from the automobile industry and factory output so far this year has been about on a par with the same period of 1934. Manufacturers' inventories which were unusually large at the end of the first quarter, were reduced in April and May when shipments exceeded production. In the first half of June some manufacturers reported a slight increase in sales while others experienced a falling-off. Prices were



fairly steady and the removal of the tire code had little apparent effect on the industry as a whole. No cancellation of orders was reported and the wage rate and hour requirements were being maintained.

Employment at local factories in May was unchanged from April, but was about four per cent under May 1934. In the first five months of 1935 it averaged about the same as in the corresponding period of the preceding year.

Crude rubber consumption in the United States in May was 41,568 long tons. This was seven per cent under April and 3.1 below May 1934. Imports fell off quite sharply in the month; at 26,866 tons they were down 38 per cent from April and 44 per cent from May last year. With crude rubber consumption in the month considerably in excess of imports, domestic rubber stocks were reduced 4.7 per cent in the month and were down nine per cent from last year to 319,281 tons.

Crude rubber prices, which have been rather weak for some time, exhibited an element of strength in the first half of June, but at 12½ cents a pound they were somewhat below last year at that time.

Tire production in April, the latest month for which actual figures are available, was 4,511,735 casings, an increase of 3.8 per cent from March, but 5.4 per cent under April 1934. Shipments in the month were 5,144,000 casings, a gain of 22 per cent over March and 15.9 per cent over April last year. They were 14 per cent in excess of output and inventories at the month end were down 5.8 per cent from March and 8.2 per cent below a year ago.

Clothing Operations at fourth district clothing and textile plants in May in most cases were above a year ago, and they continued to show a gain in the first half of June, although some hesitancy in buying was observed in the latter period. This holding off was not peculiar to the clothing industry, but was largely a reflection of the general feeling which immediately followed the Supreme Court's NRA decision. It proved to be only temporary and numerous announcements on the part of manufacturers to forestall any possible cancellation of orders previously placed had a tendency to restore confidence so far as prices on fall clothing were concerned.

Consumption of raw wool in the United States has been unusually heavy so far in 1935 and wool stocks at the end of May were smaller than on corresponding dates of any recent year. Local clothing plants in mid-June were actively engaged in the production of fall and winter clothing, whereas a year ago at this time such work had not begun, having been delayed by deliveries from wool textile mills. Prices generally remain quite firm and in some instances advances on opening fall quotations have been announced. Orders of clothing for fall delivery continue above last year.

Employment at 31 local factories in May, at which time activity in the industry generally is at a low level, was down three per cent from April, but was slightly higher than a year ago at that time.

Retail sales of men's clothing at department stores in the fourth district were eight per cent larger in May than in the corresponding period of 1934. Sales of women's and misses' coats and suits were down 16 per cent in the same period, while sales of dresses were up slightly.

Other Manufacturing Operations in the smaller industries of the district in recent weeks have, in general, followed the seasonal pattern of past years. They have been declining, apparently toward a summer low point, but the contraction in most cases has been at a moderate rate and a few industries have resisted the general trend. No wage reductions were reported in this section and the number of employees was about the same as a year ago.

Automobile Parts and Accessories. A considerable decline in operations at local automobile parts and accessory plants occurred in May and the falling-off was reported to be slightly more than seasonal. In this connection, however, the spring peak in automobile production this year occurred slightly earlier than usual. Activity at local plants continues above a year ago and operations of the industry for the first five months of the year were considerably above the same period of 1934. According to reports there have been no changes in wage rates and few cancellations of orders in the past month.

Brick and Tile. A greater-than-seasonal increase in brick and tile production was reported in recent weeks and some plants were operating in early June that had not been in production for some time. Output in the latest month was nearly four times what it was a year ago and shipments from local plants were up more than 100 per cent. Employment in this section increased 14 per cent from April to May, whereas the average increase for this period in the preceding five years was six per cent.

China and Pottery. Activity in the china and pottery industry recently has been about on a par with last year, although the decline in May from April was somewhat greater than seasonal. A number of cancellations of orders previously placed followed the increase in prices announced in April, but sales for the year to date were reported to be somewhat ahead of the first five months of 1934. Employment at Ohio plants in May was approximately seven per cent greater than in the corresponding month of the preceding year.

