

MONTHLY BUSINESS REVIEW

Covering financial, industrial and agricultural conditions



Fourth Federal Reserve District
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Developments in the first three weeks of July in this district indicated no marked change in trade and industry from the June level, at which time operations in this section were at the highest point for the recovery movement. The usual summer slump has failed to develop as yet in most lines which generally are affected, although a slight drop was evident in steel and automobile production around the middle of the month. This apparently was partly a result of preparation for model changes in the latter industry. Steel production, however, held up very well in July following the active June period and buying at the higher third quarter prices somewhat exceeded trade expectations.

Complete records for June and the first half year indicate that business in both periods was at the highest level since 1930. The accompanying chart shows changes expressed as a per cent of 1935, which have been recorded in important lines of fourth district business in the first six months. Comparison of June figures with last year reveals larger increases in most cases.

Employment indexes in most cities where such figures are available, after allowing for the seasonal trend, advanced slightly from May to June, and remained considerably above last year at that time. Canton, in early July, reported the number engaged in industrial work at record high levels, even surpassing 1929. While increases in average employment in the first half of 1936 were general, the number still dependent on some source or agency for relief constitutes one of the major problems resulting from the depression.

General conditions were complicated by the unfavorable agricultural situation; crop conditions, which on July 1 in this district were much below the average for that time in past years, were further sharply reduced by the continued drought and high temperatures. By the third week of July the *Department of Agriculture* said that damage done to the corn belt already had been greater than in 1934. In that year the fourth district suffered less than other sections of the country, but this season prospects are very unpromising. While rains in the latter half of the month temporarily relieved some areas they were thought to have been too late for all except potatoes and tobacco in most sections. Crop prices have advanced sharply in recent weeks as a result, but those having no crops to sell will be affected by the higher feed costs.

Financial transactions involving debits to individual accounts at banks in leading cities of the district in the four weeks ending July 22 were 25.5 per cent larger than in the same period of 1935 and the gain for the year to date was 17.2 per cent. Commercial failures continued in very limited number, being 20 per cent under last year in June and liabilities of the defaulting concerns were down 50 per cent.

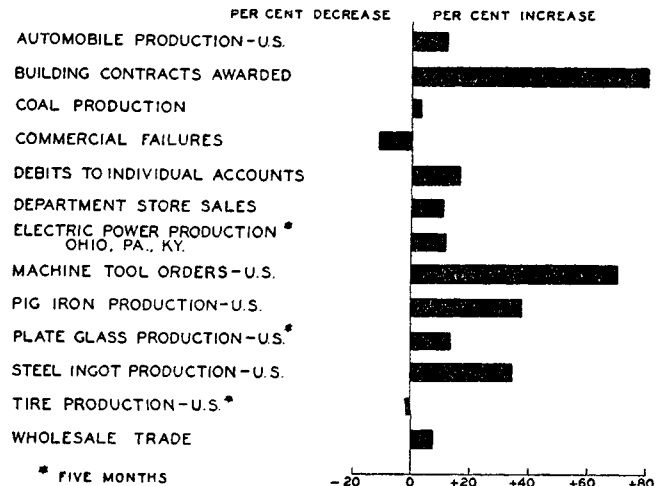
Lake shipping in June made up much of the time lost by the late opening of the season and iron ore receipts at Lake Erie ports in the month were 56 per cent larger than a year ago. The gain for the season was 38 per cent. Despite this increase, stocks of iron ore on docks and at furnaces in this section on June 30 were 14 per cent smaller than on that date last year. Coal shipments from Lake Erie ports in June were up 13 per cent and for the season 43 per cent from corresponding periods of 1935.

There is little evidence of increasing inventories of either raw or manufactured goods in this district. Department store stocks were five per cent larger on June 30 than a year ago, but the stock turnover has been more rapid than in 1935.

Electric power consumption has continued to move upward this year and the gain in Ohio, Pennsylvania, and

Fourth District Business Indicators

Per cent change first half of 1936 from 1935



Kentucky in the first five months was 12 per cent from 1935. A new high record was reached and the increase in mid-July in the central industrial region of the country, which includes most of this district, was 21 per cent over last year.

FINANCIAL

The most significant development in the financial situation in the past month was the increase by the Board of Governors of the Federal Reserve System in reserve requirements for member banks which will become effective after the close of business on August 15, 1936. The increases, which amount to 50 per cent of present reserve requirements, are as follows: on demand deposits at central reserve city banks (New York and Chicago) from 13 per cent to 19½ per cent; at reserve city banks, from 10 per cent to 15 per cent; and at "country" banks from 7 to 10½ per cent; on time deposits at all banks, from 3 to 4½ per cent.

The Board in its announcement said in part "This action (increase in requirements) eliminates as a basis of possible injurious credit expansion a part of the excess reserves, amounting at present to approximately \$3,000,000,000 * * *. The part of the excess reserves thus eliminated is superfluous for all present or prospective needs of commerce, industry and agriculture and can be absorbed at this time without affecting money rates and without restrictive influence upon member banks, practically all of which now have far more than sufficient reserves and balances with other banks to meet the increases."

The probable effect of these changes on banks in this district, based on their daily average deposits for the latest period for which figures are available, is shown in the following table:

Average Required Reserves, Reserve Balances and Approximate Excess Reserves of Member Banks in the Fourth Federal Reserve District

(In Thousands of Dollars)

	Period ending	Balances of		Approximate excess reserves	Percentage of approximate excess reserves to requirements
		Average required reserves	reserve accounts on 7/17/36		
Reserve City Banks	7/17/36	\$185,088	\$317,049	\$181,961	135
All other banks (Reporting semi-monthly) 6/30/36		42,093	94,906	52,813	125
Total		\$177,181	\$411,955	\$234,774	133
Based on Reserve Percentages effective August 16, 1936					
Reserve City Banks	7/17/36	\$202,632	\$317,049	\$114,417	56
All other banks (Reporting semi-monthly) 6/30/36		63,139	94,906	31,767	50
Total		\$265,771	\$411,955	\$146,184	55

The approximate total of present excess reserves would be reduced from \$235,000,000, or 133 per cent of requirements for all banks in the district, to about \$146,000,000, or 55 per cent in excess of requirements, by the 50 per cent increase in required reserve balances.

