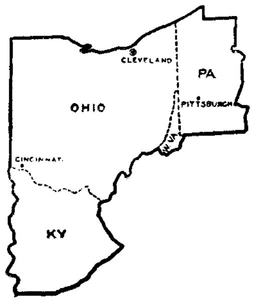
MONTHLY BUSINESS REVIEW

Covering financial, industrial and agricultural conditions



Fourth Federal Reserve Distric
Federal Reserve Bank of Clevelanc

Vol. 19 | Cleveland, Ohio, January 30, 1937 | No. 1

General conditions in this district in January were unsettled as a result of record breaking floods in some sections and of prevailing strikes in the automobile and plate glass industries. Notwithstanding these developments general business continued close to the high level of the recovery movement. Buying of parts and materials by General Motors Corporation was sharply curtailed because of strikes though not completely stopped, but other assembly plants continued to specify deliveries of materials in large volume and to operate at a high level. Auto assemblies in the four weeks ended January 23 were only one per cent less than in the same period last year, but curtailment of assemblies was somewhat greater in the latest week. Even plants very dependent on General Motors Corporation for an outlet for their products were in some cases continuing to manufacture for inventory purposes. Were it not for floods and strikes, manufacturing activity in this district would compare favorably with December; as it is, a set-back in the upward movement has occurred.

The steel industry, so far as basic production is concerned, was not seriously affected by conditions in the auto industry. Operations were maintained, according to reports, by shifting deliveries on large backlogs of orders for finished steels to other users and production in the third week of January was at 80 per cent of capacity, the highest rate since February 1930. The sharp reduction at Cincinnati from 96 to 68 per cent and the slight drop at Wheeling, entirely due to floods, was more than offset by increases of two points at Pittsburgh to 82 per cent, Youngstown to 79 per cent, and slight gains elsewhere. Further reductions of about three per cent because of flood conditions were reported in the fourth week of January.

Practically all of the general manufacturing industries operated at a high rate in December and showed little change in early January. Inventories of both raw materials and finished products were larger at the year end than at the close of 1935, but higher operating rates necessitate larger stocks in most cases. New orders for machine tools received in December were the largest on record; tire production was being maintained to build up inventories further; shoe and clothing plants were active; paint production was ahead of last season; paper factories were operating at a rate closer to capacity than for several years; metal specialty plants were very busy and operations at some plate glass plants were resumed after being closed several weeks.

While weather conditions hindered coal consumption for heating purposes, industrial demand held up very well, particularly in the coke-producing areas. Also the mild weather permitted more building. Residential contracts awarded in December in this section were larger than since 1928 and a gain of 139 per cent was reported from December 1935. Other types of construction contracts awarded were under the previous year due to a drop in public works, but contemplated projects reported were much larger than a year earlier. Contracts awarded in the first half of January were 50 per cent larger than in early 1936 and a sizable gain was evident from December. Labor difficulties apparently were responsible for the slight decline in employment indexes in December and these, together with floods, were further affecting conditions in January. Trade was stimulated in December by the higher wages, bonuses and dividend payments; department store sales were 23 per cent larger than in December 1935, and the index of sales was only about eight per cent below December 1929. Retail prices, however, are still about 20 per cent under late 1929, although an increase of four per cent occurred in 1936. New passenger car registrations in December in principal counties of the district were nearly 70 per cent above the preceding year and debits to individual accounts at banks in leading cities in the four weeks ended January 20 were 23 per cent above the same interval of the previous year. In the year 1936 debits were up 19 per cent from 1935. Commercial failures, both in number and liabilities involved, continued at the lowest levels in over 15 years.

FINANCIAL

A further rise of $5,000,000 in this bank's holdings of Government securities occurred at the end of 1936, but, as was the case in the two previous increases, this merely represented a reallocation of the Federal Reserve System's total holdings. At $250,228,000 they represent approximately ten per cent of the System's total investments in Government securities. Bills discounted on January 20 amounted to only $9,000 and acceptance holdings were $294,000. Industrial advances continued to decline and on the latest date were $1,178,000, compared with $1,726,000 on January 22 last year.

Gold certificate reserves of this bank declined over $50,000,000 in the first three weeks of January, a more or less seasonal development, but at $613,000,000 they were $115,000,000 larger than a year ago.

Note circulation of this bank declined about $24,000,000 from the high level of December 23 to the third week of January. This falling-off was less than the increase in note circulation in the month preceding the holidays. The return flow of currency was greater in actual amount than in any year since 1930, but on a percentage basis it still was much less than in years prior to 1931. As shown in the accompanying table the average pre-holiday increase in the five years 1926 to 1930 was $24,300,000 and the average decline following the holidays in those five years was about $30,000,000. Since 1930 the pre-holiday increase has averaged $20,200,000, but the average post-holiday decline was $16,300,000 in the six years. Although the seasonal increase in December, both in amount and percentage, in recent years has been smaller than in years prior to 1931, the January decline has equaled the pre-holiday rise in only one of the past six years.

