

MONTHLY BUSINESS REVIEW

Covering financial, industrial
and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

Vol. 18

Cleveland, Ohio, June 30, 1936

No. 6

Activity in most lines of business in this district in May was at the highest point in six years, and it continued at approximately that level in the first three weeks of June, judging by preliminary figures. The summer seasonal decline has been confined to a few lines and generally has not been so pronounced as in recent past years. Reports from all industrial sections of the district are quite in accord on this point though the labor situation is disturbing in some cities. Employment indexes are considerably higher than a year ago, the changes in several industrial areas being listed below. May figures are the latest available.

May Industrial Employment

(Per cent change from 1935)

Akron	+ 0.1*	Toledo	+ 5.3
Canton	+14.0	Youngstown	+ 5.8**
Cincinnati	+11.1	Erie	+ 2.0
Cleveland	+17.2	Pittsburgh	+10.6
Dayton	+21.6	Oil City	+ 8.4
Massillon	+12.3	Sharon, New Castle. +	4.5

*Man hours worked in rubber industry.

**April.

Where figures for payrolls and man hours worked are available the gains from last year are considerably larger than the increase in employment indexes. Plants in many instances have been working full time and overtime is not uncommon. Reports of skilled labor shortages have increased recently. In May most sectional employment indexes were higher than since 1930.

This improved employment situation, together with distribution of funds through W. P. A. channels, etc., is reflected in retail trade figures. Department store sales in this district in May were approximately 20 per cent larger than in the corresponding month of 1935 and the gain for the first five months of the year was over ten per cent at reporting stores. Other retail organizations experienced similar gains with furniture sales up over 35 per cent. Makers of watches and jewelry reported a marked increase in sales so far this year compared with 1935. New passenger car registrations in principal counties of this district in the first five months of 1936 were over 80 per cent greater than a year ago. Reports for the first half of June indicated that retail distribution was holding up quite well for this season of the year.

In the industrial lines, the most important development was the contra-seasonal increase in iron and steel mill operations. While this resulted in large part from buying prompted by the announced third quarter price increase, orders for materials not so affected also were up, whereas in most years a falling-off is experienced at this season. Ingot production for the entire industry by the third week of June had risen to above 70 per cent of capacity, and the highest level since June 1930. All fourth district centers shared in the increase except southeastern Ohio where a strike was in progress at one plant. Tin plate mills were operating at 100 per cent of capacity in mid-June, but a decline in this as well as other branches of the industry is somewhat expected in trade circles following mid-year as fabricators begin to scale down steel inventories now being built up. Steel ingot production in May was 54 per cent ahead of last year and in the first five months was up 26 per cent. Pig iron production increased 50 and 33 per cent, respectively, in the same periods. In the first five months there was a net increase of 25 blast furnaces in operation, 145 being active on June 1.

Automobile assembly plant requirements held up better than expected in the first three weeks of June; although schedules were reduced somewhat, operations continued to exceed last year by a good margin. May production was down eight per cent from April, but was 27.5 per cent greater than in May 1935. In the first five months, with over 2 million cars made, a gain of nearly 10 per cent from the corresponding period last year was shown. Auto parts and accessory plants reported a falling-off in production in late May and the first half of June, but operations remained at a higher rate than a year ago and many plants have experienced the best spring season since 1929. New machine tool orders declined slightly in May from April, but a large gain from a year ago was evident and plant operations continued at a high level on orders previously received.

Clothing and shoe factories in this district are now working on fall and winter lines, orders for which have been received in substantially larger volume than in other recent years. The between-season shutdown was shorter than usual, repeat orders for summer merchandise somewhat exceeding expectations.

Tire production in May exceeded last year, but for the year to date a decline was evident. Operations at china

and pottery plants were down seasonally in early June and were about on a par with last year. Glassware and plate glass production has been at record levels this year. Cement manufactured in May in the fourth district was 33 per cent greater than a year ago and electric power production so far this year has been 11 per cent in excess of 1935.

Volume of lake traffic has increased considerably, coal loadings in May at Lake Erie docks being 32 per cent larger than a year ago. Due to the late opening of the shipping season figures for the year to date are slightly under 1935.

The value of building contracts awarded in this district in May was down slightly from the previous month, but exceeded last year by 127 per cent. Residential building was up 143 per cent in the month and 111 per cent in the first five months as compared with 1935. Contemplated construction reported continues in larger volume than a year ago.

Crops have been adversely affected by unfavorable weather this spring. Lack of rainfall has become acute in some sections, although scattered rains have helped others. The June 1 condition of all crops was below the average of past years; in some cases, particularly fruits, the discrepancy is great because of serious winter damage. Rainfall in May was less than half of normal, and June was even worse.

FINANCIAL

Changes in condition figures of reporting member banks in leading cities of the fourth district and of the Federal Reserve Bank of Cleveland in the five weeks ended June 24 reflected chiefly quarterly financing of the United States Treasury, heavy Federal tax payments, and distribution of the soldiers' bonus. During the week ended June 19 (figures being computed as of Friday) which included the first days of the Treasury operations, excess reserves of local banks were reduced approximately \$53,000,000 to the lowest point since the period of the March 15 financing. Despite the reduction, the excess still was almost equal to legally required reserves. Total reserves prior to the quarterly financing were over 130 per cent in excess of what banks were required to maintain. The accompanying chart shows required reserves and approximate excess reserves of reserve city and country member banks by weeks since the beginning of the year. The increase in excess reserves in the latest week represented the disbursal of funds by the United States Treasurer in the form of bonus payments and other expenditures which have found their way back to member banks and in turn to the reserve bank as additional idle

funds. These wide swings occurred with no noticeable effect on interest rates or credit conditions.