Changes in total earning assets of this bank in the four weeks ended July 22 consisted chiefly of an increase in Government securities now held by the System for this bank's account. This amounted to about \$18,000,000. Prior to June 30 each Federal reserve bank had a separate investment account, but all securities so held were transferred to the System's open market account and participations in the System account were reallocated among the Federal reserve banks. Total holdings of Government securities by the Fed-

eral Reserve System remained unchanged in the four latest weeks.

Industrial advances declined slightly in the four weeks ended July 22, but holdings of acceptances and bills discounted were little changed and continued in very limited volume.

Circulation of this bank's Federal reserve notes, which increased quite sharply in conjunction with the cashing of veteran bonus checks, apparently reached its peak in early July, for since July 8 a reduction of about \$5,000,000 occurred to \$388,575,000 on July 22. This, however, was \$70,000,000 higher than a year ago.

At the weekly reporting member banks little change was evident in the four latest weeks in the volume of loans outstanding. Investments in Government securities increased slightly, although they were still under the all-time peak reported in mid-June. Holdings of other than Government securities declined moderately in the four latest weeks, but they remained larger than at this time last year.

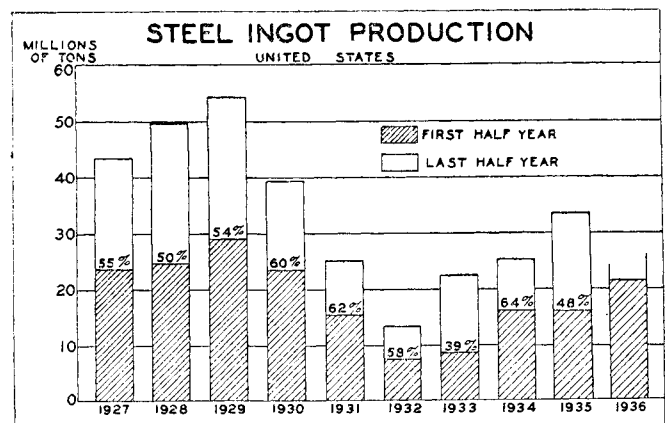
Time deposits were at the highest level since 1933 and adjusted demand deposits showed a further increase in the four latest weeks.

MANUFACTURING, MINING

Iron and Steel

The trend of iron and steel production in the first three weeks of July was contrary to expectations in trade circles; it was felt that the sharp increase in buying in June prior to the effective date of the price advance would likely be followed by some decrease in early July. This was not the case. Operating rates did recede quite sharply in some centers in the holiday week, but recovery to a level only slightly under the high rate for the year occurred in the week ended July 11. Since that time the trend in national output has been irregular chiefly because of the closing down for vacations. A rather sharp recovery in the rate of production was reported in the week ended July 25 and the national average advanced again to above 70 per cent of capacity. This compared with 45 per cent a year ago and about 30 per cent in 1934. Allowing for seasonal variations, steel mill operations in the latter part of July were at a higher rate than since late 1929.

July production has been partly maintained by extension of the delivery date on second quarter orders and protections on identified projects are being utilized on considerable tonnage. The new prices have been established quite firmly, however, and *Steel's* price composite of iron and steel was \$33.49 compared with \$32.79 in June.



Steel demand has been varied. Tin requirements are heavy. Tractor and farm implement production has receded slowly and while 1936 automobile production is slackening, a small amount of buying for 1937 cars has been reported. Awards for steel pipe, wire, and reinforcing bars remain comparatively heavy. The 5,220 freight cars ordered in June put the six months' total at 28,129 compared with 6,333 last year in the same period. An order was placed recently for 20,000 tons of rails. Shipbuilding demand is heavy, not less than eight tankers being on contract in the East, with inquiries for two more. The eight already contracted will require about 103,000 tons of steel, which is 12,000 tons more than all ship construction in American yards during the second quarter.

In steel centers of this district operating rates in the week ended July 25 compared quite favorably with a month ago; at Wheeling plants the rate was advanced to 89 per cent following the strike settlement. This compared with 71 per cent in June and 73 per cent last year. At Cincinnati the rate was down four points in the latest week from last month to 76 per cent; Youngstown plants stepped up production following the holiday, and at 78 per cent in the latest week they were two points below the peak of June, while a year ago operations were at 49 per cent. Pittsburgh mills in the week ended July 25 were working at 67 per cent, equal to the highest rate so far this year and up sharply from the 41 per cent rate of a year ago. At plants in Cleveland and vicinity, operations have fluctuated considerably in recent weeks, due to vacation shutdowns, holidays and varying demand. In the latest week the rate was 85 per cent, the peak for the year, compared with 84.5 per cent in June and 54 per cent a year ago.

Steel ingot production during the first six months of this year was the largest for any comparable period since 1930, totaling 21,326,335 gross tons, an increase of nearly 33 per cent over the 16,042,651 tons in the same period last year. The accompanying chart shows production by six-month periods for the past ten years, the figure representing the proportion of total yearly output which fell in the first six months. The nine-year average is 54.4 per cent. Plant operations averaged 62.29 per cent of capacity in the first half of 1936, compared with 46.75 in the corresponding months of 1935. The June operating rate was 69.83 per cent, highest of any June since 1929. Output in June totaled 3,984,845 tons, about 1½ per cent less than in May, but 76 per cent in excess of last year.