Electrical Supplies. The falling-off in activity which generally occurs in the summer months apparently started in May, according to reports from makers of electrical apparatus and supplies. Nevertheless, operations in the industry continue above last year at this time. Employment at local factories in May was about on a par with last year, although for the year to date an increase of eight per cent was recorded. Inventories of finished goods at the end of May were slightly larger than a year ago, but raw material stocks were down.

Glass. Shipments of plate glass in May were considerably under those of April, chiefly because of curtailed operations in the automobile industry. This drop, however, was reported to be entirely seasonal and plant operations continued above last year at that time. Operations at plants manufacturing window glass were at about 75 per cent of capacity in early June and shipments of the industry were considerably larger in the first five months of the year

than during the corresponding period of 1934. A price increase of 12½ per cent was announced in late April and considerable buying occurred prior to that time. New orders received since the advance became effective have been in relatively limited volume. Demand for molded glassware and food containers so far this year has been ahead of 1934. The backward season has retarded demand for the latter, although this was regarded in the industry as being merely a temporary condition.

Hardware. Operations at local hardware manufacturing plants held up quite well in May, the falling-off in demand from automobile manufacturers being made up in part by increased orders from other sources. Demand from makers of agricultural implements has held up unusually well for this season of the year.

Machine Tools. The 12 per cent increase in the volume of new machine tool orders received by manufacturers in May from April was quite encouraging and dollar value of these orders was greater than in any month of the preceding five years. Sales of small tools continue above 1934 and little falling-off was recorded in the first half of June from the May level.

Paint. Paint sales so far this year have been considerably larger than in 1934. An increase in sales was reported in the first half of June, whereas a contraction oftimes occurs at this season. Unfavorable weather for outside painting earlier this spring delayed work in this field materially. Sales of industrial paints have declined recently, although the volume of orders cancelled in recent weeks was no larger than usual.

Paper. Sales of the better grade papers so far this year have been considerably ahead of the same period of 1934. Orders recently received have been in smaller volume than was expected earlier in the year, although most of the falling-off was seasonal. Operations of box board plants were lower than a year ago.

Shoes. May factory operations generally were down from April, partly a seasonal falling-off, but unfavorable weather which retarded retail sales contributed to the decline. While some hesitancy because of price uncertainty was also reported, this was of little importance and resulted in no order cancellations. Reorders from retailers to round out stocks have been in limited volume in recent weeks.

TRADE

Retail Unfavorable weather in May had a very deterring effect on sales of department stores in the fourth district, and the dollar volume of such sales in the month was 6.7 per cent less than in May 1934. The falling-off from last year was quite general throughout the district although it ranged from two per cent in Cincinnati to thirteen per cent in Cleveland. Compared with April the decline was seasonal and the daily average index of sales, adjusted for seasonal variations, remained at 69 per cent of the 1923-1925 monthly average. For the first five months of this year dollar sales at reporting department stores were 1.8 per cent larger than in the same period of the preceding year. Price changes of de-

partment store merchandise were only of little importance in these comparisons, for *Fairchild's* retail price index on June 1 was three per cent lower than on the same date of 1934, and a decline of 1.3 per cent was recorded in the first five months of this year. The downward movement in the latest month was not general. Prices of women's apparel and home furnishings increased slightly in the month.

Compared both with April and with May a year ago a slightly greater proportion of total department store sales in May were credit sales, the increase being entirely in regular 30-day charge purchases. Installment sales in the month represented a slightly smaller proportion of total sales than they did in April this year or May 1934. Basement sales in May at 30 reporting stores represented 17 per cent of total store volume compared with 19 per cent in April and 20 per cent in May 1934.

The dollar value of department store stocks on May 31 was slightly smaller than at the end of April, the falling-off being a little more than seasonal. In contrast with a year ago the dollar value of stocks was up 0.8 per cent.

Collections held up quite well in May; 36.4 per cent of all accounts receivable at the beginning of the month were paid during the period. This was approximately the same as in April and in May 1934.

At reporting wearing apparel stores, sales in May were down nine per cent from the corresponding month of 1934 and for the year to date a reduction of about six per cent was shown. Sales of chain grocery stores, per individual unit operated, were 8.7 per cent larger in May than in the same month of 1934 and a gain for the first five months of this year of 6.5 per cent was reported. Increased food prices from last year were an important factor in this connection. Chain drug store sales in the latest month were 7.6 per cent larger than in May 1934, but for the year to date little change in dollar sales at these reporting stores was shown.

