

# MONTHLY BUSINESS REVIEW

Covering financial, industrial  
and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

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Little change was evident in the general level of industrial operations or trade in the latter part of July or the first three weeks of August so far as the fourth district was concerned. When allowance is made for seasonal variations and changes in the time of new automobile model introductions, it would appear that further gains had been made in the trend toward recovery. The *Board of Governors'* index of industrial production for the entire country, which makes correction for seasonal trend, rose five points to 108 per cent of the 1923-25 base period, the highest point for that index since early 1930. Industrial production did not show much change between June and July, but there generally is a falling-off in operations in the summer months.

This condition of relative stability continued in August except in the automobile industry where rapid preparation for new models caused a falling-off in assembly plant operations. The actual changeovers were postponed in several instances to later than previously announced dates because of active demand for new cars, and the shutdown period therefore is expected to be relatively short. Already many orders and specifications have been released and plants in this district are stepping up production schedules to build up inventories. Machine tool and die plants have been very active all summer, new orders for the former in July being up sharply from last year and larger than since 1929.

The trend of operations in the iron and steel industry has been significant. Despite the drop in automobile assemblies steel ingot production, although fluctuating around 70 per cent of capacity for several weeks, rose to 72.5 per cent in the third week of August, the highest rate since May 1930. This was 20 points higher than a year ago and practically every steel center in the fourth district was operating at a higher rate than the national average. Miscellaneous buying of steel in rather exceptional volume has helped maintain operations and the large backlog of orders on hand for sheets and tin plate has been a stabilizing factor. Shipments of iron ore by lake for the season to August 1 were nearly 50 per cent larger than in the same period of 1935, but despite this gain stocks of iron ore at furnaces and on lake docks are 15 per cent smaller than a year ago.

Rubber factories have been active as a result of improved tire replacement demand, largely seasonal, and the continuation of auto assemblies at a higher rate than a year ago.

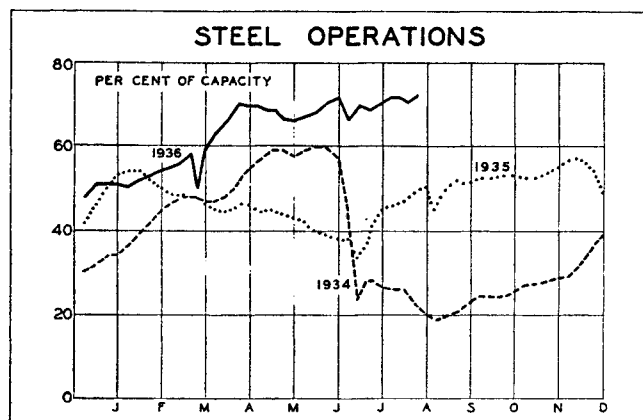
Crude rubber consumption in July was down slightly from June, but exceeded last year by 35 per cent. Stocks of crude rubber in hands of manufacturers have declined 100,000 tons in the past year, a drop of almost 30 per cent.

Smaller cities of the district reported manufacturing activity at a high rate in most instances. Employment has held up very well this summer and double shift operations were not uncommon. Electric power production in the latest month was 20 per cent above last year in Ohio and Pennsylvania and for the year to date a gain of 13 per cent was evident.

Building construction started in July increased from June, contrary to the usual custom. The gain was over 40 per cent and when compared with last year awards were up 25 per cent. Nonresidential construction, excluding public works and utilities, showed a large increase, both from the preceding month and a year ago. So far this year new building started was 66.5 per cent in excess of the same period of 1935.

Department store sales declined by more than the usual amount in July from the relatively high level of June, but dollar volume was still 15.5 per cent greater than in July 1935. Other lines of retail trade showed large increases from last year.

While agricultural conditions in this district did not worsen, particularly in July, they did not improve, according to the latest reports of the *Department of Agriculture*, and in some sections the situation is quite distressing. In



others fairly good crops are evident. Wheat was not seriously affected by the dry weather, and while the harvest is smaller than last year, higher prices made the total value of this cash crop somewhat greater in this district than in 1935. Other crops are poor, but local conditions are not as bad as in some sections of the country. Pastures and late crops improved somewhat in August as a result of more favorable weather.

Debits to individual accounts at banks in leading cities of the district in the four weeks ended August 19 were 19 per cent greater than in the same period last year and for the year to date they were up over 17 per cent. Commercial failures continued in limited number in July and liabilities of the defaulting concerns were only about a third what they were in July last year.

### FINANCIAL

The most significant development in the past four weeks was the 50 per cent increase in reserves against deposits which member banks are required by law to maintain with the Federal reserve banks and the ease with which this was accomplished. Excess reserves of member banks in this district, which in the first part of August were built up to more than \$240,000,000, a record figure, were reduced by this action to about \$160,000,000, at the middle of the month. Approximately \$80,000,000 of member bank reserves was removed from the district's financial picture as a possible basis of credit expansion. In addition, the remaining reserves now provide a theoretical base for a credit expansion of only about eight times, instead of approximately twelve, which was considered possible under the law prior to August 15.

From the accompanying chart, showing required and excess reserves of reserve city and country member banks in the fourth district, it is very evident that the excess of member bank reserves over the higher requirements is still large; in fact it is larger than in every month on record prior to ten months ago. For all member banks in this district current reserves are estimated to be over 60 per cent in excess of requirements. Fourth district member banks apparently had little difficulty meeting the higher reserve requirements, for bills discounted at this reserve bank only increased \$121,000 between July 22 and August 19, and on the latest date they totaled only \$171,000. This bank's holdings of acceptances and Government securities remained unchanged in the four latest weeks and industrial advances were down slightly. A similar easy money position was evident throughout the country as a whole and interest rates, borrowings from the reserve banks, and

security prices showed little change as a result of the increased reserve requirements.