Average daily pig iron production in June—86,529 gross tons—was 0.85 per cent over May. The total—2,595,882

tons—was up 67 per cent as compared with last year. The six-months' total this year, 13,579,356 tons, was 38.2 per cent over the comparable period last year. Stacks active at the end of June totaled 143, compared with 145 at the close of May and 91 a year ago.

Coal

Production of bituminous coal at fourth district mines increased slightly in June as compared with May, but in contrast with last year a decline of 0.9 per cent was evident. This was less than was reported for the entire country and for the year to date output was 3.4 per cent ahead of the first six months of 1935. This gain was chiefly due to the increased shipment of coal to upper Lake ports which so far this year amounted to 14,033,000 tons, a gain of 43 per cent from the same period of the preceding year. Industrial consumption of soft coal has also improved this year, but inventories have been drawn upon to supply the needed fuel; stocks above ground in hands of principal consumers and retailers were down more than 25 per cent on June 1 as compared with a year earlier. In 1935, however, the uncertain coal outlook necessitated rather large stocks.

Mine operations since the start of the coal year on April 1 have fluctuated very little from week to week, a marked contrast to the situation last year when activity was showing a series of sharp expansions and contractions.

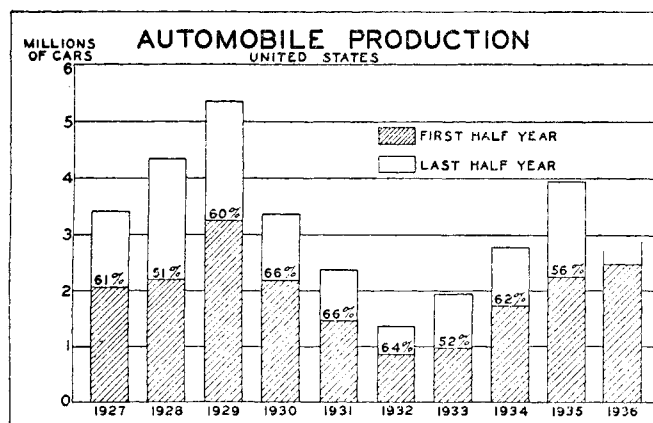
The price situation has been weak recently, as compared with earlier months of the year, but composite prices of various grades are still slightly above a year ago.

Automobiles

Earlier estimates of June automobile output were under actual production of 454,487 cars and trucks as reported by the *Department of Commerce* and although plans for 1937 models are advancing rapidly, assembly of current models in July continued above last year. Compared with May, output in June was down only 1.3 per cent and the Board's seasonally adjusted index of daily average production was 119 per cent of the 1923-25 average compared with 118 in May and 99 in June last year. Total output was 27.5 per cent greater in June than a year ago and with production reported at 2,490,408 cars and trucks in the first six months, the largest number for that period since 1929, a gain of 12.3 per cent was evident from 1935. The accompanying chart shows total production by year and half-year periods since 1927, and the first six-month output expressed as a per cent of annual production. The average for the nine years is 59.8 per cent although the 1935 percentage was below this average in part because of the shift in model changeovers.

Passenger car production in June was 376,641 units, a gain of 28 per cent from last year and only a slight drop from May. In the first six months 2,045,894 passenger cars were made, compared with 1,847,000 in the first half of last year, an increase of 10.7 per cent.

Sales of passenger cars in May were at record high levels for the entire country and estimates for June have been revised upward to 380,000 units. This is only slightly below the 1929 peak. Spending of the bonus money is generally regarded as one of the principal causes for the fact that demand held up so well in June and the first part of July. In principal counties of this district new registrations declined less than seasonally in June and were 55 per cent higher than a year ago. During the first half year there were 43 per cent more cars sold than in the comparable period of 1935.



Although weekly production estimates declined in July, the falling-off was less pronounced than anticipated and total assemblies in the week ended July 25, at 96,863 units, were still over 13,000 in excess of last year and up 5,000 cars in the latest week. The dates for ending assemblies of the 1936 models are still uncertain, according to reports, because of the way retail sales have held up this year.

Truck production in June was reported to be 77,846 units, a slight increase from May and a gain of 25 per cent from June 1935. In the first six months, truck production was up 20 per cent from last year, a larger gain than was evident in the passenger car field.

Rubber, Tires

Consumption of crude rubber in June indicated that operations in the rubber industry continued at a relatively high rate in the month, both as compared with June 1935 and May of this year. At 52,636 long tons, a new high record was established, the gain from last year being 45.6 per cent, while the increase from May was 4.3 per cent. A relatively smaller share to total rubber consumed apparently was used for tires in the first part of 1936 than in other recent years. Production of rubber sundries so far in 1936 has been in very good volume as compared with preceding years, mechanical rubber goods and boots and shoes showing the largest increases from 1935.

Replacement tire sales by manufacturers in June declined from May and a further falling-off was reported in July. The price advance in early May was preceded by considerable dealer buying and these stocks are being worked down. Tire sales to automobile manufacturers held up better than expected in recent weeks. Prices were raised ten per cent on these sales as of July 1, according to reports, and the increase in replacement tire prices has held. From a price standpoint the rubber manufacturing industry is in better position than in two years.

Manufacturers' tire inventories failed to show the usual increase in the first quarter of the year and they were reduced quite sharply in May. On June 1 the supply on hand was 26.5 per cent smaller than a year ago and nearly 10 per cent smaller than a month previous. While tire production in the first five months was nearly two per cent under the same period of 1935, shipments were up over six per cent in the same interval. Talk of further decentralization of the tire industry has become more audible recently and Akron now only produces from 45 to 50 per cent of all tires made in the country. As manufacturing branches have been established in other sections of the country there has been a definite trend away from Akron and expansion in other centers.