Wholesale The increase in dollar sales of all reporting wholesale firms in May from April was somewhat less than in 1934 or 1933, but the index of these sales in the latest month was the same as a year ago at this time. Three reporting lines, dry goods, hardware, and drugs, showed declines in May from 1934 of 6.4, 2.5, and 0.8 per cent, respectively, while wholesale grocery sales in the latest month were 2.5 per cent larger than in May 1934. In the first five months of this year moderate gains were reported by grocery, dry goods and hardware firms, but cooperating wholesale drug companies experienced a drop of 4.8 per cent in sales from the first five months of 1934. The dollar value of stocks of grocery and dry goods firms was slightly higher than a year ago. Collections generally have held up quite well.

BUILDING

The residential branch of the building industry continued to show improvement in May in the fourth district and the 37 Eastern States from which the *F. W. Dodge Corporation* receives data. Gains from April this year and from May 1934 were shown in this section and the value of such contracts awarded in the latest month was higher than since 1931. A further improvement in residential construction was reported for the first half of June.

Total contracts awarded in this district in May compared favorably with the same month of 1934, the first

month this year to show an increase; the gain was 23 per cent. Publicly-financed construction so far this year has been in much smaller volume than in the first five months of 1934, when PWA and CWA activity was at its peak. In the fourth district total contracts awarded in the five-month period were valued at \$47,975,000, a decline of 35 per cent from the preceding year.

Residential construction reported in the fourth district in May was valued at \$2,895,000, up 56.8 per cent from the year previous. In the first five months of 1935 a gain in residential building of 51.3 per cent was recorded. Of considerable significance in this connection was the fact the gain, according to the *F. W. Dodge* figures, was largely in private new construction. A little increase in alterations and additions was evident from last year, but Federally-financed housing has declined. Residential contracts awarded in May amounted to 30 per cent of the total awards while a year ago they were 24 per cent of all construction. While contemplated residential work reported in May was slightly under April the total value of such work was 58 per cent ahead of May 1934. The gain in total contemplated construction in May from the preceding year also was 58 per cent.

Lumber and building supply dealers in this district reported an increase in retail sales in May and indicated that they were considerably larger than in May 1934. Prices have advanced on some items, partly because of labor disturbances in the western lumber fields.

AGRICULTURE

Crop prospects in the fourth district and the entire country were much more promising on June 1, according to the Department of Agriculture, than they were a year ago and current conditions are in sharp contrast with those prevailing at this time last year. Instead of the record high temperatures and almost unprecedented drought which were experienced at the beginning of the crop season last year, weather so far in 1935 has been abnormally cool and in most sections wet. The rather heavy rains in April were followed by cool, wet weather in the first half of May, which retarded growth of small grains and pastures, interfered with the set of fruit, and greatly delayed corn planting in some localities. Weather conditions in this district were more favorable in the latter part of the month, but crop growth was still somewhat retarded in mid-June.

Wheat. Little change occurred in the estimated condition of winter wheat in this district in May, although crop prospects for the entire country improved slightly. Throughout the fourth district the June 1 condition was considerably better than the average of the ten years 1923-1932, but irregularities were evident in various parts of the district. In some sections considerable lodging was reported; rust also has appeared in some fields; while in other sections, particularly Pennsylvania, the crop is heading on short straw. The accompanying table shows the estimated June 1 condition of winter wheat in the four states included in the fourth district and also in the entire country for various periods, together with estimated production figures for these same intervals. Approximately ten per cent of the entire

country's winter wheat crop is being raised in the fourth district, and the Ohio crop ranks second in importance among the various 48 states.

WINTER WHEAT

	Estimated June 1 condition		Production (thousands of bushels)			
	1935	1934	Average 1923-32	1935 forecast from June 1 condition	1934 Harvest	Average 1923-32
Ohio	92	62	75	38,892	33,350	30,251
Penna.	85	71	82	16,002	14,654	17,205
Ky.	78	69	76	4,233	4,250	3,002
W. Va.	87	67	78	2,226	1,974	1,643
U. S.	74.2	55.3	73.9	441,494	405,034	618,186

The June 1 estimate of this year's crop of winter wheat was approximately nine per cent above the harvest of 1934, but was 28 per cent below the average crop of the five years 1928-1932. Present conditions indicate an increase in this year's wheat crop in North America as a whole, but little change in the European crop was reported, exclusive of Russia, where conditions are supposed to be better than last year.