FEDERAL RESERVE NOTE CIRCULATION
(000 omitted)

	$ Increase from November low (about the 15th)	High December	$ Decline following January	% Decline
1926	$31,542	$235,614	$36,213	—14.9
1927	17,788	227,284	27,376	—12.0
1928	25,525	230,145	30,952	—13.4
1929	27,258	202,732	27,770	—13.7
1930	19,182	203,650	24,767	—12.2
1931	18,465	330,232	14,251	— 4.3
1932	12,495	289,540	12,950	— 4.5
1933	15,225	293,220	12,484	— 4.3
1934	16,445	314,892	17,418	— 5.5
1935	25,854	362,738	16,109	— 4.4
1936	32,936	432,230	24,470	— 5.4

Barring year-end fluctuations, total reserve deposits of member banks in this district declined about $25,000,000 from mid-December to the third week of January. At the same time deposits at member banks showed little change and required reserves remained close to the previous level of December. Despite the reduction, however, estimated excess reserves in mid-January amounted to 50 per cent of requirements for all member banks in the district. This excess was distributed as follows: member banks in reserve cities had 44 per cent more than was required and country member banks had an excess of about 66 per cent, based on average deposits at country member banks in the last half of December. In mid-January excess reserves of member banks, estimated at $144,000,000, were about $100,000,000 less than they were in August 1936 prior to the 50 per cent raise in reserve requirements at that time.

Member Bank Credit Year-end condition figures of member banks in this district reveal to a degree the changes that occurred in the financial situation in 1936. The following table shows loans, investments and deposits of all member banks in this district on December 31, 1936, compared with June 30 figures and those at the end of 1935.

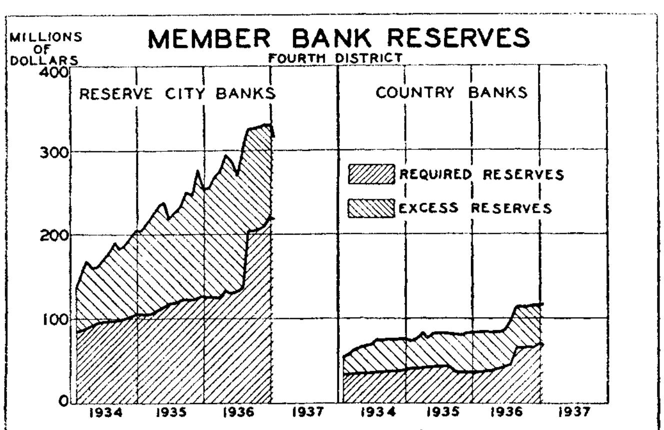
ALL MEMBER BANKS—FOURTH DISTRICT
(000 omitted)

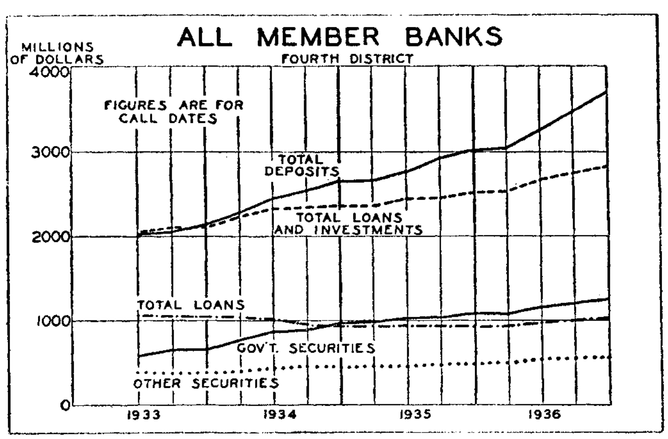
	Dec. 31, 1936*	June 30, 1936	Dec. 31, 1935	% change 1936 from 1935
Loans and Discounts	$1,008,610	$ 988,522	$ 940,163	+ 7.3
Investments:				
U. S. Gov't. Securities—direct and/or fully guaranteed	1,243,634	1,151,677	1,088,602	+13.3
All other securities	565,312	534,623	482,763	+17.1
Total loans and investments	2,817,556	2,674,822	2,511,528	+12.2
Total Deposits	3,698,450	3,268,141	3,005,621	+23.1
Number of banks	627	628	622	+ 0.8

*Subject to revision.

While there was an increase of five in the number of member banks in the year (chiefly small ones) total loans and investments of these banks rose 12 per cent during the period. Loans and discounts were up seven per cent and the gain was chiefly in other than security loans, which declined in the year. Holdings of Government securities by these banks were 13 per cent larger at the close of 1936 than a year previous, but investments in other than Government securities were up 17 per cent in the twelve months. In contrast with these gains was the rise of 22 per cent in total deposits in the year to an all-time high level despite the smaller number of member banks as compared with years prior to the banking holiday. While time deposits were up in the year, the bulk of the increase was in demand deposits.

Earnings reports, while not complete, indicate considerable improvement in 1936 compared with other recent years and many banks have again declared dividends. Profits from banking operations were small in many cases, but





recoveries on assets previously charged off and profits on investments sold were larger than in previous years because of the improved general business conditions.