This bank's note circulation advanced to a new high level again in early August — over \$393,000,000 — but a drop of \$3,000,000 was evident in the week ended August 19. Increased business demands, larger payrolls, cashing of bonus checks, and substitution of reserve notes for retired national bank notes are factors contributing to the continued increase in reserve note circulation. A year ago note circulation of this bank was \$325,000,000.

Gold certificates on hand or due this bank by the United States Treasury also rose to a new high level of \$615,000,000 in the third week of August. A year ago total gold certificate reserves were \$434,000,000.

**Member Bank Credit** Condition figures of weekly reporting member banks in leading cities of the fourth district showed relatively little change in the four weeks ended August 19. Commercial loans were down slightly from the high point so far this year, but little change occurred in the four latest weeks; they remained 18 per cent above the level at the beginning of 1936. Security loans continued to exhibit a very moderate downward trend in the four latest weeks. Holdings of Government securities rose to a new high level in early August, but some contraction was evident in the two weeks ended August 19. Holdings of other than Government securities also declined slightly between July 22 and August 19. As a result of these changes total credit extended by weekly reporting banks in this district declined \$20,000,000 in the two latest weeks from the high point so far this year of \$1,846,000,000 on August 5.

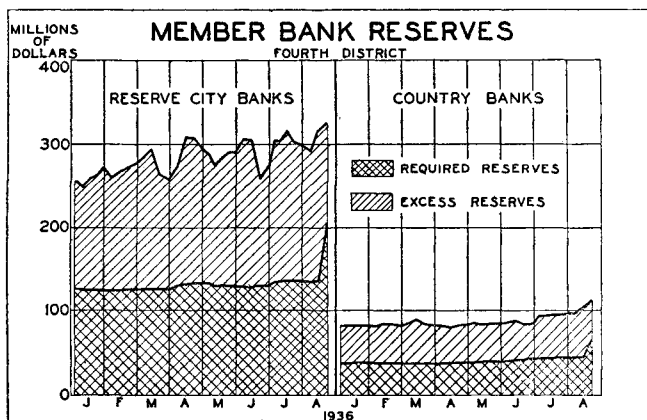
Demand deposits fluctuated somewhat in the four latest weeks and on August 19 they were slightly smaller than in the third week of July, although nearly \$100,000,000 larger than in August 1935. Time deposits also declined moderately in the latest four weeks and savings deposits showed little change. Compared with a year ago savings deposits at selected banks were 4.5 per cent larger on July 31 than a year previous.

### MANUFACTURING, MINING

#### Iron and Steel

Steelworks operations have held at an unseasonably high rate during August, the national average rate being slightly above 70 per cent. For the week ending August 22 the rate was 72.5 per cent, highest since May 1930, compared with 52.5 per cent in the same week of 1935 and 21.5 per cent in the same week of 1934. Operations in the Pittsburgh district increased to 72 per cent of capacity, a new high point for the year in the week ending August 22. This followed a decline to 68 per cent in the week of August 15 which was attributed to vacations for mill employees. The Cleveland rate in the latest week was 79.5 per cent, down 2.5 points from the previous week, and the Youngstown rate dropped five points in the latest period from 79 per cent. Wheeling is operating at 95, and Cincinnati at 76. All rates are much above last year.

Demand for the heavier finished materials has been exceptionally good and has counteracted the decline in automobile requirements prior to the changeover to 1937 models. Backlogs in some steel lines were large and the fact that new specifications in mid-August were down slightly had no effect on the operating rate. Many producers found that their principal problem was the insistent demand for speedy shipments. With automotive assembly plants now setting



definite dates for new model showing, two being in early September, steel requirements of that industry are becoming more pronounced again.

The high rate of operations this summer has led to a marked shortage of iron and steel scrap, sending scrap prices to the highest levels since October 1929. This, in turn, has had some effect on pig iron. A number of melters using both pig iron and scrap have begun using more pig iron in their melt. This is causing operators to study the blast furnace situation. Since 1929, 203 stacks have been dismantled and only 20 built, although remodeling and re-building of those still remaining has resulted in a rated annual capacity only 100,000 tons below 1919, when it was close to 50,000,000 tons. Pig iron shipments in August were slightly ahead of July. "Steel's" index of scrap prices was up to \$15.13 after nine consecutive weekly increases.

Mid-summer production of farm implements and tractors has compared favorably with that of 1929, despite the drought. Construction work has held up well. Shipyard work and pipeline requirements have been taking considerable material. Railroad freight car construction has been quiet the last few weeks. Although some slowing down in new orders has been noted, many sheet mills are now six weeks behind in deliveries. Tin plate production continues at close to 100 per cent of capacity, with mills still far behind on shipments. Bar producers have backlogs of about three weeks. Demand for wire has been maintained better than usual at mid-summer.

Average daily pig iron output in July, 83,735 gross tons, was 2,816 tons lower than in June, a decrease of 3.2 per cent. Total output amounted to 2,595,791 tons, against the 1,520,000 tons made in July 1935. For the seven months of 1936, the total was 16,175,793 tons, an increase of 52.5 per cent over the 11,350,274 tons produced in the corresponding period during last year.

July steel ingot production of 3,922,731 gross tons was 1.56 per cent under the June output of 3,984,845 tons, but 72 per cent over the 2,267,827 tons produced in July 1935. Daily average output in July was 150,874 tons, compared with 153,263 in June and 87,224 in July 1935. Seven months' output of 25,249,066 tons was 37.8 per cent over the total production of 18,310,478 gross tons in the corresponding 1935 period.

Prices remain firm with an upward tendency. Electrical sheets have been increased \$2 a ton, but current prices on standard rails were reaffirmed until November 1. *Steel's* composite price of iron and steel, at \$33.94 on August 22, was higher than since 1930.