Oats. Although excessive moisture delayed the planting of oats in some sections and adversely affected low-lying fields, particularly in the southern part of the district, crop prospects throughout this territory on June 1 were better than the average of the preceding ten years and were much above last year at this time. Preliminary production estimates for the entire country are about equal to the five-year average harvest 1928-1932, but are more than twice as large as the 1934 crop. The table below shows the June 1 condition of the oat crop in the states of the fourth district and the entire country on June 1, 1935 and corresponding dates of previous years.

OATS

June 1 condition	(Per cent of estimated normal)				
	Ohio	Penna.	Ky.	W. Va.	United States
1935	79	77	75	80	84.4
1934	45	75	52	59	47.2
1923-32 average	78	84	77	80	81.4

Hay and Pastures. Pastures and hay fields in this section improved in condition, although in Ohio, on the latest date, they were still below the average of the preceding ten years. Moisture has been sufficient generally, but the cool weather has retarded growth, particularly of clover and timothy. Alfalfa was reported good in most sections of the district on June 1 and in some sections the first crop was cut prior to mid-June.

Fruit. Apples, in general, blossomed profusely, but the set is very light, particularly of some varieties, and an excessive amount of scab was reported in a number of orchards. Cool, wet weather prevented pollination in several areas, particularly of the later-maturing varieties. Despite these factors, however, the June 1 condition was reported to be slightly above the ten-year average and considerably better than a year ago at that time. Indications point to a rather heavy June drop. The peach crop prospects are favorable throughout this district and a better-than-average pear crop is indicated by the June 1 figures. The cherry crop also is expected to be larger than in other recent years.

Tobacco. The planting of the tobacco crop, particularly in the burley section, was much delayed, but where the transplanting had been done prior to the fifteenth of June, an excellent stand was apparent generally. Wet weather retarded ground preparation materially and indications in mid-June were that much of the tobacco would be set very late this season. Fields planted early were reported to be unusually free from insect damage and the only complaint at present is a reported scarcity of plants in some sections.

Prices. The general level of farm prices receded in May and preliminary reports indicate little change in the average in the first half of June. The composite index in May was 80.6 per cent of the 1926 average, an advance of 35 per cent from last year at that time. Reductions in the prices of livestock and truck crops occurred in the first half of June, but the declines affected the group index only slightly.

Fourth District Business Indexes

(1923-1925 = 100)

	May 1935	May 1934	May 1933	May 1932	May 1931
Bank Debits (24 cities).....	72	64	49	58	91
Commercial Failures (Number).....	60	50	99	164	131
(Liabilities).....	33	80	150	152	135
Sales—Life Insurance (O. and Pa.).....	90	107	89	92	125
Department Stores (47 firms).....	74	79	63	67	91
Wholesale Drugs (12 firms).....	86	87	68	75	90
Dry Goods (10 firms).....	45	48	40	34	55
Groceries (31 firms).....	69	66	57	55	72
Hardware (14 firms).....	71	73	53	55	70
All (67 firms).....	67	67	55	53	71
Chain Drugs (4 firms)**.....	78	73	63	74	88
Building Contracts (Total).....	20	16	14	30	76
(Residential).....	17	11	13	13	44
Production—Coal (O., W. Pa., E. Ky.).....	61	65	54	41	65
Cement (O., W. Pa., W. Va.).....	65	80	53	39	107
Elec. Power (O., Pa., Ky.)*.....	147	134	97	115	130
Petroleum (O., Pa., Ky.)*.....	118	101	91	109	104
Shoes.....	111	90	62	70	

*April. **Per individual unit operated.