The amount of money in circulation increased as banks anticipated heavier demands for cash, and Federal reserve note circulation rose to \$386,000,000 by June 24, a gain of \$20,000,000 as compared with the first part of June. A year ago note circulation of this bank was \$316,000,000. Cash in vault at member banks also increased in the first three weeks of June.

A slight falling-off in industrial advances, holdings of acceptances, and a very moderate increase in bills discounted were reflected in condition figures of the reserve bank in the five latest weeks. The net effect was a reduction in total credit extended of about \$260,000 between May 20 and June 24. Holdings of government securities remained unchanged in the period at \$218,025,000.

At weekly reporting banks there was a further slight increase in loans in the five latest weeks, loans on securities and commercial loans both contributing to the upward movement. While the expansion in loans at these banks was not great in the first half of 1936, it has been quite steady. Holdings of United States Government securities increased \$60,000,000 at weekly reporting banks at the time of the June 15 financing and at \$928,000,000 on June 24 they were \$120,000,000 or 15 per cent larger than a year ago. Government securities now represent over 50 per cent of total loans and investments at these banks. Investments in other than Government securities were little changed in the five latest weeks.

Adjusted demand deposits, which consist largely of commercial funds, have been declining moderately for several weeks, but they are still nearly \$100,000,000 in excess of last year. An increase, however, was evident in the week of June 24. Time deposits showed a moderate increase in the five latest weeks.

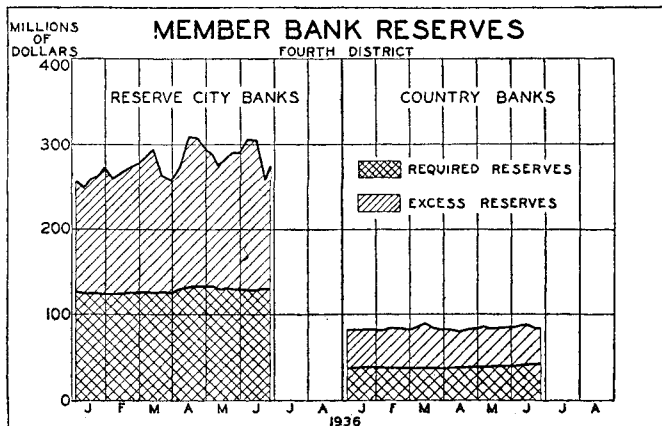
Savings deposits at selected banks continued to increase and at the end of May they were 3.9 per cent larger than a year previous. Debits to individual accounts in the four latest weeks at banks in principal cities of the district were 12.3 per cent larger than a year ago, while the gain for the year to date was 15.5 per cent.

Interest rates, both on savings deposits and on mortgage loans, were reduced $\frac{1}{2}$ per cent in several sections of the district recently. The former are at record low levels; some banks pay no interest on balances in excess of \$10,000 and from one to $1\frac{1}{2}$ per cent on smaller amounts.

MANUFACTURING, MINING

Iron and Steel

Unusually strong demand for various steel products caused the industry's rate of production to rise to about 72 per cent of capacity in the week of June 27, according to *Steel*, the highest rate reported since June 1930. This increase is contrary to the trend of past years at this season. Leading producers are reported four to six weeks behind in deliveries on some classes of steel and consumers are pressing for shipment. Imminence of the \$2 and \$3 increases in prices of sheets, bars, plates, shapes, hot-rolled strip, semi-finished steel, bolts, nuts and rivets for the third quarter is one of the causes of this heavier demand but rather extensive buying is noted as well in items on which no increase in price has been made. Buying was so great in some lines, chiefly sheets, that orders were being refused in late June.



The accompanying chart of the industry's weekly operating rate so far in 1936 and in the two previous years shows that little deviation from the 70 per cent of capacity level has occurred since early April while a year ago at this time the national rate was under 40 per cent having dropped from the spring peak of 54 per cent touched in early February. In 1934 the high of 60 per cent occurred in early May, but operations were quite well sustained by the announced price increase, only to be followed by a sharp drop in the first week of July.

In the principal steel centers of the fourth district higher operating rates were evident in the third week of June than in May except at Cincinnati and Wheeling, but in each of these activity was much greater than a year ago. In the Wheeling district operations were reduced by a strike, they being reported at 71 per cent of capacity in the latest week compared with 89 in the third week of May. At this time last year they were at 48 per cent. At Cleveland-Lorain mills production was stepped up eight points to 82 per cent in the four latest weeks, while a year ago it was at 48 per cent. At Youngstown, operations rose two points to 78 per cent, compared with 41 per cent in the corresponding week of last year; at Pittsburgh a gain of six points to 67 per cent of capacity occurred in the four weeks ended June 20. A year ago conditions in Pittsburgh steel mills were very depressed, the rate of production being only 30 per cent. A predominantly heavy steel center, the rise in operations there since the beginning of the year, when the rate was below 40 per cent, has been favorably interpreted in trade circles.

There is no way of measuring how much of the recent activity in the iron and steel industry represents speculative buying against the third quarter price increase. Automobile requirements, however, have held up better than expected, new model changeovers being deferred in some cases. Tin plate mills have operated at capacity levels for six weeks, but a moderation in specifications was observed in late June. Automobile and farm implement industries reduced specifications slightly, but orders for structural steels in recent weeks showed larger gains from 1935 than occurred earlier in the year. Secondary rail buying is now in progress and inquiries for new cars are numerous, with orders placed so far this year larger than since 1930.

Shipments of Lake Superior iron ore so far in 1936 are about 37 per cent ahead of 1935, with indications that 11,000,000 tons will be transported prior to July 1, compared to 8,145,000 in the same period last year.

Daily average steel ingot output in May was 155,625 gross tons, the highest for any month since April 1930, and 2.6 per cent above April this year. Total output was 4,046,253 tons, a gain of 54 per cent from May 1935. The five-month total, 17,341,490 tons, represented a gain of 25.8 per cent over the same period last year.