### Coal

Operations of coal mines in this district in July were at the highest point for that month since 1930 and a contra-seasonal increase from June was evident. Production in the month, at 13,103,000 tons, was 44 per cent ahead of the same interval of 1935, when operations were very much curtailed following a period in which activity exceeded requirements in anticipation of a mine shutdown. In the first seven months of 1936 local mines produced 90,174,000 tons, a gain of nearly eight per cent from the same period of last year. At the same time bituminous coal stocks above ground have been reduced sharply; on July 1 they were 30 per cent smaller than a year ago and in terms of days' supply at the current rate of consumption the decline was 40 per cent. Although coal stocks at upper lake ports increased sharply in July, they were 23 per cent smaller than a year ago.

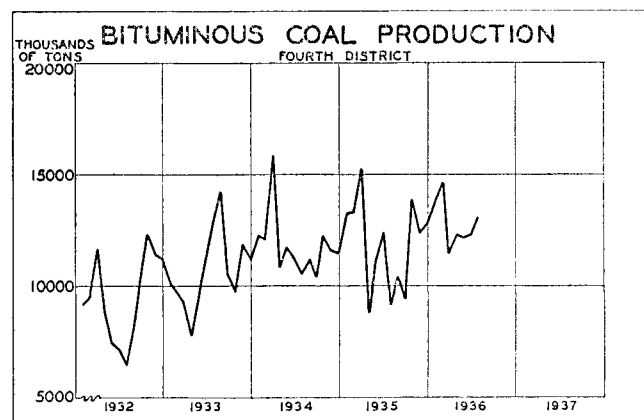
Local mines in the summer months are actively engaged in supplying coal for transfer by boat to upper lake ports as well as building up retail supplies. For the season to August 1, shipments from Lake Erie ports were 46 per cent larger than in 1935 and in July alone the gain was 54 per cent. Stocks, which were seriously depleted last winter because of the cold weather, are rapidly being built up. Lake boats that have been transporting large quantities of iron ore down the lakes, are having good coal cargoes on the return trips this season.

Since the first part of July coal production has been increasing week by week at a very steady rate. In the latest period output was nearly 40 per cent ahead of last year and a similar gain from 1934 was evident. Power companies, because of low water supplies, have been taking considerably more coal to be used for electric current production than in other years at this season. Sentiment in the coal industry, as a whole, has improved recently, although the price situation is still reported as unfavorable.

**Automobiles** Despite the fact that automobile assembly lines in mid-August were actively engaged in the changeover incident to the introduction of new models, the industry continued to exhibit strength and weekly output was nearly 50 per cent ahead of the same period last year, though down quite sharply from the high point of 1936. In the week ended August 19 *Cram* reported that nearly 74,000 cars were turned out, a gain of 17,000 from the previous week, and 23,000 from the corresponding week of 1935.

The somewhat surprising demand for 1936 automobiles has put off the changeover week after week until, now that the actual date for public display of some new models has been announced, prospects point to rather a short period of reduced operations. Tool, die, and automobile parts and supply plants are being rushed for materials and the former have been very busy all summer. Stocks of cars in hands of dealers are moderate, according to reports, and in the case of some models a shortage is expected before new lines are out.

Sales of new passenger cars in leading counties of the fourth district declined more than seasonally in July from June, but the gain over last year was 30 per cent whereas for the first seven months it was 40 per cent. Complete registration figures for the entire country are only available for the first six months, but these show a gain of 26 per cent, while output was up only 12.3 per cent in the same period, indicating a healthy contraction in stocks of new passenger



cars. Sales in July and early August were reported to have held up well, compared with last year.

In July, actual production, according to the *Department of Commerce*, was 441,000 cars and trucks, a gain of 32.8 per cent from last year and a drop of only 2.6 per cent from June. This falling-off was estimated to be less than the seasonal trend, (the shift in models makes it difficult to correct for seasonal movements) and the *Board's* index advanced five points to 123 per cent of the 1923-25 average. Passenger car production held up better in July than did truck output, the former being 36 per cent ahead of last year and down only slightly from June. Truck production in July was down 11 per cent from June, but at 68,597 units, it was 19 per cent ahead of last year. In the first seven months truck production was up 20 per cent from 1935, while passenger car output was up 14 per cent.

Total car assemblies in the first seven months of the year, at 2,930,000 units in United States alone, exceeded each of the entire years of 1931 through 1934 and the first seven months of every year except 1929.

#### Rubber, Tires

Operations in the rubber industry continued at a relatively high rate in July and the first half of August, judging by reports on crude rubber consumption and activity at representative plants. Sales of tires for replacement in July were up more than seasonally and tire stocks in hands of manufacturers on June 30, (the latest available figure) were 27 per cent smaller than a year ago. This is the season for declining inventories, but, as shown on the accompanying chart, the falling-off started from a much lower spring peak than in either of the two preceding years. With tire shipments to dealers greater than output each month since February, manufacturers' inventories are smaller than in over three years. At the current rate of consumption they represented only 1.4 months' supply. Tire production in June was 5,610,000 units, according to the *Rubber Manufacturers' Association*, a gain of 13 per cent over May and 43.5 per cent above June 1935. This large increase was enough to permit a gain of five per cent to be shown for the first half year.

Crude rubber consumption by domestic manufacturers in July was down slightly from June, but exceeded July 1935 by 35 per cent. In the first seven months, consumption amounted to 303,000 tons, an increase of 12.7 per cent from the same period last year. World stocks of crude rubber were 24 per cent smaller at the close of June than a year previous. With shipments of crude rubber from producing centers being kept fairly well in line as a result of the Restriction Agreement, imports to this country for several months have been less than the amount used by industry. As a result domestic inventories of crude rubber on July 30, at 234,498 long tons, were 100,000 tons smaller than a year ago and represented less than five months' supply. Because of the increased rubber consumption, however, producing countries governed by the Agreement are permitting five per cent (about 30,000 tons) more rubber to be exported in the last half of 1936 than was shipped in the first six months.