Crude rubber inventories were further reduced in June as imports in the month fell short of consumption by over 10,000 tons. At 245,886 tons, stocks on hand compared with 324,218 long tons a year ago. Prices continued to advance in the first three weeks of July. Ribbed-smoked sheets were quoted at 16.6 cents a pound, compared with 12 cents a year ago and a recent low of less than three cents a pound in 1932.

Clothing

Operations of local clothing plants continued practically unchanged in the first half of July compared with June, most of them being active on fall and winter lines. Production in the first six months compared very favorably with last year and earnings also showed a decided increase. In some cases

output so far this year even exceeded the corresponding period of 1929, but that was not the peak year for the clothing industry.

Orders continue to be received in larger volume than for some time and relatively few cancellations have emanated from drought sections; in 1934 they were numerous. Announced relief expenditures and bonus payments are thought to have partly counteracted the effect of the drought in many areas. Inventories of men's clothing are reported in about the same volume as a year ago, but retail stocks at stores in this section are slightly larger than at the end of June 1935. Men's clothing stocks were up 15 per cent, while inventories of women's clothing were up 10 per cent.

Sales of men's clothing at fourth district reporting department stores were 15 per cent larger than in June last year and sales of boys' wear were up two per cent. Sales of women's and misses' ready-to-wear in the month were less than one per cent ahead of 1935, and prices of women's apparel were over two per cent higher than a year ago. Prices of men's clothing continued to show practically no change from last year.

Woolen textile mill activity is down seasonally, manufacture of fall and winter materials having been about completed. Consumption of raw wool in the second quarter declined quite sharply from the unusually high level that had been maintained since September 1934, but prices continued to move irregularly upward in the period. In mid July fine Territory wool was quoted 90 cents a pound, slightly under the year's peak, but this compared with 71 cents a year ago.

Other Manu- facturing

Most manufacturing industries in this district were operating at an unusually high level for this season of the year and little summer contraction was reported. Employment gains continued to be shown in principal centers in June. Inventories were reported as normal for this season in most cases, though in a few instances stocks were low, compared with other recent years.

Manufacturers of automobile parts and materials reported a drop in orders and production in the first half of July, although both held up very well considering the season and the fact that the time for new models draws nearer. Some placing of orders for 1937 cars has been reported, but prior to the third week of July this was quite limited. In comparing the results of operations in the first six months with preceding years it was reported that the period just closed was better than since 1930 and in a few cases than since 1929. Inventories were slightly larger than a year ago. Hardware plants reported a similar condition and they had more orders on hand than at this time last year or in June.

Excluding window glass, the industry continues to operate at capacity and sales are reported at all-time high levels. Inventories have declined as sales exceeded production. Shipments to the automobile industry have contracted recently, but plant production has been maintained to build up stocks. Shipments of window glass in the first half year were about ten per cent under the same period of 1935, the strike early in the year affecting output. Prices were advanced in June, but orders in July were larger than a year ago.

China and pottery plants in this district continued to operate at about 50 per cent in early July and production so far this year has been under the same period of 1935.

In several past years an increase in sales has been experienced at this time, but none was reported this season. Inventories are normal and prices remain unchanged. Production of other clay products continues above last year.

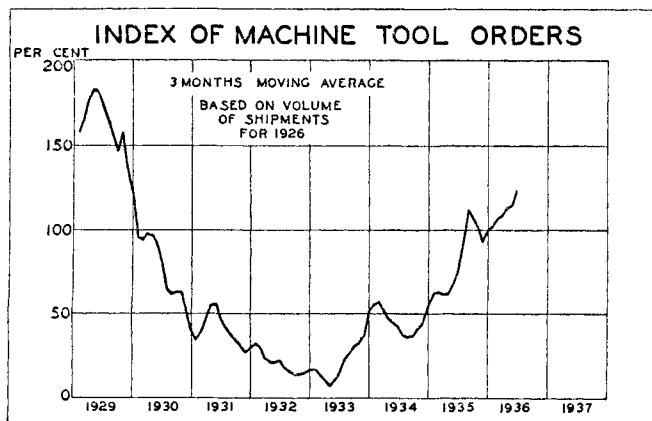
Volume sales of boxboard, paper boxes and containers in the first half of 1936 were somewhat larger than in 1935, but low prices kept dollar value to about what it was last year. Production recently has been close to 75 per cent of capacity compared with about 65 per cent a year ago. Makers of fine paper were in slightly better position with dollar sales larger than in 1935.

Machine tool builders reported a further increase in new orders in June to the highest level since 1929. The extent of the improvement in this industry in the past three years is shown on the accompanying chart. Orders received in June were 38 per cent larger than in the same month of 1935 and while foreign buying has improved, it represented only 17 per cent of the total, the same as a year ago. Plant operations continue at a high rate and skilled labor shortages are still reported. Small tool sales in the first six months were considerably larger than in 1935 and in recent weeks a slight spurt in buying was experienced. Foundry equipment orders were down in June from the high rate of May, but were still over 40 per cent in excess of last year.

Unusually warm weather stimulated sales of seasonal electrical goods such as fans, refrigerators and air conditioning equipment and factory operations have held up very well for this time of year. Large gains in the first half year in sales and production were reported as compared with 1935.

Paint sales so far this year have been almost in record volume, the month of June even exceeding the previous high of 1929 and there was a contra-seasonal increase experienced in the first half of July. The large amount of renovizing, the improvement in new construction, and the high rate of industrial activity have been contributing factors.

Shoe production at fourth district factories in June was slightly less than in the same month of last year, but for the first six months a gain of over two per cent was reported. For the entire industry production in the January-June period was estimated to be slightly under the corresponding interval of 1935. Local factories are now working on fall and winter lines and orders received so far are reported substantially larger than at this time last year. Retail sales of summer footwear have been in excellent volume.