Daily average pig iron production in May, 85,795 gross tons, was 6.8 per cent over April, while the total for the month, 2,659,643 tons, was 50.3 per cent higher than a year ago. Both daily average and total production were the largest since June 1930. Output for the first five months this year was 10,983,474 tons, 32.8 per cent above that in the comparable period last year. At the close of May 145 furnaces were in blast, a net gain of two over the previous month and 25 since the first of January.

Steel scrap prices, which have been declining since mid-April partly a result of the slackening in foreign demand,

remained steady in the third week of May at \$12.47 a ton. A year ago the composite price was \$10.45.

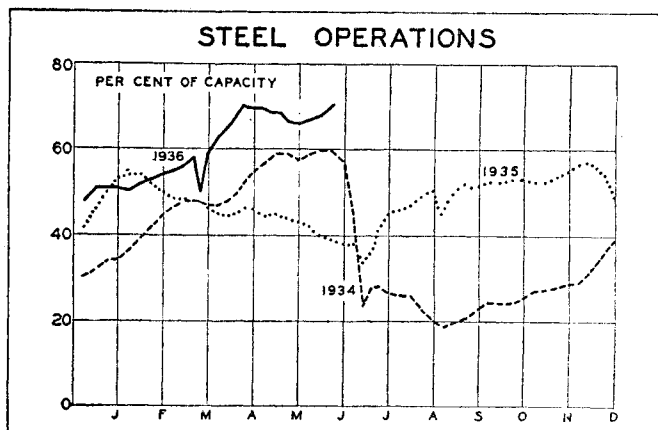
Coal Production of bituminous coal in May and the first half of June was little changed from April, output of the entire industry continuing close to 7,000,000 tons a week, and barring weeks last year in which mine operations were increased sharply as a strike was predicted, production has been in excess of 1935. In fact output of local mines in the first five months of this year was 4.3 per cent greater than in the same period of last year and exceeded any similar five-month period since 1931. The month of May was one of larger production than since 1930; output, at 12,169,000 tons, was 9.5 per cent greater than a year ago.

Lake shipping attained its stride in May, loadings of coal at Lake Erie docks, at 6,060,000 tons in the month, being 31.5 per cent greater than a year ago, but because of a poor April chiefly on account of the severe winter which delayed movement of coal to upper lake ports, shipments for the season to date were 1.7 per cent smaller than in 1935.

Shipments to industry have lagged recently, according to reports, the long delay in the Guffey decision causing buyers to hold up orders until the situation became clarified. Stocks were reduced further and lack of orders caused a weak price situation. Prices have declined noticeably in recent weeks, part of which was seasonal.

Automobiles While a decline in automobile assemblies from the peak of April has occurred, the contraction has been at a moderate rate in view of the fact that preparations for changeover to the 1937 models are at such an advanced stage. There were indications in the last half of June that the actual shift has been put off somewhat because retail demand for the 1936 models has held up so well. It now appears that the major shut-downs will probably be in August rather than July and stocks of assembled cars are being increased in preparation for this and also buying expected to develop from distribution of bonus money. Sales were not materially increased in the first week these funds were available, but actual bonus cash distribution was limited in that period because of the mechanics of payment.

Production in May was 460,565 cars and trucks, according to the *Department of Commerce*, a gain of 27.5 per cent from May 1935, but a decline of 8.4 per cent from the recent record production of April. The Federal reserve adjusted index was 118 per cent of the 1923-25 average,



down six points from April. In the first two weeks of June new car assemblies declined to slightly above 100,000 cars a week, according to *Cram's* figures, and in the third week they remained slightly above that level. A year ago assemblies were approximately 90,000 a week and in the month of June totaled 356,000 cars and trucks. In the first two months of the second quarter 963,340 cars and trucks were assembled, a gain of over 18 per cent from the same period of 1935. In May last year, however, output of one major low-price plant was curtailed because of labor difficulties. In the first five months assemblies approximated 2,036,000 units, a gain of 9.3 per cent from last year and they exceeded any similar past period except in 1929.

Passenger car assemblies in May totaled 385,507 units, a gain of 26 per cent being evident from last year. The percentage increase in truck production continued to exceed that of the other branch of the industry; in May it was 35 per cent ahead of 1935 while the January-May increase was 12.5 per cent.

The current high rate of assemblies has been paralleled by a favorable retail demand. The *Annalist's* seasonally adjusted index of new passenger car sales rose sharply in April to approximately the level of 1929; in some sections of the country all previous records were surpassed. In this district April sales were down from the all-time record of March, but a contra-seasonal increase in May was reported, with registrations in principal counties in the first five months being 82 per cent above last year. Truck registrations in the entire country in April (the latest available) were estimated to be 37 per cent ahead of April 1935, and greater than in any previous month on record.

Rubber, Tires

Replacement tire sales were reported to have increased more than seasonally in May and they were continuing at an active rate in the first half of June. This, together with rather large shipments of tires to the automobile assembly plants for this season of the year, have kept local tire plant operations at a relatively high level. The labor situation is still disturbing in some quarters; sporadic sit-down strikes, which seem difficult to handle, have occurred from time to time, thus causing an interruption to regular production schedules. Employment in April in the tire industry was about six per cent less than a year ago, according to the Bureau of Labor, but payrolls were little changed in the two periods. In May employment was reported to be only about one per cent under last year. Changes in processes used in building truck and bus tires are reported to be partly responsible for the decline in employment from a year ago. There was a slight increase in the number of man hours worked in tire plants in May as compared with a year ago.