Prices of crude rubber have declined slightly from the recent peak touched in July, but they still remain above the 16-cent level.

Labor conditions in Akron have improved slightly recently, although they were still rather unsettled in some spots in mid-August. Talk of further decentralization of the

rubber industry is reported to have had an unfavorable effect on some lines locally.

#### Clothing

Apparel manufacturers in this section reported little change in operations in the four latest weeks and plants generally are actively engaged in the production of fall and winter goods which was ordered in substantially larger volume than a year ago. Some revision of orders received from retailers located in the most severe drought section of the country was reported in early August, although the curtailment was not drastic.

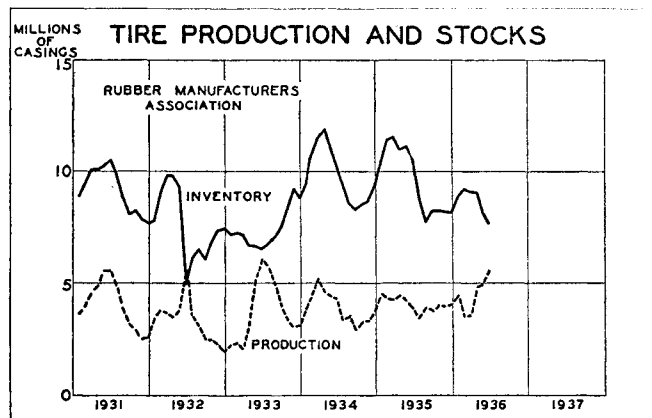
Wool textile plant operations are down between seasons, but output of new spring patterns is about to start. Apparel wool consumption so far this year has been under the abnormally high rate of 1935, although some improvement has been evident recently. Cotton consumption has increased markedly in the past few months and rayon demand has been greatly in excess of supply.

In the retail field, sales of women's apparel at stores in this district in July were up 13 per cent from last year. The gain was somewhat larger than was reported in earlier months of 1936; in the first half of the department store year the increase was six per cent at all reporting stores. Sales of men's apparel in July were two per cent smaller than in the same month of 1935, but in the six-month period the increase was nearly 13 per cent. Retail apparel prices in July, according to *Fairchild's* index, were slightly higher than a year ago, women's clothing accounting for much of the increase.

#### Other Manu- facturing

Conditions in the smaller centers of the district and in the minor industries are reported to have shown little change in late July or the first half of August from those prevailing a month previous. This is contrary to the trend generally exhibited at this season and employment and payrolls were up slightly in July in several lines where the opposite tendency oftentimes is exhibited in the summer months. Many small plants reported a considerable volume of orders on hand and double and triple shifts are not uncommon. On the whole, summer production has been at a higher rate than since 1929. Shortage of the more skilled types of labor is still a common complaint in several sections, although employment indexes are still considerably below their peak of 1929.

Machine tool companies reported a sizable increase in orders in July as compared with June, but the gain was entirely due to foreign buying. This amounted to 30 per cent of the total reported by the *National Machine Tool Builders'*



*Association*, compared with 17 per cent in June and 31 per cent a year ago. Domestic orders were little changed in the two latest months, but the index of combined orders, at 150 per cent of 1926 shipments, was 25 per cent above last year. The index is within five points of the 1929 average. Foundry equipment orders were up sharply in July, the gain from June being 13 per cent and from July 1935 the increase was over 70 per cent. Small tool sales have shown similar gains and in July and early August the expansion was contra-seasonal. Prices are firm and collections good.

Orders for automobile parts and materials fell off in July and early August by about the amount they declined last year at that time, but continued above 1935 by a considerable margin and orders stepped up quite sharply around the middle of the month. The changeover of production lines has been put off longer than was expected earlier in the year because of continued demand for new cars. Last year August was the low month of parts production, although September was the low in car assemblies.

Other metal working and specialty companies reported continued improvement in recent weeks, allowing in some cases for seasonal variations. In other instances activity continued against the summer trend.

Warm weather in July stimulated sales of seasonal electrical goods, but other products also were ordered in much larger volume than a year ago. So far this year orders of local reporting companies have ranged from 25 to 50 per cent above the same period of 1935.

Operations at glass factories held up quite well in late July and early August, contrary to the seasonal trend of past years. Plate glass orders from the automobile industry for immediate delivery fell off, but orders for new model requirements are being released and factories continue to produce at a high rate, partly to build up inventories which are low. Container production has been affected by the poor condition of crops, but so far this year a sizable increase in other fields is evident from 1935 and inventories are down.

Demand for paper and boxboard held up somewhat better than expected in recent weeks despite the limited requirements of the canning industry. Prices remain firm, inventories moderate, operations somewhat above last year, and employment at a high rate.

Paint sales generally decline in July and August, but so far reports indicate no falling-off and gains continued to be experienced from last year. Factory operations have held up very well, at or close to capacity, and output so far this year has ranged from 12 to 20 per cent ahead of the same period of 1935. Raw material prices have increased slightly.

Conditions in the china and pottery industry improved in July; more orders were received than is usual at this season, inventories are low, and production rates have been increased. Extension of the present wage agreement for two years has had a stabilizing effect on the industry. Brick and tile products have been in much better demand this year than in 1935.

Shoe factories have been operating at capacity on fall and winter orders which were taken in substantially larger volume than a year ago. July output at local plants was up 4.4 per cent from last year and rose more than seasonally from June. The letdown in production between the spring and fall season was less than usual. Few cancellations of orders from drought sections have been received. Prices have shown little change recently, although some leather prices have advanced.