TRADE

Retail

The sharp gain experienced in department store sales in May was largely maintained in June when allowance is made for seasonal changes, the index of daily average sales only dropping fractionally to 86.3 per cent of the 1923-25 average. Dollar sales of 51 reporting stores throughout the district were 15.4 per cent larger than in June 1935, the increases being well distributed in the various cities. They ranged from 11 per cent at Cincinnati to 27 per cent at Youngstown in the month. For the first six months a gain of 11 per cent was shown at reporting stores. So far as individual departments were concerned increases in June were evident in sales of all but gloves, cotton and wool yard goods, ladies' coats, children's shoes and men's hats.

Retail prices, judging by *Fairchild's* index, were down slightly in June, after remaining steady for three months, due to lower prices on men's and children's apparel, and housefurnishings. Compared with a year ago the price index was up 2.6 per cent.

Charge purchases declined seasonally in June, the ratio of all credit to total sales being down over three points to 58.4 per cent. Both regular 30-day and installment sales fell off, but the latter represented 8.8 per cent of total sales compared with 6.8 per cent in June 1935. Collections of accounts receivable at the beginning of the month were up slightly from May and were approximately six per cent better than in June 1935. The improvement was most marked in collections on regular accounts.

Dollar value of stocks declined five per cent in June, but this was chiefly seasonal and at the month end it was 4.8 per cent larger than a year ago. The ratio of total sales to stocks continues higher than in 1935.

Sales of reporting wearing apparel stores in this district were 2.4 per cent larger in June than in the corresponding month of last year, but for the first six months a gain of five per cent was evident. Furniture sales have been in good volume recently; stores experienced gains of 41 per cent in June and 26 per cent in the first six months from similar periods of 1935.

Wholesale

All reporting lines of wholesale trade in this district showed greater increases in sales in June, as compared with last year, than were experienced in earlier months of 1936. Dollar sales of all lines were eight per cent larger in the first six months than in the same period of 1935. Hardware sales continued to lead in the amount of improvement, a gain of 28.5 per cent being reported for June and of 21 per cent for the first six months. Drug sales were up 18.8 and 10.2 per cent in the same periods; dry goods firms reported increases of 17.3 and 6.8 per cent; while grocery sales were up nearly eight and four per cent in June and the first six months.

CONSTRUCTION

Building contracts awarded in the fourth district in June, valued at \$20,286,000, though slightly smaller than in May, were 31 per cent larger than in June 1935. The increase in residential building and heavy public works was too small, in the aggregate, to offset the declines in non-residential building and public utilities, but compared with last year gains were reported for each of the major groups except heavy public works. Those showed only a slight decline.

Nonresidential building, other than public works, led in

the amount of improvement from a year ago. Contracts awarded in June, valued at over \$8,000,000, were 61 per cent larger than a year ago and the increase for the first six months was over 100 per cent. Residential building contracts awarded in June were valued at \$7,753,000, a gain of 14 per cent from June 1935, and the improvement for the first six months was 75 per cent. The latter increase exceeded the gains reported in most other sections of the country.

Although public utility construction in the first half of 1936 was three times as great as in the corresponding interval last year, the dollar value was only about one-third as large as the value of residential building reported in the first half of this year. Contracts for public works undertaken in the first six months were about three per cent smaller than in the same period of 1935.

Contemplated construction reported in June in this district exceeded the previous month by 25 per cent and a gain of approximately 10 per cent from a year ago was evident.

Building supply and lumber dealers reported little change in demand in recent weeks. Sales in the first half of 1936 were stated to be about 50 per cent in excess of last year. Stocks of lumber in hands of distributors have not increased appreciably although they have accumulated at manufacturing centers.

AGRICULTURE

While drought conditions in this district in June and the first three weeks of July were less severe than in some sections of the country and rains had occurred in scattered areas, which partly relieved the situation, precipitation was much below normal generally and all crops were seriously affected. The whole planting season this year was retarded by weather, and the hot, dry period came before many crops had become established. Seed germination was poor and much replanting was necessary, particularly of corn.

The *Department of Agriculture* in its July 1 report which was made up before the blistering hot weather of early July, said at that time "Drought conditions have reached a point where crop prospects are rather definitely poorer than at this date in any previous year except 1934 * * *. The July 1 reports indicated that in addition to the loss of about 10,000,000 acres of the winter wheat seeded last fall, more than 11,000,000 acres of spring wheat and many acres of oats and barley would be abandoned." Continuing further, the report said "Although the prospective supplies of feed grains, including grain now on hand, are somewhat less than last year and considerably below average, there seems no reason to look for a repetition of the 1934 shortage of these grains unless the large corn acreage, which is beginning to suffer over a wide area, shows further deterioration." The most serious damage is in the Dakotas and surrounding states, the loss being reported probably as complete as in any other drought.

While late-maturing crops such as tobacco, potatoes, cotton, soy beans, and corn have all had an unfavorable start, these crops are still young and, judging by the results of previous drought years, they could still make fair yields if they were favored with good weather from now on. July weather, however, was not at all beneficial generally.

In the fourth district, crop prospects declined in June and the past month and the condition of all crops was much below the average of preceding years. The accompanying table shows the July 1 estimate of production of principal crops of the district as compared with the actual 1935

harvest and the average harvest of the past ten years. With the exception of wheat, as compared with the ten-year average, all crops showed large decreases.

Principal Crops—Fourth District (000 omitted)

	July 1, 1936 estimate	1935 Harvest	% Change 1936 from 1935	10-year average harvest (1926-1935)	% Change 1936 from 10-year average
Corn, bu.	154,381	196,279	-21.3	162,316	-4.9
Wheat, bu.	45,526	52,324	-13.0	38,605	+17.9
Oats, bu.	40,335	61,382	-34.3	68,327	-41.0
Tame Hay, tons....	4,071	5,131	-20.7	5,236	-22.2
Tobacco, pounds....	77,506	88,046	-12.0	130,156	-40.5
Potatoes, bu.....	15,902	25,216	-36.9	20,055	-20.7

Wheat The 18 per cent increase in the wheat crop is partly explained by the fact that in recent years local farmers have been expanding their wheat acreage. Compared with 1935 this year's crop was estimated to be 13 per cent smaller despite the fact that acreage planted last fall for harvest was larger than was reported in the year previous. In addition wheat had completed its growth before the drought became serious. Although thin stands of wheat, short in straw, were reported in many sections, heads were fairly well filled. The dry weather at harvest time caused considerable shelling of grain in fields.