Debits to Individual Accounts

(Thousands of Dollars)

	4 weeks ended June 19, 1935	% Change from 1934	Year to date		% Change from 1934
			Jan. 2, 1935 to June 19, 1935	Jan. 3, 1934 to June 20, 1934	
Akron.....	\$45,817	+ 6.4	\$288,070	\$253,192	+13.8
Butler.....	6,466	- 5.3	38,546	37,764	+ 2.1
Canton.....	26,733	+ 9.9	159,734	151,751	+ 5.3
Cincinnati.....	250,178	+ 6.9	1,589,790	1,404,137	+13.2
Cleveland.....	441,348	+14.7	2,522,339	2,200,748	+14.6
Columbus.....	130,410	-21.2	889,674	619,022	+43.7
Dayton.....	40,918	+ 7.8	285,693	221,530	+29.0
Erie.....	18,999	+11.5	119,624	101,411	+18.0
Franklin.....	2,647	+ 8.5	15,838	14,446	+ 9.6
Greensburg.....	4,779	+ 7.2	30,005	26,340	+13.9
Hamilton.....	7,810	+ 4.7	48,127	43,372	+11.0
Homestead.....	2,082	+11.6	11,859	9,820	+20.8
Lexington.....	14,662	+13.5	122,409	108,219	+13.1
Lima.....	7,768	+14.3	49,816	42,981	+15.9
Lorain.....	3,131	+29.0	17,925	13,875	+29.2
Middletown.....	7,306	+19.6	40,328	36,032	+11.9
Oil City.....	8,215	+17.9	49,367	37,849	+30.4
Pittsburgh.....	646,990	+25.8	3,598,294	3,168,298	+13.6
Springfield.....	12,289	+15.0	79,035	66,829	+18.3
Stuebenville.....	6,166	- 1.8	37,971	34,157	+11.2
Toledo.....	79,730	+ 5.4	513,364	489,023	+ 5.0
Warren.....	6,004	- 0.2	38,197	35,306	+ 8.2
Wheeling.....	25,317	+ 2.1	158,073	161,437	- 2.1
Youngstown.....	41,874	+24.3	208,340	181,828	+14.6
Zanesville.....	6,254	+20.6	36,407	31,454	+15.7
Total.....	\$1,843,893	+16.4	\$10,948,825	\$9,490,821	+15.4

Fourth District Business Statistics

(000 omitted)

FOURTH DISTRICT UNLESS OTHERWISE SPECIFIED	May 1935	% Change from 1934	Jan.-May 1935	% Change from 1934
Bank Debits—24 cities.....	\$1,959,000	+12.3	\$9,177,000	+14.3
Savings Deposits—End of Month: 41 Banks, O. and Pa.....	679,199	+ 4.9	1	
Life Insurance Sales: Ohio and Pa.....	75,619	-15.7	423,363	+ 4.2
Retail Sales: Dept. Stores—51 firms.....	17,044	- 6.7	76,097	+ 1.8
Wearing Apparel—12 firms.....	786	- 9.4	3,686	- 3.1
Furniture—42 firms.....	840	-10.6	3,306	- 5.0
Wholesale Sales: Drugs—13 firms.....	1,293	- 0.8	6,702	- 4.8
Dry Goods—10 firms.....	1,106	- 6.4	5,368	+ 1.4
Groceries—31 firms.....	3,824	+ 2.5	18,501	+ 5.1
Hardware—14 firms.....	1,391	- 2.5	5,824	+ 3.1
Building Contracts—Total.....	9,555	+23.0	47,975	-35.1
Residential.....	2,895	+56.8	11,829	+51.3
Commercial Failures—Liabilities.....	1,441	-59.2	6,310	-47.6
Number.....	882	+20.5	412	+ 0.5
Production: Pig Iron U. S..... Tons	1,736	-15.6	8,271	+ 4.5
Steel Ingot, U. S..... Tons	2,602	-22.4	13,615	+ 3.4
Auto-Passenger Car—U. S.....	307,522	+12.3	1,575,822	+38.1
Auto Trucks—U. S.....	57,199	+ 0.9	324,995	+21.8
Bituminous Coal..... Tons	11,115	- 5.8	62,040	- 1.7
Cement—O., W. Pa., W. Va. Bbls.	783	-18.7	1,688	-26.6
Elec. Power—O., Pa., Ky. k.w.h.	1,235	+10.2	5,003	+ 6.5
Petroleum—O., Pa., Ky. Bbls.	2,181	+17.3	8,322	+14.6
Shoes..... Pairs			6	
Tires—U. S..... Casings	4,512	- 5.4	17,866	- 1.9
Bituminous Coal Shipments: L. E. Ports..... Tons	4,609	- 4.4	8,063	+22.2
Iron Ore Receipts: L. E. Ports..... Tons	2,208	+50.4	2,327	+58.5