## TRADE

### Retail

Sizable gains in retail trade in this district continued to be shown in July from a year ago. Furniture stores seemed to lead in the increase in dollar sales, the gain in the month at 42 reporting units being 55 per cent, while for the first seven months an increase of 29 per cent was recorded over the same period of 1935. The gains were well distributed and sales in the furniture and floor covering departments of department stores were up from 35 to 50 per cent from last year.

Sales at wearing apparel stores in July and the year to date were approximately eight per cent larger than in the comparable periods of 1935, and chain grocery store sales were up 12 per cent, per individual unit operated. Chain drug store sales increased 14 per cent in July. Higher food costs were a factor contributing to the gain in grocery sales.

At reporting department stores in the fourth district retail sales in July declined more than seasonally from the relatively high level of June, due in part, according to reports, to the hot weather which caused buying trips to be deferred. The adjusted index of daily average sales in the month, at 83.3 per cent of the 1923-25 average, was three points lower than in June, but dollar volume was still 15.5 per cent larger than in July 1935 and the increase in the first seven months was 11.6 per cent over the corresponding period of last year. Preliminary reports indicate that buying in August showed about the same increase from 1935 as was reported in July. In the principal cities of the district the July gains were quite well distributed, ranging from 7 to 21 per cent. In the group of smaller cities the average increase in sales was 19 per cent, surpassing all but two of the larger cities in the district. Sales in basement departments of reporting stores did not increase in July as much as total store sales and in the six months February through July they were up only ten per cent from 1935, while total store sales in the period were up 14 per cent. Installment sales in the month represented ten per cent of total store sales, compared with 8.8 per cent in June and 7.6 per cent a year ago. Regular charge sales were smaller in relation to total sales in July than in June or last year.

Dollar value of inventories declined over five per cent in July, but this was less than seasonal and the value of stocks at the month end was nine per cent larger than on July 31, 1935. The ratio of sales to stocks continued larger than a year ago.

A slight seasonal falling-off in collections occurred in July, but in relation to accounts receivable they were somewhat better than at this time last year.

### Wholesale

All reporting lines of wholesale trade showed larger gains in sales in July, compared with the same month last year, than was evident in the first half of 1936. The greatest increase was in hardware sales which were up nearly 30 per cent whereas the gain for the first seven months was 22 per cent. Dry goods sales were up 26 per cent in July and nine per cent for the year to date from 1935.

Wholesale grocery sales were 19 per cent larger in July than a year ago, some advance buying because of expected higher food prices being reported. So far this year grocery sales were up six per cent. Wholesale drug sales in July were up 15 per cent and in the first seven months 11 per cent from comparable periods of 1935. Collections were good generally.

### BUILDING

Contrary to the seasonal tendency, new construction contracts awarded in this district in July increased over 40 per cent from June. Amounting to \$28,040,000, according to the *F. W. Dodge Corporation*, total awards were 25 per cent larger than in July 1935, when awards were relatively large in relation to other months of that year. The increase in the value of total contracts awarded in the first seven months from last year was 66.5 per cent.

Residential building declined in July by about 13 per cent from June, but this was seasonal and total awards, valued at \$6,352,000, were still 50 per cent larger than in July last year. The increase in residential construction in the first seven months was over 70 per cent, compared with the same period of 1935.

In July, the most important gain was in nonresidential building. An increase of 65 per cent over the preceding month and of 36 per cent over last year was shown in this section. This unusual increase was largely due to commercial work, factories, and social and recreational building. Each showed substantial gains in July from June and a year ago. Considerable educational construction was started in the month, but it failed to equal the amount reported in June.

Public works' construction started in July in this section was up over 50 per cent from June, but was down 16 per cent from last year. For the year to August 1 public works' contracts were smaller than in the same period of 1935. Public utility construction contracts awarded in July increased sharply, both compared with June and a year ago, and in the first seven months a gain of 145 per cent was recorded in this section. In dollar value, public works and utility contracts awarded so far this year represented 26 per cent of total awards, while in 1935 they amounted to 34 per cent.

Factory building prior to August 1 was more than double what it was in the first seven months of 1935. Educational building was up over 200 per cent, commercial building 71 per cent, religious and memorial structures 30 per cent, and social and recreational construction 185 per cent.

Lumber manufacturers and dealers report an active demand for materials, partly because the construction work was late starting this spring; in addition there has been an increase in the better type of residential work, not of the speculative type, recently. Retail lumber stocks are low, production has been increasing, and prices on some grades have improved slightly.

### AGRICULTURE

Although scattered rains have partly relieved drought conditions in some sections, the rainfall deficiency is still very great in practically the entire district and even where rains did occur recently they were too late to be of much help to local crops, except possibly potatoes, pastures and meadows.

The *Crop Reporting Board* of the *Department of Agriculture* in its August report indicated that as a result of the July decline "there will probably be light supplies of a number of important food crops and, irrespective of weather conditions during the remainder of the season, there will be a shortage of grain that will necessitate rather heavy marketings of grain-consuming livestock and a reduction in the grain ration of the livestock wintered". Extremely poor pastures have necessitated heavy summer feeding of

hay and forage. In comparison with 1934, the previous drought year, the available supply of feed grains is expected to be about five per cent greater whereas the number of grain-consuming units of livestock and poultry on farms on August 1 this year was about three per cent less than on the same date in 1934. The greatest shortage in feed grains, according to the *Department*, will be in corn, the total supply of which will be less than in 1934.