Oats The July 1 condition of oats in Ohio was 59 per cent of estimated normal compared with 77, the ten-year average condition. In Kentucky the corresponding figures were 35 and 77; West Virginia, 48 and 79, and Pennsylvania, 71 and 83 per cent. In addition a much smaller acreage was planted than usual, because of adverse weather at seeding time. As a result the year's crop was estimated on July 1 to be only 40,335,000 bushels in this district, compared with a less-than-average harvest of 61,382,000 bushels in 1935. Compared with the ten-year average harvest, this year's crop is estimated to be down 41 per cent. Oats need cool, moist weather and conditions have not been favorable for this crop for several years. The crop is late in this section, in some cases too short to harvest except for hay, and is very light generally. Fortunately oat stocks on hand for the country as a whole were larger on July 1 than in ten years and almost 100,000,000 bushels in excess of the five-year average carryover.

Corn Probable production of corn in the fourth district was estimated to be 154,381,000 bushels on July 1, a reduction of 21 per cent from the harvest of 1935 and of nearly five per cent from the ten-year average. The July 1 condition in all states of the district except Pennsylvania was under the average for the entire country. The country's 1936 crop, based on the July 1 condition, was estimated to be only slightly smaller than the 1935 harvest, but damage has been considerable since then. Acreage planted to corn was slightly greater than last year, but germination was below average in many cases and stands are very uneven. Corn has remarkable recuperative power and, until tasseling starts, it can stand considerable dry weather. Rains in mid-July were beneficial to the crop in some parts of this district, but they were reported to be too late for Kentucky and southern Ohio.

Hay and Pasture The July 1 condition of pastures, with the exception of 1934, was the lowest ever reported by the *Department of Agriculture*. For the entire country it was 58.1 per cent of estimated normal, while a year ago it was 85.4 per cent. In Ohio, West Virginia, and Kentucky the

July 1 condition was somewhat below the national average; in the last-named stated it was only 27 per cent. Hay was short and thin and the crop was reported to be 21 per cent below last year and 22 per cent less than the ten-year average harvest. Clover and alfalfa were fair generally.

Potatoes Late potato prospects in this district as reported on July 1 were very poor, the crop being estimated 37 per cent smaller than the 1935 harvest and 21 per cent under the ten-year average. Stands are very irregular in most sections and condition of the crop was below the average for the entire country, which was the second lowest in 70 years.

Tobacco The July 1 condition of Burley tobacco was reported to be only 45 per cent of normal, compared with 76 a year ago and although there was a 12 per cent increase in planted acreage from that harvested in 1935, production is forecast at 216,803,000 pounds compared with 217,000,000 pounds last year and 336,845,000 pounds, the five-year (1928-32) average production. Estimated production of all types of tobacco raised in the fourth district is 12 per cent below last year and over 40 per cent below the ten-year average. Transplanting was late and crop growth has been very slow, but rain in the third week of July improved prospects considerably. Cigar tobacco prospects in this district were poor in July.

Fruits Little change occurred in fruit prospects in June or early July. Grapes promise to be a fair crop, somewhat below average in quantity. In some sections very limited fruit crops will be harvested this fall, and peaches, cherries, plums and early-maturing apples are much below normal.

Prices The general level of farm prices advanced considerably in recent weeks as a result of sharply higher prices for wheat and feed grains, and moderately higher prices for hogs, dairy products, and cotton. The index of prices received by farmers in mid-June before the recent rise occurred was 107 per cent of pre-war average compared with 103 in May and 104 in June 1935. Prices of goods farmers buy showed little change recently.

Fourth District Business Statistics

(000 omitted)				
Fourth District Unless Otherwise Specified	June 1936	% change from 1935	Jan.-June 1936	% change from 1935
Bank Debits—24 cities.....	\$2,434,000	+20.8	\$13,040,000	+16.5
Savings Deposits—End of Month				
40 banks, O. and W. Pa.....	\$ 717,220	+ 4.4	1	
Life Insurance Sales:				
Ohio and Pa.....	\$ 78,158	+ 2.3	444,159	-11.1
Retail Sales:				
Dept. Stores—51 firms.....	\$ 19,493	+15.4	105,209	+11.0
Wear Apparel—13 firms.....	\$ 853	+ 2.4	4,846	+ 5.4
Furniture—43 firms.....	\$ 1,150	+40.9	5,637	+25.5
Wholesale Sales:				
Drugs—11 firms.....	\$ 1,427	+18.8	6,656	+10.2
Dry Goods—10 firms.....	\$ 1,167	+17.3	6,798	+ 6.8
Groceries—30 firms.....	\$ 4,046	+ 7.7	22,815	+ 3.5
Hardware—13 firms.....	\$ 1,678	+28.5	8,489	+21.0
Building Contracts—Total.....	\$ 20,286	+31.3	114,991	+81.3
—Residential.....	\$ 7,753	+13.7	32,671	+75.2
Commercial Failures—Liabilities	\$ 682	-50.0	6,813	-11.2
—Number.....	54 ²	-20.6	396 ²	-17.5
Production:				
Pig Iron—U. S..... tons	2,596	+66.6	13,579	+38.2
Steel Ingot—U. S..... tons	3,985	+76.4	21,326	+34.9
Auto—Passenger Car—U. S.....	376,641 ²	+28.0	2,045,894 ²	+10.7
—Trucks—U. S.....	77,846 ²	+25.2	444,514 ²	+19.9
Bituminous Coal, O. W. Pa., E. Ky. Thous.	12,370	- 0.9	77,071	+ 3.4
K. w. h.....	1,427 ³	+15.3	6,994 ⁴	+12.1
Petroleum, O., Pa., Ky..... bbls.	2,208 ³	- 1.5	10,496 ⁴	- 0.6
Shoes..... pairs	5	- 1.5	6	+ 2.2
Tires, U. S..... casings	4,971 ³	+19.1	21,619 ⁴	- 1.9
Bituminous Coal Shipments:				
L. E. Ports..... tons	6,108	+13.2	14,033	+ 4.3
Iron Ore Receipts:				
L. E. Ports..... tons	4,692	+56.3	7,343	+37.8