April tire production, the latest complete figures available, was up over 33 per cent from March and exceeded April last year by 7.6 per cent, but in the first four months a decline from 1935 of 6.8 per cent was reported. Output in the latest month exceeded any period since March 1934. Shipments made in the period slightly surpassed production causing inventories to decline further, but compared with a year ago, shipments were down 4.7 per cent. The gain over March was 27 per cent, the increased seasonal requirements and anticipation of the price rise of early May by many dealers, accounting for the gain.

Production of rubber sundries and mechanical goods has increased considerably so far this year as a result of an expansion in wholesale orders ranging from 15 to 20 per cent in the first five months as compared with 1935. Rubber footwear sales also have increased.

Crude rubber consumption by manufacturers in the United States in May was estimated to be 50,482 long tons, a reduction of 2.7 per cent from April, but a gain of 22.8 per cent from May 1935. This is the second consecutive month in which consumption has exceeded 50,000 tons and June requirements are reported to be close to those of the two preceding months. In only one month prior to this year, June 1933, has crude rubber consumption attained the 50,000-ton level. As a result of these heavy takings rubber inventories have declined quite consistently and at the end of May they were smaller than since July 1931. They were estimated to be 248,317 long tons, compared with 322,559 long tons on hand May 31, 1935.

Imports of crude rubber in May were 35,600 tons, a decrease of 11.8 per cent from April, although 32.5 per cent above imports in May 1935. They were 29.5 per cent under the amount consumed by the industry in the month.

Crude rubber prices remain firm at slightly above 16 cents a pound, the highest since 1929.

Clothing

Local clothing plants started operations on fall and winter lines about two weeks earlier than usual and soon attained capacity production in response to increased orders received generally. Sales so far have shown substantial gains and current volume is reported close to the post-war peak. Retail merchants are optimistic concerning fall business and inventories have been built up. At the close of May wearing apparel stocks were about seven per cent larger than a year ago, but sales have shown even greater increases. Men's clothing sales at fourth district stores were 23 per cent larger in May than a year ago, furnishings sales were up 28 per cent, and purchases of boys' wear showed an increase of 28 per cent. Sales of all women's apparel were up seven per cent in the month from last year. Price changes, judging by *Fairchild's* index, were of slight importance in these comparisons. Prices of women's clothing were up about two per cent, but men's clothing prices were practically unchanged.

Wool consumption declined in April, the latest month for which complete figures are available; compared with a year ago it was down 10.8 per cent, but for the first four months a gain of 4.2 per cent was evident while the increase from 1934 was 81 per cent. Raw wool prices advanced in late May and the first half of June, but they still failed to attain the recent high of March when fine territory scoured wool was quoted at 95 cents; in the third week of June quotations were around 92 cents a pound.

Other Manufacturing

Receipt of unexpected orders for this season of the year has enabled manufacturers in several lines to maintain operations at higher than usual rates in recent weeks. Reports are more favorable generally than they have been in several years. Future buying is not extensive, but orders continue to be received in sufficient volume to maintain operations. So far the expected seasonal decline has been moderate and most lines report that operations, sales, and employment are better than since 1930 and in many cases than since 1929.

Machine tool orders received by the industry in May were down slightly from April, but they continued much above a year ago and about 19 per cent in excess of monthly average shipments in 1926. Foreign buying, which had been limited in recent months, increased over 50 per cent from April, and was better than since last October. Plant operations showed little change in May or early June, work being continued on orders previously received. A shortage of skilled labor still persists. Foundry equipment orders increased sharply in May and were 65 per cent larger than in May 1935. Shipments in the month were more than double a year ago and unfilled orders were considerably larger than in the preceding month or in May of last year.

Auto parts and accessory plants reported a falling-off in operations in June of about 12 to 15 per cent after having held up in April and May at the highest level since 1929. Despite the drop production and sales remain much above last year and also better than for at least six years. Manufacturers have been receiving specifications for materials to be used in 1937 models for some time, but, except for trial runs, little fabrication has yet been reported. Heavy hardware sales continue in good volume and while demand from agricultural equipment makers has declined seasonally, their requirements have been much larger than in other recent years. Other metal products industries reported little change in the four latest weeks, operations at small tool factories being quite active. One plant reported that payrolls in the first five months of the year were nearly 40 per cent larger than in the same period of 1935.

Orders for electrical apparatus and equipment held up very well in May and the first half of June; in fact they somewhat exceeded expectations. Increases ranged from 20 to 50 per cent, compared with last year. Sales, production, and employment in May and for the year to date were better than since 1930. Raw material inventories are larger than a year ago, but stocks of finished goods are smaller. The china and pottery industry has experienced a seasonal decline in demand, and operations in the first half of June were reported at 50 to 60 per cent of capacity. Inventories have increased slightly, but prices remain steady. Plate glass and container production so far this year have surpassed any similar period on record. Each was up about 16 per cent from 1935 and demand in the first half of June was holding up very well. Factories have been operating at close to capacity levels and employment is at an all-time peak. Window glass demand has improved in recent weeks, but shipments in the first five months were about 10 per

cent under last year when dealers bought rather heavily for inventory purposes prior to a price advance.

Paint sales increased more than seasonally in May, according to reports, and compared very favorably with a year ago. Large inventories of paints built up last winter are now being worked down; production has shown little change recently. All types of paint were in much better demand in early June than a year ago, but industrial paint sales have not shown the increase that other types have.

This is the dull season of the year for paper and box-board makers, but in the first five months a net increase in sales was reported; employment showed little change while payrolls were up about 15 per cent.

Shoe factories in this district in the first five months of 1936 produced more footwear than in any similar period on record. The gain from 1935 was 4.4 per cent but in the month of May output was down 7.6 per cent from last year. Practically all factories have operated at close to capacity levels recently and although fall patterns are being introduced there was a very short between-season let-down. Higher quality merchandise is in better demand than in recent years. Sales of white shoes have been unprecedented. Retail shoe sales at fourth district department stores in May were 25 to 30 per cent larger than a year ago.