The general level of farm prices appears to have advanced considerably in July and early August, continuing the rise which began in May. So far it has been 12 per cent. Extremely sharp advances in the prices of all grains and dairy products have more than offset slight declines which occurred in prices of livestock, wool, and cotton. The index of prices received by farmers in mid-July was 115 per cent of the pre-war average compared with 107 in June and 102 a year ago. Prices paid by farmers were up slightly to about 123 per cent of the pre-war average, but were three points lower than at this time last year, and the ratio of prices received to prices paid was 93 per cent of pre-war parity, up 12 points from last year. Further increases were reported in August and while total farm income prospects for the remainder of the year are favorable because of the higher prices, the distribution will be very irregular. Already over 800 counties have been designated as needing emergency relief treatments, 47 of which are in this district, all in Kentucky.

So far as the fourth district was concerned, the July 1 estimates of wheat, oats, and potato production were slightly conservative, the August 1 report showing increases of three to five per cent in estimated production over the July figures. Tobacco and tame hay were reduced about three per cent and estimated corn production was down 14 per cent from the July figure. Compared with 1934, the previous drought year, local prospects for principal crops are better in the case of all except tobacco and fruits.

Small grains were not materially affected by the July weather, having almost completed growth before drought became serious. As threshing has progressed the wheat crop as a whole has turned out better than was expected earlier in the season and yield is estimated to be 18.5 bushels per acre in Ohio, compared with 22 bushels last year and 19 bushels, the ten-year average. For the most part the crop is reported to be of very good quality, a decided contrast to last year when rain did so much damage. In Kentucky the crop was larger than in 1934, but the acreage yield was only 14 bushels. In Pennsylvania the yield was 19 bushels and the total harvest was reported slightly smaller than in 1935. At current prices, however, income this year from this cash crop is somewhat larger than was received in 1935.

Although oats are threshing very light and in many sections are of poor quality, the August 1 estimate for the district was slightly larger than the July figure. Oat production has been poor in this section for several years, and even in 1935 was under the ten-year average harvest. In Ohio the August 1 condition was only 64 per cent of normal, and there was considerable variation in the state; some fields yielded little more than was seeded, while others produced average crops.

The corn crop has been the most seriously affected. On August 1 the condition for Ohio was 57 per cent of estimated normal; in Kentucky it was 55, West Virginia 61,

and Pennsylvania 73 per cent. These were all considerably below the average of past years, but they were better than the average for the entire country on August 1. Further deterioration has been reported since that time, for rains in early August were too late to benefit most corn in the southern half of the district. There are some fields of good corn in northern counties and prospects point to about three-fourths of an average crop locally.

Rains did benefit the late potato crop in this section and the district's production estimate on August 1 was over four per cent higher than a month earlier. It was still much below last year and about 20 per cent under the ten-year average. The August 1 condition in the district was below the average for the entire country. Early potatoes were very poor, ranging from complete failure to half a crop in most sections.

Pastures on August 1 were in poorer condition than at any previous time on record and were providing very little feed. Recent rain has helped some, but much more is needed.

Estimated fourth district tobacco production was reduced over two per cent in July as a result of the dry, hot weather, but being a crop with great recuperative powers, improvement followed the rains and prospects in mid-August were for a fair crop. Considerable burning was reported in some parts of the burley section. In Ohio, the August 1 condition of cigar leaf tobacco was only 38 per cent of estimated normal, indicating a crop only half as large as was harvested last year. Production of burley tobacco on August 1 was estimated to be three per cent less than the 1935 harvest, but other principal types showed much greater reductions.

Fruit crop prospects continue little changed from a month ago. Grape production in this section is estimated to be 25 per cent under last year. July rains helped, but they were insufficient and fruit is small. Apple and peach prospects declined further in this district in July.

**Wholesale and Retail Trade**

(1936 compared with 1935)

	Percentage Increase or decrease		
	SALES July 1936	SALES first 7 months	STOCKS July 1936
<b>DEPARTMENT STORES (51)</b>			
Akron	+16.9	+ 3.8	+ 4.4
Cincinnati	+ 7.4	+ 9.7	+13.8
Cleveland	+19.5	+12.4	+12.2
Columbus	+15.8	+12.3	+11.0
Pittsburgh	+16.2	+12.7	+ 7.4
Toledo	+12.2	+ 9.5	+ 6.8
Wheeling	+12.3	+13.1	+ 6.8
Youngstown	+20.9	+19.6	+12.4
Other Cities	+18.6	+13.9	+ 5.6
District	+15.5	+11.6	+ 9.0
<b>WEARING APPAREL (13)</b>			
Cincinnati	-10.1	+ 0.4	+15.2
Cleveland	+16.7	+ 9.9	+ 5.7
Pittsburgh	+19.7	+ 4.2	+ 8.5
Other Cities	+15.0	+ 8.1	+25.6
District	+ 7.8	+ 5.6	+13.8
<b>FURNITURE (42)</b>			
Cincinnati	+64.8	+30.9	
Cleveland	+52.3	+27.4	
Columbus	+47.7	+23.2	
Dayton	+99.3	+26.8	
Toledo	+34.4	+31.8	
Other Cities	+55.1	+36.6	
District	+54.7	+28.9	
<b>CHAIN STORES*</b>			
Drugs—District (4)	+14.3	+17.8	
Groceries—District (5)	+12.2	+ 1.2	
<b>WHOLESALE GROCERIES (30)</b>			
Akron	+ 7.3	+ 5.3	
Cleveland	+13.8	- 0.9	
Erie	+16.0	+ 6.9	
Pittsburgh	+12.3	+ 3.2	
Toledo	+ 9.4	+ 3.9	
Other Cities	+28.7	+11.0	
District	+19.2	+ 5.9	+11.1
WHOLESALE DRY GOODS (10)	+25.6	+ 9.0	- 2.7
WHOLESALE DRUGS (12)	+15.3	+10.9	
WHOLESALE HARDWARE (13)	+29.6	+22.3	

\* Per individual unit operated.