¹ not available
² actual number
³ May
⁴ Jan.-May
⁵ confidential

Wholesale and Retail Trade

(1936 compared with 1935)

	SALES June 1936	Percentage Increase or decrease SALES First 6 months	STOCKS June 1936
DEPARTMENT STORES (51)			
Akron.....	+12.5	+ 1.9	+ 7.6
Cincinnati.....	+10.9	+10.0	+12.1
Cleveland.....	+13.8	+11.4	+ 9.0
Columbus.....	+14.7	+11.7	+11.8
Pittsburgh.....	+17.8	+12.3	- 1.1
Toledo.....	+12.5	+ 9.1	+ 2.8
Wheeling.....	+19.5	+13.3	+ 3.6
Youngstown.....	+27.0	+19.5	+15.6
Other Cities.....	+18.0	+13.3	- 0.6
District.....	+15.4	+11.0	+ 4.8
WEARING APPAREL (13)			
Cincinnati.....	- 7.9	+ 1.9	+ 8.5
Cleveland.....	+ 3.6	+ 9.0	+ 4.4
Pittsburgh.....	+ 4.4	+ 2.6	- 8.1
Other Cities.....	+14.2	+ 7.4	+20.2
District.....	+ 2.4	+ 5.4	+ 6.1
FURNITURE (43)			
Cincinnati.....	+61.5	+27.1	
Cleveland.....	+39.8	+24.2	
Columbus.....	+35.2	+19.1	
Dayton.....	+25.8	+19.6	
Toledo.....	+50.1	+31.4	
Other Cities.....	+41.9	+34.0	
District.....	+40.9	+25.5	
CHAIN STORES*			
Drugs—District (4).....	+14.3	+18.4	
Groceries—District (5).....	+ 2.4	- 0.5	
WHOLESALE GROCERIES (30)			
Akron.....	+ 6.2	+ 4.9	
Cleveland.....	- 2.4	- 3.4	
Erie.....	+17.1	+ 5.2	
Pittsburgh.....	+12.7	+ 1.8	
Toledo.....	+ 5.1	+ 2.8	
Other Cities.....	+13.3	+10.2	
District.....	+ 7.7	+ 9.0	+ 9.3
WHOLESALE DRY GOODS (10)			
.....	+17.3	+ 6.8	- 9.3
WHOLESALE DRUGS (12)			
.....	+18.8	+10.2	
WHOLESALE HARDWARE (13)			
.....	+28.5	- 0.9	

*Per individual unit operated.

Debts to Individual Accounts

(Thousands of Dollars)

	5 weeks ended July 22, 1936	% Change from 1935	Year to date Jan. 1, 1936 to July 22, 1936	Year to date Jan 2, 1935 to July 24, 1935	% change from 1935
Akron.....	\$71,176	+21.7	\$592,903	\$334,255	+17.5
Butler.....	9,677	+25.7	55,592	44,771	+24.2
Canton.....	41,977	+21.4	220,549	187,819	+17.4
Cincinnati.....	413,559	+25.9	2,138,626	1,849,413	+15.5
Cleveland.....	668,264	+19.3	3,617,038	2,970,025	+21.8
Columbus.....	205,816	+18.1	1,137,818	1,030,431	+10.4
Dayton.....	79,867	+38.7	409,339	330,202	+24.0
Erie.....	31,249	+27.5	165,189	138,420	+19.3
Franklin.....	4,080	+20.9	21,447	18,628	+15.1
Greensburg.....	8,827	+19.8	44,807	34,531	+29.8
Hamilton.....	12,971	+29.2	71,077	56,323	+26.2
Homestead.....	3,571	+28.1	16,994	14,203	+19.7
Lexington.....	23,497	+ 8.1	131,163	139,063	- 5.7
Lima.....	14,165	+36.1	73,662	58,211	+26.5
Lorain.....	4,887	+29.9	25,111	21,957	+19.3
Middletown.....	10,450	+18.2	59,346	47,713	+24.4
Oil City.....	12,534	+22.5	65,623	57,973	+13.2
Pittsburgh.....	901,969	+32.1	4,653,991	4,050,408	+14.9
Springfield.....	18,715	+14.6	102,807	92,518	+11.1
Steubenville.....	10,053	+30.4	51,665	44,460	+16.2
Toledo.....	139,459	+35.6	750,360	590,645	+27.0
Warren.....	10,026	+39.1	53,773	44,301	+21.4
Wheeling.....	37,660	+ 9.4	209,195	185,676	+12.7
Youngstown.....	53,595	+17.6	293,140	247,105	+18.6
Zanesville.....	9,056	+16.3	48,645	42,754	+13.8
Total.....	\$2,797,100	+25.5	\$14,806,460	\$12,630,905	+17.2

Fourth District Business Indexes

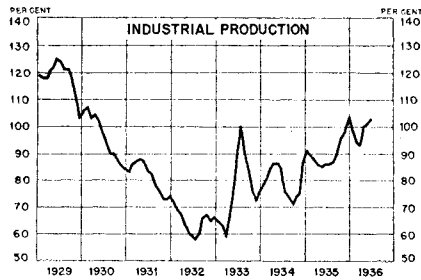
(1923-25 = 100)