TRADE

Retail

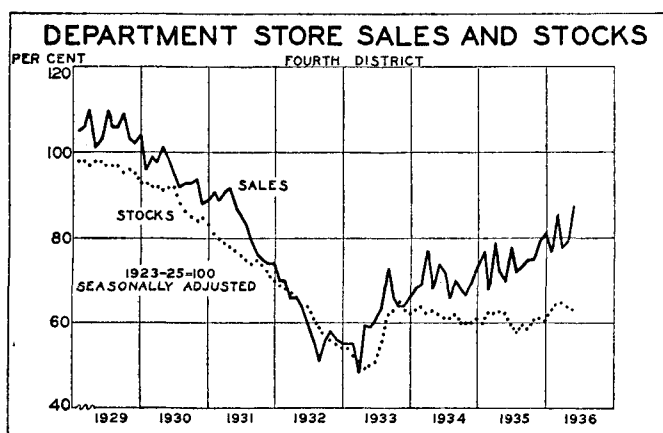
One of the sharpest increases in retail sales on record was experienced by fourth district department stores in May, the seasonally adjusted index of daily average dollar volume rising 8 points to 87 per cent of the 1923-25 average. This was the highest point touched by this index since May 1931. Allowing for price fluctuations the comparison is even more favorable, for *Fairchild's* index of prices at department stores was six per cent lower in May 1936 than in May 1931. Prices were reported to be 2.3 per cent higher than a year ago.

Compared with May 1935, stores in this district showed an average increase in dollar sales of 19.6 per cent, gains ranging from 10 to 26 per cent in principal cities. In the first five months of this year sales were ten per cent larger than in the same period of 1935 despite the unfavorable sales in the early part of the year. Sales of reporting furniture stores in this section were up 43 per cent in May and 22 per cent in the first five months from corresponding periods of 1935 while gains of eleven and nine per cent were experienced at wearing apparel stores. In the first half of June sales were reported to be holding up well, allowing for seasonal changes.

In the individual departments many showed gains in sales ranging from 25 to 40 per cent and the only major ones in which a smaller volume than a year ago was reported were women's and misses' coats and suits, all yard goods, and art needlework and art goods. Sales in basement departments at stores reporting those figures were 21 per cent larger than a year ago and they represented 17.5 per cent of total store sales.

Credit sales represented 61.7 per cent of total store sales, a moderate increase from April and also from May 1935. The rise was slightly greater in installment than regular 30-day sales. Collections continue better than a year ago, the ratio of payments on accounts receivable at the beginning of the month being 45.4 in May.

Dollar value of stocks at reporting stores was one per cent smaller at the close of May than a month earlier, but



inventories were two per cent greater than a year ago at that time. The ratio of sales to stocks continued larger than a year ago.

Wholesale Total dollar sales of all reporting lines of wholesale trade in May were little changed from April whereas in three out of four preceding years an increase was evident. Compared with a year ago gains were experienced in May by each line except groceries, sales of which were down 1.8 per cent. In the first five months wholesale grocery sales were up 2.7 per cent compared with the same period of 1935.

Dry goods sales were up more than seasonally in May and exceeded those reported last year by nearly 20 per cent. In the first five months an increase in dry goods sales of approximately five per cent was evident.

A contra-seasonal falling-off in sales was reported by wholesale drug firms in this section in May, but dollar volume was still eight per cent in excess of last year in the month as well as in the first five months.

Hardware firms continued to experience a large increase in sales in May, the gain from 1935 being 25 per cent; in the five months, sales were up 19 per cent. Collections were reported as being "good" generally and while inventories in some cases were larger than at this time last year, they were down in others.

CONSTRUCTION

Construction work started in May in this district failed to equal that reported for April by a moderate amount, but was considerably more than twice as great as was begun in May 1935. According to the *F. W. Dodge Corporation*, total fourth district contracts awarded in May were valued at \$21,718,000, compared with \$9,555,000 a year ago, an increase of 127 per cent. This brought the total for the first five months to \$94,705,000, almost double the value of contracts awarded in the same period of 1935.

While the decline from April was general, gains over a year ago were shown for each principal class except public works. Residential building awards were valued at \$7,031,000, compared with \$2,895,000 in May last year, a gain of 143 per cent. The increases were well distributed as between small houses and multiple-family dwellings, the majority of the single homes being valued at \$4,000 to \$6,500. Insured loans of the F. H. A. continue to show an increase and rates on mortgage loans made by lending institutions in this section are being reduced, both of which have had a stimulating effect on home construction. More speculative building has been done this year than for some time.

In non-residential construction, factory building awards in May were valued at over five times what they were a year ago and an increase from April was evident. In the January to May period a gain of over 100 per cent occurred. All other nonresidential building increased in May and the first five months, compared with similar periods of 1935.

Public works contracts were about half as large in May as in April and down about 35 per cent from May 1935.

Public utility contracts were larger in May than a year ago and an increase of over 200 per cent for the January-to-May period was evident.

So far as individual cities were concerned gains over last year occurred in all but Akron while for the year to date each important city except Youngstown showed a larger total than in 1935. Contemplated projects reported in this district in May were over 30 per cent larger than a year ago, but there was a slight decline from April.

Demand for building materials and supplies held up well in May and early June, large increases in orders and shipments being reported, compared with years back to 1931. Cement production was up 30 per cent so far this year in contrast with 1935.

AGRICULTURE

Adverse weather this spring seriously affected agricultural conditions in this district. Early farm work was much delayed by the cold wet weather and spring planting was later than usual, but in May and the first half of June, with rainfall amounting to one-half or less of normal, a rather serious drought condition was developing. Local showers helped some sections slightly, but general rains were much needed if extensive crop failures are to be averted.