1 Not available
2 Actual Number
3 April
4 Jan.-April
5 Confidential

Wholesale and Retail Trade

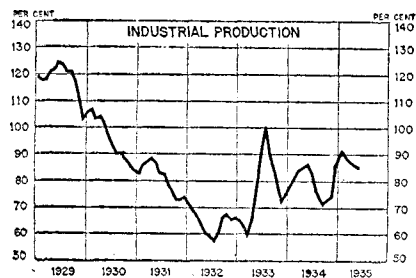
(1935 compared with 1934)

	SALES May 1935	Percentage Increase or Decrease		STOCKS May 1935
		SALES First 5 Months	SALES First 5 Months	
DEPARTMENT STORES (51)				
Akron.....	-11.6	- 3.1	+ 2.7	
Cincinnati.....	- 2.0	+ 4.7	+ 1.6	
Cleveland.....	-12.9	+ 1.0	+ 5.8	
Columbus.....	- 4.1	+ 1.2	- 5.6	
Pittsburgh.....	- 4.5	+ 1.2	- 2.7	
Toledo.....	- 4.6	+ 1.2	+ 5.8	
Wheeling.....	- 4.3	+ 1.2	- 4.3	
Youngstown.....	- 8.4	+ 2.4	+14.7	
Other Cities.....	- 8.7	+ 3.5	+ 5.9	
District.....	- 6.7	+ 1.8	+ 0.8	
WEARING APPAREL (12)				
Cincinnati.....	-16.3	- 8.9	+ 0.1	
Pittsburgh.....	- 2.2	+ 3.9	+ 5.5	
Other Cities.....	- 7.8	- 1.9	+ 0.4	
District.....	- 9.4	- 3.1	+ 1.4	
FURNITURE (42)				
Cincinnati.....	- 1.7	+ 8.6	.....
Cleveland.....	-20.6	-18.5	.....
Columbus.....	+ 4.9	+ 9.2	.....
Dayton.....	- 6.5	+ 4.7	.....
Toledo.....	- 0.2	+ 6.5	.....
Other Cities.....	- 3.4	+ 6.8	.....
District.....	-10.6	- 5.0	.....
CHAIN STORES*				
Drugs—District (4).....	+ 7.6	- 0.02	.....
Groceries—District (5).....	+ 8.7	+ 6.5	.....
WHOLESALE GROCERIES (31)				
Akron.....	+37.0	+32.5	.....
Cleveland.....	-10.4	- 8.7	.....
Erie.....	+ 3.1	+12.4	.....
Pittsburgh.....	+ 2.6	+ 5.3	.....
Toledo.....	+ 9.5	+11.4	.....
Other Cities.....	+ 4.6	+ 9.0	.....
District.....	+ 2.5	+ 5.1	+ 7.6	
WHOLESALE DRY GOODS (10).....	- 6.4	+ 1.4	+ 0.9	
WHOLESALE DRUGS (15).....	- 0.8	- 4.8	.....
WHOLESALE HARDWARE (14).....	- 2.5	+ 3.1	.....

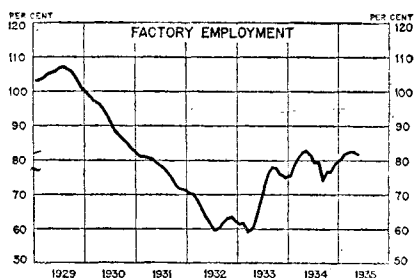
*per individual unit operated.

Summary of National Business Conditions

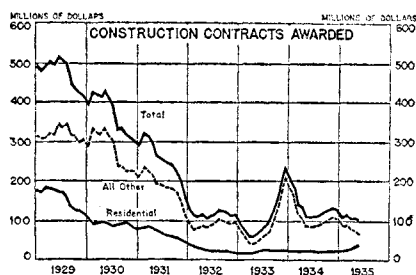
By the Federal Reserve Board



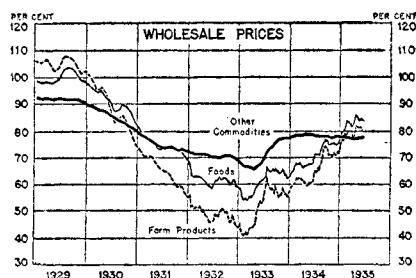
Index of industrial production, adjusted for seasonal variation (1923-25=100). Latest figure, May, preliminary 85.