**Fourth District Business Statistics**

(000 omitted)

Fourth District Unless Otherwise Specified	July 1936	% change from 1935	Jan.-July 1936	% change from 1935
Bank Debits—24 cities	\$2,411,000	+22.5	\$15,451,000	+17.4
Savings Deposits—End of Month				
40 banks, O., and W. Pa.	\$ 717,575	+ 4.5	1	
Life Insurance Sales:				
Ohio and Pa.	\$ 75,320	+ 0.3	519,479	-- 9.6
Retail Sales:				
Dept. Stores—51 firms	\$ 14,741	+15.5	119,945	+11.6
Wearing Apparel—13 firms	\$ 608	+ 7.8	5,454	+ 5.6
Furniture—42 firms	\$ 887	+54.7	6,514	+28.9
Wholesale Sales:				
Drugs—11 firms	\$ 1,445	+15.3	10,101	+10.9
Dry Goods—10 firms	\$ 1,062	+25.6	9,000	+ 9.0
Groceries—30 firms	\$ 4,640	+19.2	27,454	+ 5.9
Hardware—13 firms	\$ 1,588	+29.6	10,076	+22.3
Building Contracts—total	\$ 28,040	+24.8	143,031	+66.5
"—Residential	\$ 6,352	+50.4	39,023	+70.6
Commercial Failures—Liabilities	\$ 580	-65.0	7,393	-18.6
"—number	53 <sup>2</sup>	-23.2	449 <sup>2</sup>	-18.1
Production:				
Pig Iron—U. S.	2,596 tons	+70.8	16,176	+42.5
Steel Ingot—U. S.	3,923 tons	+72.9	25,249	+37.9
Auto—Passenger Car—U. S.	372,402 <sup>2</sup>	+35.7	2,417,549 <sup>2</sup>	+13.9
"—Trucks—U. S.	68,597 <sup>2</sup>	+18.8	512,326 <sup>2</sup>	+19.5
Bituminous Coal, O., W. Pa., E. Ky.	13,103 tons	+43.0	90,174	+ 7.7
Elec. Power, O., Pa., Ky.	1,444 <sup>3</sup> k.w.h.	+19.9	8,438 <sup>4</sup>	+13.3
Petroleum—O., Pa., Ky.	2,257 <sup>3</sup> bbls.	+10.2	12,753 <sup>4</sup>	+11.1
Shoes	5	+ 4.4	5	+ 4.0
Tires, U. S.	5,610 <sup>3</sup> casings	+43.5	27,229 <sup>4</sup>	+ 4.9
Bituminous Coal Shipments:				
L. E. Ports	6,630 tons	+56.4	20,663	+16.7
Iron Ore Receipts:				
L. E. Ports	5,064 tons	+53.7	12,407	+45.6

<sup>1</sup> not available      <sup>4</sup> Jan.-June  
<sup>2</sup> actual number      <sup>5</sup> confidential  
<sup>3</sup> June

**Debts to Individual Accounts**

(Thousands of Dollars)

	4 weeks ended Aug. 19, 1936	% change from 1935	Year to date		% change from 1935
			Jan. 1, 1936 to Aug. 19, 1936	Jan. 2, 1935 to Aug. 21, 1935	
Akron	\$ 52,789	+23.0	\$ 445,692	\$ 377,172	+18.2
Butler	7,719	+16.6	63,311	51,393	+23.2
Canton	29,342	+15.7	249,211	213,186	+17.2
Cincinnati	287,585	+23.6	2,423,211	2,082,027	+16.4
Cleveland	498,372	+17.5	4,115,410	3,394,137	+21.3
Columbus	155,712	+10.4	1,293,530	1,171,430	+10.4
Dayton	59,062	+34.6	468,401	374,069	+25.2
Erie	25,419	+23.0	190,608	159,090	+19.8
Franklin	3,103	+21.2	24,550	21,189	+15.9
Greensburg	6,346	+38.7	51,153	39,106	+30.8
Hamilton	10,530	+37.8	81,607	63,966	+27.6
Homestead	2,697	+31.6	19,691	16,252	+21.2
Lexington	15,544	+ 8.0	146,707	153,460	- 4.4
Lima	10,956	+41.6	84,618	65,951	+28.3
Lorain	4,085	+19.1	29,195	24,486	+19.2
Middletown	8,085	+20.7	67,431	54,412	+23.9
Oil City	8,739	+ 9.3	74,362	65,965	+12.7
Pittsburgh	675,325	+16.7	5,328,916	4,629,249	+15.1
Springfield	15,195	+21.3	118,002	103,043	+12.3
Steubenville	9,363	+49.7	61,028	50,715	+20.3
Toledo	113,856	+36.2	864,216	674,240	+28.2
Warren	7,282	+36.9	51,055	49,620	+23.0
Wheeling	28,095	+ 4.2	237,290	212,639	+11.6
Youngstown	40,124	+13.7	333,264	282,408	+18.0
Zanesville	6,398	+13.2	55,043	48,405	+13.7
Total	\$2,081,723	+19.0	\$16,888,183	\$14,379,610	+17.4

**Fourth District Business Indexes**

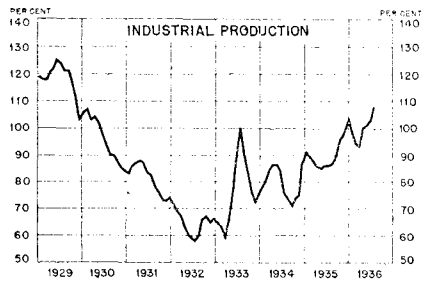
(1923-25 = 100)