This situation was by no means unique in the fourth district, adequate moisture being lacking in most of the area east of the Mississippi River and in some northern portions of the Great Plains, chiefly the spring wheat sections. Crop estimates of the *Department of Agriculture* showed unusually sharp changes in May and on June 1 they were considerably below last year. Barring 1934 when crops were very poor, and the hay crop in 1926, oats, barley, rye, spring wheat, hay, and pasture showed the lowest June 1 condition on record. The winter wheat crop, chiefly because of the 16 per cent increase in acreage remaining for harvest as compared with last year, was estimated to be 11 per cent larger than that harvested in 1935, but much below the average crop of 618,186,000 bushels in the five years 1928-32.

The table at the bottom of the page shows the June 1 condition of 1936 crops in states of this district and the entire country compared with the average of preceding years. Corn and potato figures are not yet available. The June 1 condition is lower (in some cases by a considerable amount) than the average of the ten years 1923-32 for every crop in each state as well as the entire country. The June 1 estimated condition is also lower than in 1935 for each crop.

June 1 condition of winter wheat in states of this district was nearer the average of past years than any other crop, but rains were badly needed to fill the grain which was heading on rather short straw. A considerably smaller crop than the record one of last year is expected and it was in much better condition in the southern half of the district than in the northern counties where winter-killing was rather severe. Due to an increased acreage, Kentucky farmers expect a larger than average wheat crop this year.

Oats were planted late in most sections because of the

June 1 Condition of Crops—Per Cent of Estimated Normal

	Wheat		Oats		Rye		Hay		Apples		Peaches		Pears		Cherries	
	1936	Average 1923-32	1936	Average 1923-32	1936	Average 1923-32	1936	Average 1923-32	1936	Average 1923-32	1936	Average 1923-32	1936	Average 1923-32	1936	1935
Ohio.....	73	75	76	78	77	80	74	75	26	62	7	52	32	58	18	63
Pennsylvania.....	81	82	73	84	81	87	69	81	49	72	27	62	47	67	64	32
Kentucky.....	75	76	54	77	73	80	62	75	24	55	11	52	14	47
West Virginia.....	74	78	61	80	73	83	60	77	36	55	9	46	11	38
United States....	66.7	73.9	74.5	81.4	63.2	79.6	76.4	79.7	46.7	67.8	51.3	64.7	57.8	65.1	57.1*	64.8*

*12 states only.

wet weather this spring and now growth is seriously retarded by want of moisture. The crop generally is very uneven, early plantings being better than late; in Ohio the June 1 crop condition was only two points below the ten-year average, but in other sections of the district and the entire country the discrepancy was much greater. Southern counties reported the oat crop as very poor generally.

Pastures and meadows in Ohio were reported in fair condition on June 1, the former being one point above the ten-year average of 79 per cent, and ten points above last year. Condition of clover, timothy, and alfalfa was close to the ten-year average, though growth was retarded and each was heading shorter than usual. In other sections of the district the June 1 condition was reported somewhat below average.

Fruit prospects continue very poor in all sections, the June 1 condition of principal varieties being less than half of the average of past years. In the case of peaches and cherries, the crop is almost a complete failure, except in the Lake counties. Pears were in slightly better condition as were early apples, but the set of late apples was very light. In some sections there are practically none. Grapes were damaged somewhat by late frost and the set has been light in many vineyards.

Considerable difference of opinion still exists as to the probable size of the tobacco crop in this district, pending a *Department of Agriculture* report, though all are agreed that a larger acreage than was harvested last year is in prospect. Much, of course, depends on weather conditions; transplanting has been almost impossible in sections where most of it is done by hand. Scattered plantings, which were finished early and received rain, were still in good condition in mid-June.

The corn and potato crops probably have not been damaged beyond saving, but only general reports are now available concerning them.

Wholesale and Retail Trade

(1936 compared with 1935)

	Percentage Increase or decrease		
	SALES May 1936	SALES First 5 Months	STOCKS May 1936
DEPARTMENT STORES (51)			
Akron.....	+10.0	- 0.3	+ 7.1
Cincinnati.....	+17.3	+ 9.8	+ 8.3
Cleveland.....	+19.1	+11.0	- 0.9
Columbus.....	+20.6	+11.1	+ 5.1
Pittsburgh.....	+22.6	+11.0	- 1.5
Toledo.....	+13.4	+ 8.4	+ 4.8
Wheeling.....	+25.9	+12.0	+ 3.2
Youngstown.....	+23.7	+17.9	+13.9
Other cities.....	+24.5	+12.3	- 1.1
District.....	+19.6	+10.1	+ 1.9
WEARING APPAREL (13)			
Cincinnati.....	+ 2.8	+ 4.2	+ 6.6
Cleveland.....	+14.2	+10.2	+ 1.8
Pittsburgh.....	+12.8	+ 2.3	- 1.3
Other cities.....	+13.7	+ 6.0	+21.3
District.....	+10.6	+ 6.0	+ 6.6
FURNITURE (44)			
Cincinnati.....	+35.2	+20.4	
Cleveland.....	+39.8	+20.8	
Columbus.....	+28.4	+16.0	
Dayton.....	+47.6	+18.1	
Toledo.....	+45.8	+26.9	
Other cities.....	+64.7	+32.0	
District.....	+42.8	+22.1	
CHAIN STORES*			
Drugs—District (4).....	+13.5	+19.3	
Groceries—District (5).....	+ 0.2	- 1.1	
WHOLESALE GROCERIES (30)			
Akron.....	- 0.2	+ 4.6	
Cleveland.....	+ 1.2	- 3.6	
Eric.....	- 2.6	+ 2.7	
Pittsburgh.....	- 3.3	- 0.2	
Toledo.....	- 7.9	+ 2.3	
Other cities.....	- 1.5	+ 6.8	
District.....	- 1.8	+ 2.7	+ 6.4
WHOLESALE DRY GOODS (10).....	+19.6	+ 4.9	-10.1
WHOLESALE DRUGS (12).....	+ 8.1	+ 8.7	
WHOLESALE HARDWARE (13).....	+24.7	+ 7.2	