	June 1936	June 1935	June 1934	June 1933	June 1932
Bank Debits (24 cities).....	90	74	69	58	59
Commercial Failures (Number).....	37	47	51	93	203
(Liabilities).....	16	31	69	82	179
Sales—Life Insurance (O. and Pa.).....	93	91	100	89	97
—Department Stores (49 firms).....	84	75	70	59	58
—Wholesale Drugs (11 firms).....	96	80	81	70	80
—Dry Goods (10 firms).....	48	41	43	41	30
—Groceries (30 firms).....	75	69	68	62	64
—Hardware (13 firms).....	88	68	66	58	53
—All (64 firms).....	74	64	64	58	57
—Chain Drugs (4 firms)**.....	89	78	73	67	71
Building Contracts (Total).....	43	32	24	17	27
(Residential).....	45	40	10	15	12
Production—Coal (O., W. Pa., E. Ky.).....	68	69	63	63	40
—Cement (O., W. Pa., E. Ky.).....	74	83	81	70	54
—Elec. Power (O., Pa., Ky.)*.....	170	147	141	120	111
—Petroleum (O., Pa., Ky.)*.....	120	121	111	95	112
—Shoes.....	93	101	87	101	69

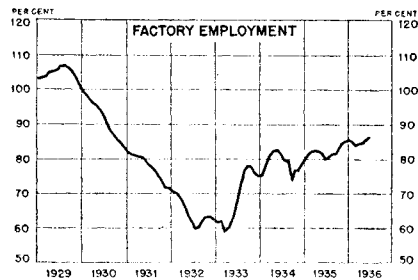
*May.
 **Per individual unit operated.

Summary of National Business Conditions

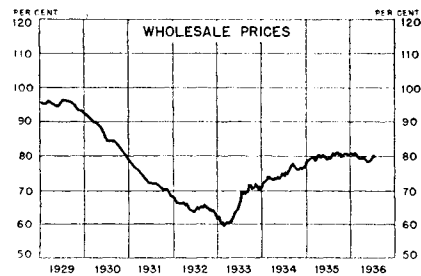
By the Board of Governors of the Federal Reserve System



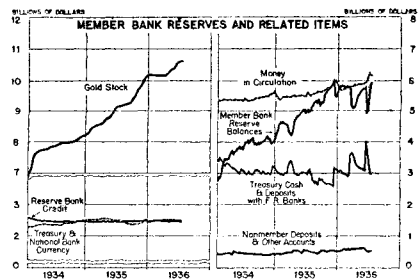
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average=100. By months, January 1929 to June 1936, the latest figure being 103.



Index of number employed, adjusted for seasonal variation, 1923-25 average=100. By months, January 1929 to June 1936, the latest figure being 86.3.



Index compiled by the U. S. Bureau of Labor Statistics, 1926=100. By months 1929-31; by weeks 1932 to date. Latest figure for week ending July 18, 80.1.



Wednesday figures, January 31, 1934 to July 22, 1936.

Volume of production, employment, and trade was sustained in June at the May level, although usually there is a decline at this season. Wholesale prices of commodities advanced between the middle of May and the third week of July, reflecting in part the effects of the drought.

Production and Employment

The Board's seasonally adjusted index of industrial production increased from 101 per cent of the 1923-25 average in May to 103 per cent in June. Steel production continued at about 70 per cent of capacity in June and the first three weeks of July, although a considerable decline is usual at this season. Output of automobiles declined seasonally. The cut of lumber showed a seasonal rise in June following a substantial increase in the preceding month. Production increased at woolen mills and was sustained at cotton mills where a decline is usual in June. Output of foods increased.

Factory employment and payrolls showed a slight increase between the middle of May and the middle of June, contrary to seasonal tendency. Steel mills and plants producing machinery employed more workers, and at automobile factories there was less than the seasonal decline. At textile mills employment was unchanged, although a decline is usual in June, while the clothing industries reported a decrease in the number employed.

Total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased somewhat from May to June and continued to be substantially larger than a year ago. There was a further increase in residential building.

Agriculture

Crop estimates by the Department of Agriculture on the basis of July 1 conditions indicated little change from last year for wheat and corn and considerable declines for oats, hay, potatoes, and tobacco. Since July 1, prospects have been reduced by extreme drought over wide areas. Cotton area in cultivation on July 1 was estimated by the Department of Agriculture at 30,600,000 acres compared with 27,900,000 acres last year and an average of 41,400,000 acres in the years 1928-1932.

Distribution

Freight-car loadings increased seasonally in June, and the distribution of commodities to consumers was maintained at the May level. In recent months retail trade as measured by sales of automobiles and by the volume of business of department, variety, and mail order stores has expanded considerably.

Commodity Prices

The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, advanced by about 3 per cent between the middle of May and the third week of July, following a decline of about the same amount earlier in the year. Prices of wheat, flour, feed grains, and dairy products advanced sharply, owing primarily to the drought, and there were increases also in the prices of hogs and pork, cotton and cotton textiles, silk, rubber, copper, and finished steel.

Bank Credit

Gold imports, which had been in large volume in May and June, declined in July. Funds held by the Treasury as cash and on deposit with Federal reserve banks declined, as the result of disbursements in connection with the cashing of veterans' service bonds. Consequently reserve balances of member banks, which had declined in June, rose once more to their previous level.

Total loans and investments of reporting member banks in leading cities, after increasing sharply at the end of May and the early part of June, declined somewhat in the four weeks ending July 15, reflecting largely a reduction in loans to security brokers and dealers in New York City. Balances held for domestic banks increased by \$800,000,000 during the period, as a consequence of redeposit with reporting banks of a considerable part of funds acquired by banks through Treasury disbursements.