Index of factory employment adjusted for seasonal variation (1923-25=100). Latest figure, May, 81.3.



Three-month moving averages of F. W. Dodge data for 37 Eastern states, adjusted for seasonal variation. Latest figure based on data for April, May and estimated for June. Latest figure total 102.5; residential 35.9; all other 66.6.



Indexes of the U. S. Bureau of Labor Statistics (1926=100). By months 1929 to 1931; by weeks 1932 to date. Latest figures, June 15, farm products 79.9; foods, 83.4; other commodities, 77.9.

There was a further slight decline in industrial production in May and factory employment and payrolls also showed a decrease. Activity in residential construction continued to be above the level of a year ago.

Production and Employment

Volume of industrial production, as measured by the Board's seasonally adjusted index, declined from 86 per cent of the 1923-25 average in April to 85 per cent in May, which was the fourth consecutive month of gradual decline from the recent high level of 90 in January. At steel mills output declined somewhat in May and the first three weeks of June, as is usual at this season. In the automobile industry, where output this spring has been at a level substantially higher than in other recent years, production showed a marked decline in May, reflecting in part the effects of a strike. At cotton mills there was little change in activity, while at woolen mills production increased further, contrary to seasonal tendency. Production of shoes declined seasonally. Output of coal, which has fluctuated widely in recent months, reflecting partly developments in the labor situation, showed a marked increase during May and the early part of June.

Factory employment and payrolls declined between the middle of April and the middle of May. Decreases in employment were reported for the automobile, radio, lumber, clothing, cotton, silk, and shoe industries, while at woolen mills employment increased and in many other lines little change was reported.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was about the same in May as in April. Residential work continued in excess of a year ago, while the volume of contracts for public projects was smaller than in the corresponding month of 1934.

Department of Agriculture estimates based on June 1 reports indicate that conditions for wheat, oats, barley, rye, hay, and pastures were at the ten-year average for 1923-32, in contrast with conditions a year ago, which were unusually poor as a consequence of a prolonged drought. The winter wheat crop this year is estimated to be somewhat larger than last year and, with a considerable increase indicated for spring wheat, present conditions, according to the Department of Agriculture, suggest a total crop of about 670,000,000 bushels as compared with 496,000,000 bushels last season and a ten-year average of 828,000,000 bushels. Domestic stocks of wheat have been materially reduced this season.

Distribution

Total volume of freight-car loadings increased in May by about the usual seasonal amount. Coal shipments showed a marked increase, while loadings of miscellaneous freight declined. Department store sales, as measured by the Board's seasonally adjusted index, increased from 73 per cent of the 1923-25 average in April to 76 per cent in May and were at approximately the same level as a year ago.

Commodity Prices

The general level of wholesale prices, which was 80.3 per cent of the 1926 average at the end of April and also in the week ending May 25, had declined to 79.8 per cent by the week ending June 15, according to the index of the Bureau of Labor Statistics. Grain prices decreased considerably during May and the first half of June. Cotton prices, after a sharp decline at the end of May and a subsequent increase, also were lower in the middle of June than at the beginning of May. Prices of commodities other than farm products and foods as a group advanced slightly during this period.

Bank Credit

During the five weeks ending June 19 reserve balances of member banks increased by \$175,000,000 as a result of gold imports, offset in part by an increase in Treasury cash and deposits with the Reserve banks. Excess reserves of member banks on June 12 were above \$2,500,000,000 for the first time, but declined somewhat in the following week.

At reporting member banks in leading cities there was an increase of \$540,000,000 in net demand deposits in the four weeks ending June 12, due in part to gold imports. Time deposits declined by \$150,000,000, of which \$70,000,000 represented a decline at New York City banks consequent upon a ruling of the New York Clearing House in May prohibiting the payment of interest on new time deposits maturing in less than six months. Total loans and investments of reporting banks showed no important changes.

Short-term open-market interest rates continued at low levels in May and the first half of June.