	July 1936	July 1935	July 1934	July 1933	July 1932
Bank debits (24 cities)	89	73	65	60	59
Commercial Failures (Number)	36	48	38	75	139
" (Liabilities)	13	39	39	61	179
Sales—Life Insurance (O. and Pa.)	90	90	94	85	87
" —Department Stores (49 stores)	63	55	51	48	42
" —Wholesale Drugs (11 firms)	97	84	76	68	66
" —Dry goods (10 firms)	43	35	34	52	20
" —Groceries (30 firms)	86	72	63	59	55
" —Hardware (13 firms)	83	64	57	56	40
" —All (64 firms)	78	64	58	59	47
" —Chain Drugs (4 firms)**	90	79	69	69	73
Building Contracts (Total)	59	47	21	14	26
" (Residential)	37	25	12	12	8
Production—Coal (O., W. Pa., E. Ky.)	72	51	59	72	36
" —Cement (O., W. Pa., E. Ky.)		76	83	88	48
" —Elec. Power (O., Pa., Ky.)*	172	143	134	133	114
" —Petroleum (O., Pa., Ky.)*	122	111	113	93	112
" —Shoes	118	113	108	102	69

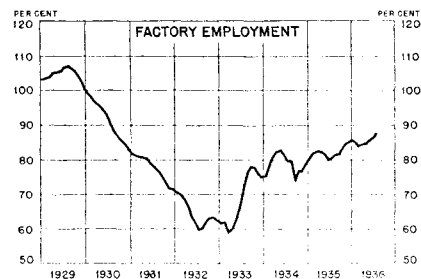
\* June.  
\*\*Per individual unit operated.

## Summary of National Business Conditions

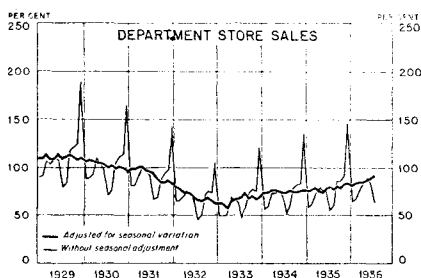
By the Board of Governors of the Federal Reserve System



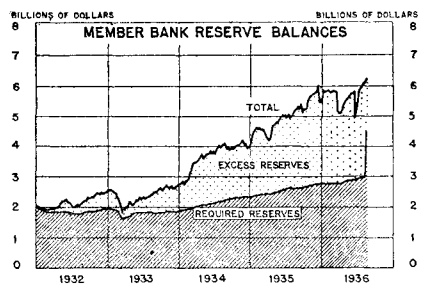
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1929 to July 1936, the latest figure being 108.



Index of number employed, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1929 to July 1936, the latest figure being 87.7.



Indexes of value of sales, 1923-1925 average = 100. By months, January 1929 to July 1936. Latest figures, adjusted 91, unadjusted 63.



Wednesday figures of total member bank reserve balances at Federal reserve banks, with estimates of required and excess reserves, January 6, 1932 to August 19, 1936.

Production, employment, and trade increased further in July, when allowance is made for the usual seasonal changes, and commodity prices continued to advance. Money rates remained at extremely low levels.

### Production and Employment

Industrial production, which usually declines considerably in July, was maintained at the level of the preceding three months, and the Board's seasonally adjusted index advanced to 108 per cent of the 1923-1925 average as compared with 103 per cent in June. Output of steel continued at about the June rate, although a sharp decrease is usual, and automobile production declined by less than the usual amount. In the first three weeks of August there was little change in activity at steel mills, while at automobile factories output was curtailed as preparations were made for the production of 1937 models. Output of nondurable products was larger in July than in June, reflecting chiefly a sharp rise in activity at cotton mills and greater than seasonal increases in production at shoe factories, silk mills and flour mills. At coal mines output increased and crude petroleum continued to be produced in large volume.

Factory employment increased further in July, contrary to seasonal tendency. The number of workers was larger than in June at steel mills, foundry and machine shops, and furniture factories, while at railroad repair shops there was a decline. Among the nondurable goods industries employment increased at textile mills and meatpacking plants, and declined less than seasonally at establishments producing wearing apparel. Factory payrolls decreased by a smaller amount than is usual in July.

The value of construction contracts awarded increased considerably from June to July, according to the F. W. Dodge Corporation, with large increases reported for both publicly-financed and privately-financed work.

### Distribution

Retail trade was sustained in July at a higher level than is usual in that month. The Board's adjusted index of department store sales, which allows for a considerable seasonal decline, increased from 88 per cent of the 1923-1925 average in June to 91 per cent in July and mail order and variety store sales also showed smaller decreases than are usual for the season. Freight-car loadings increased in July.

### Commodity Prices

Wholesale commodity prices continued to advance between the middle of July and the middle of August. Prices of wheat, flour, feed grains, and dairy products rose considerably, owing primarily to the drought, and livestock prices also advanced while cotton declined. There was a considerable increase in the price of steel scrap.

### Bank Credit

Excess reserves of member banks decreased from \$2,920,000,000 on July 15 to \$1,810,000,000 on August 19. About \$1,470,000,000 of excess reserves were absorbed by the increase of 50 per cent in reserve requirements of member banks, which went into effect August 15. This decrease was offset in part by a growth of \$360,000,000 in total reserve balances, reflecting principally large disbursements by the Treasury from its funds held on deposit with Federal reserve banks.

After the increase in reserve requirements there remained a large amount of excess reserves widely distributed among member banks. The money market was not affected by the action, and interest rates remained at extremely low levels. In the week ending August 19 a few scattered banks borrowed at the reserve banks, but the total amount borrowed was negligible and some banks drew upon their balances with other banks in order to meet the increase in requirements. Deposits of domestic banks with reporting member banks in leading cities declined by \$210,000,000 in the week.

Between July 15 and August 19 loans and investments of reporting member banks in leading cities declined by \$260,000,000, reflecting reductions of \$130,000,000 in loans on securities and of \$160,000,000 in holdings of United States Government direct obligations, partly offset by an increase of \$60,000,000 in other loans to customers. Adjusted demand deposits, which increased to a new high level on July 22, were slightly smaller on August 19.