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	May 1936	% change from 1935	Jan.-May 1936	% change from 1935
Bank Debits 24 cities.....	\$2,202,000	+12.4	\$10,606,000	+15.6
Savings Deposits—End of Month:				
40 Banks, O. and W. Pa.....	\$ 706,023	+ 3.9	1	
Life Insurance Sales:				
Ohio and Pa.....	\$ 76,323	+ 0.9	366,001	-13.5
Retail Sales:				
Dept. Stores—51 firms.....	\$ 20,870	+19.6	85,711	+10.1
Wearing Apparel—13 firms.....	\$ 887	+10.6	3,994	+ 6.0
Furniture—44 firms.....	\$ 1,351	+42.8	4,491	+22.1
Wholesale Sales:				
Drugs—12 firms.....	\$ 1,387	+ 8.1	7,229	+ 8.7
Dry Goods—10 firms.....	\$ 1,322	+19.6	5,630	+ 4.9
Groceries—30 firms.....	\$ 3,711	- 1.8	18,769	+ 2.7
Hardware—13 firms.....	\$ 1,693	+24.7	6,811	+19.3
Building Contracts—Total.....	\$ 21,718	+127.3	94,705	+97.4
Residential.....	\$ 7,021	+142.9	24,918	+110.7
Commercial Failures—Liabilities	\$ 1,042	-27.7	6,131	- 2.8
Number.....	76 ²	-13.6	342 ²	-17.0
Production:				
Pig Iron—U. S..... tons	2,660	+50.3	10,983	+32.8
Steel Ingot—U. S..... tons	4,046	+53.6	17,341	+25.8
Auto-Passenger Car—U. S.....	385,507 ²	+26.0	1,669,253 ²	+ 7.5
Auto-Trucks—U. S.....	75,058 ²	+35.1	347,170 ²	+12.5
Bituminous Coal, O. W. Pa., E. Ky..... tons	12,169	+ 9.5	64,701	+ 4.3
Cement—O., W. Pa., W. Va. bbls.	1,041	+33.0	2,188	+29.6
Elec. Power, O., Pa., Ky.....				
Thous. k.w.h.....	1,421 ³	+15.1	5,567 ⁴	+11.3
Petroleum—O., Pa., Ky..... bbls.	2,195 ³	+ 0.6	8,288 ⁴	- 0.4
Shoes..... pairs	5	- 7.6	5	+ 4.8
Tires, U. S..... casings	4,854 ³	+ 7.6	16,648 ⁴	+ 6.4
Bituminous Coal Shipments:				
L. E. Ports..... tons	6,060	+31.5	7,925	- 1.7
Iron Ore Receipts:				
L. E. Ports..... tons	2,650 ⁵	+20.0	2,650	+13.8

¹ not available
² actual number
³ April
⁴ Jan.-April
⁵ confidential
⁶ partly estimated

Debits to Individual Accounts

(Thousands of Dollars)

	4 weeks ended June 17, 1936	% change from 1935	Year to date Jan. 1, 1936 to June 17, 1936	Year to date Jan. 2, 1935 to June 19, 1935	% change from 1935
Akron.....	\$ 54,338	+18.6	\$ 321,727	\$ 275,776	+16.7
Butler.....	8,391	+29.8	45,915	37,075	+23.8
Canton.....	30,612	+14.5	178,572	153,248	+16.5
Cincinnati.....	298,147	+19.2	1,722,067	1,520,872	+13.2
Cleveland.....	521,635	+18.2	2,948,774	2,409,749	+22.4
Columbus.....	163,652	+25.5	932,002	856,141	+ 8.9
Dayton.....	61,102	+49.3	329,472	272,617	+20.9
Toledo.....	22,703	+19.5	133,940	113,907	+17.6
Franklin.....	2,991	+13.0	17,367	15,252	+13.9
Greensburg.....	6,587	+37.8	35,980	27,165	+32.4
Hamilton.....	11,510	+47.4	58,106	46,286	+25.5
Homestead.....	2,620	+25.8	13,423	11,416	+17.6
Lexington.....	15,229	+ 3.9	107,666	117,325	- 8.2
Lima.....	9,785	+26.0	59,427	47,803	+24.8
Lorain.....	3,563	+13.9	20,224	17,295	+16.9
Middletown.....	8,086	+10.7	48,896	38,783	+25.8
Oil City.....	8,840	+ 7.6	53,089	47,743	+11.2
Pittsburgh.....	626,607	- 3.2	3,751,622	3,367,402	+11.4
Springfield.....	14,334	+16.6	84,092	76,182	+10.4
Steubenville.....	7,786	+26.3	41,612	36,750	+13.2
Toledo.....	106,344	+33.4	610,901	487,796	+25.3
Warren.....	8,237	+37.2	43,747	37,093	+17.9
Wheeling.....	32,836	+29.7	171,535	151,258	+13.4
Youngstown.....	38,611	- 7.8	239,545	201,525	+18.9
Zanesville.....	6,824	+ 9.1	39,589	34,965	+13.2
Total.....	\$2,071,373	+12.3	\$12,009,360	\$10,401,516	+15.5

Fourth District Business Indexes

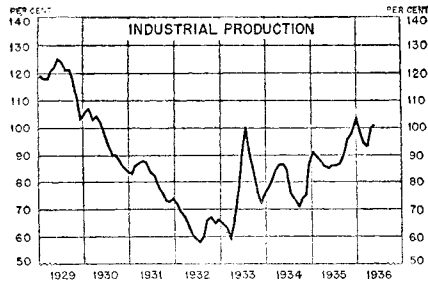
(1923-25 = 100)

	May 1936	May 1935	May 1934	May 1933	May 1932
Bank debits (24 cities).....	81	72	64	49	58
Commercial Failures (Number).....	52	60	50	99	164
(Liabilities).....	24	33	80	150	152
Sales—Life Insurance (O. & Pa.).....	91	90	107	89	92
—Department Stores (49 firms).....	93	75	80	63	67
—Wholesale Drugs (11 firms).....	92	86	87	68	75
—Dry Goods (10 firms).....	54	45	48	40	34
—Groceries (30 firms).....	68	69	66	57	55
—Hardware (13 firms).....	89	71	73	53	55
—All (64 firms).....	72	67	67	55	53
—Chain Drugs (4 firms)**.....	89	78	73	63	74
Building Contracts (total).....	45	20	16	14	30
(Residential).....	41	17	11	13	13
Production—Coal (O., W. Pa., E. Ky.).....	67	61	65	54	41
Cement (O., W. Pa., E. Ky.).....	87	65	80	53	39
Elec. Power (O., Pa., Ky.)*.....	169	147	134	97	115
Petroleum (O., Pa., Ky.)*.....	119	118	101	91	109
Shoes.....	94	101	111	90	62

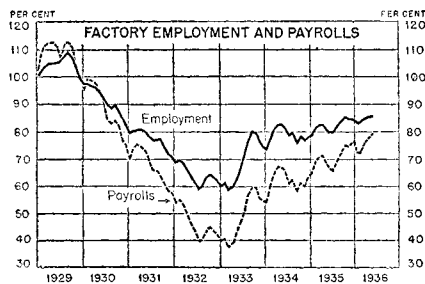
*April.
**Per individual unit operated.

Summary of National Business Conditions

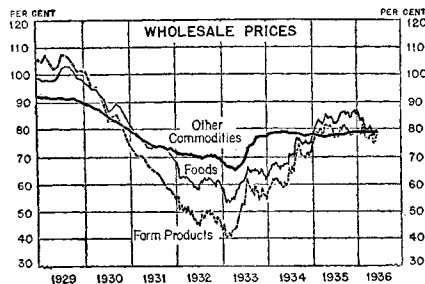
By the Board of Governors of the Federal Reserve System



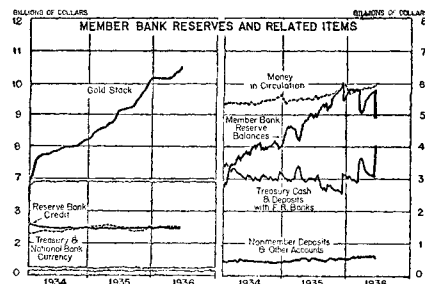
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to May 1936, the latest figure being 101.



Indexes of number employed and payrolls without adjustment for seasonal variation, 1923-1925 average=100. By months, January 1929 to May 1936, the latest figures being employment 85.6, payrolls 79.2.



Indexes compiled by the U. S. Bureau of Labor Statistics, 1926=100. By months 1929-1931; by weeks 1932 to date. Latest figures for week ending June 20 are farm products 77.4; foods 79.4; other commodities 78.7.



Wednesday figures, January 31, 1934 to June 17, 1936.

Volume of industrial production, which had increased sharply in April, was maintained in May, and there was an increase in distribution of commodities to consumers.

Production and Employment

The Board's seasonally adjusted index of industrial production in May was 101 percent of the 1923-1925 average, as compared with 100 percent in April. Production of durable manufactures increased further, reflecting larger output of steel and lumber, partly offset in the total by a reduction in the output of automobiles from the high level of April. At steel mills the rate of activity in May was higher than at any other time since the spring of 1930. This level has been maintained in June, reflecting in part some accumulation of steel by fabricators in advance of the effective date of recently announced price increases. Declines in production were reported for many nondurable manufactures; at woolen mills, however, activity increased. Output of bituminous coal declined from April to May, while output of crude petroleum continued in large volume.

Factory employment increased slightly between the middle of April and the middle of May, contrary to the usual seasonal tendency. Increases were reported at plants producing iron and steel products, machinery, and most other durable manufactures. Changes in employment in industries producing nondurable manufactures were largely of a seasonal nature. Factory payrolls were somewhat larger in the middle of May than a month earlier.

Total value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, declined slightly from April to May. Awards for residential building continued to increase and in May, as in other months this year, were substantially larger than a year ago when residential building was first beginning to increase from the extreme low level of the depression.

Distribution

Department store sales, which usually decline at this season, increased from April to May and there was also a rise in sales at variety stores and mail order houses. Freight-car loadings increased by slightly more than the usual seasonal amount.

Commodity Prices

Wholesale prices of commodities, which had declined from the middle of April to the middle of May, have advanced somewhat since that time and in the week ending June 20 were at 78.7 percent of the 1926 average, according to the index of the Bureau of Labor Statistics. In recent weeks prices of livestock and livestock products, grains and flour, and textile raw materials and finished products have advanced. For many steel products price increases have been announced to take effect early in the third quarter.

Bank Credit

Excess reserves of member banks, after a slow increase in May and the early part of June, declined by \$900,000,000 in the week ending June 17. The reduction in excess reserves was due principally to an increase in the deposits maintained at the reserve banks by the Treasury, which received large payments for new securities issued, as well as quarterly tax installments. At that time the Treasury began to distribute checks and adjusted service bonds to veterans and there was an increase in the demand for currency in connection with the cashing of these bonds and checks.

United States Government obligations held by reporting member banks in leading cities, which had increased somewhat in May and early June, showed a further sharp increase in the week ending June 17 in connection with the new issue of Government securities. Bank loans also increased.