The more or less usual year-end fluctuations were evident at weekly reporting member banks in the four weeks ended January 20, although in the period there was a net gain in commercial loans; on the latest date they were over 30 per cent larger than a year previous. Loans on securities declined in January after increasing at the year end. Investments in Government securities rose quite sharply over the year end to a new high level, but holdings of these securities declined slightly in the second and third weeks of January. Reporting banks also reduced their investments in other securities in the period. Demand deposits were up quite sharply in the latter half of December, but since that time a decline occurred and the net change from the third week of December was only slight. Time deposits increased moderately.

MANUFACTURING, MINING

Iron and Steel Although the automobile industry is the largest consumer of steel, current labor difficulties of General Motors Corporation, which have practically stopped the flow of steel to that outlet and also to some parts plants, have had little effect on the rate of steel production as a whole. One reason why the interruption has not had a substantial effect is found in the heavy backlogs of steel mills and the diversity of outlets. Practically every steel consumer depends on current shipments rather than on accumulations in its plants. As a result mills found no difficulty in diverting some deliveries to other lines than automotive and simply made deliveries a week or weeks sooner than had seemed possible. Some manufacturers of automotive accessories are continuing production to build up stocks.

The net result of the situation has been that production of steel ingots remains substantially unchanged from the best rate of December, before the holidays caused the usual interruption. At 80 per cent of rated output, the industry was producing close to practical capacity because a certain number of open hearths must be down for repairs at regular intervals. A year ago the rate was 52.5 per cent.

Production rates in principal steel centers of this district were all close to the national average rate. Enlargement of demand for heavy steel products, rails, structural shapes, bars and plates has balanced output somewhat and Pittsburgh mills have operated above the country average for the first time in several years. At 81.5 per cent in the week ended January 23, the Pittsburgh rate compared with 37.5 per cent a year ago. Youngstown was producing at 79 per cent. Northern Ohio mills were working at 78, compared with 67 per cent in early 1935; Wheeling was at 94 as against 70, and at Cincinnati the rate prior to the flood was 92, whereas a year ago it was 75 per cent. Both the latter rates were reduced by flood conditions.

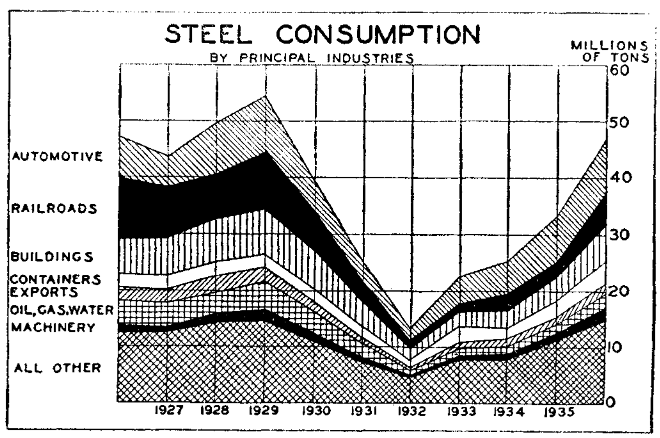
While the auto industry continued to lead as a steel consumer in 1936, improvement in other lines reduced the percentage of total steel used to 20.9 from 24 per cent in 1935. Building ranked second with 13.9 per cent, as against 13 per cent in 1935. The largest increase occurred in the share required by railroads which took 11.3 per cent of all steel made, compared with 7.75 per cent n 1935. Containers dropped from third to fourth place; although actual tonnage increased, the percentage of total output was 8.4 against 9.3 in 1935. A slightly smaller proportion of steel was exported and used for agricultural purposes in 1936 than in the preceding year, although the actual amounts were greater. The machinery industry took the largest share of total production in 1936 ever taken by that branch, nearly five per cent. Per capita steel consumption was 840 pounds in 1936 compared with 583 pounds in the preceding year. In 1929 the per capita figure was nearly 1,000 pounds.

Steel ingot production in December, at 4,431,645 tons, was the largest for that month in the history of the steel industry. Next highest is December 1928, with 4,018,208 tons. Fourth quarter output was the largest for any final quarter in history and the best for any three-month period since the third quarter of 1929. Average production for the year was at 68.52 per cent of capacity, compared with 48.54 per cent in 1935.

Pig iron production in 1936 was 45.8 per cent greater than in 1935, at 30,682,704 tons, compared with 21,040,483 tons in 1935. December production was 3,125,192 tons, a gain of 5.9 per cent over November. These figures are the best made since 1930, going back to May of that year for a better month. There was a further increase of five in the number of blast furnaces in operation in December and at the year end 170 were active, compared with 120 at the close of 1935.

Iron ore stocks at furnaces and on lower Lake docks on January 1 totaled 31,402,148 tons, approximately the same as a year ago, despite the fact that ore shipments in 1936, at nearly 45,000,000 tons, were more than 50 per cent in excess of the previous year. Consumption of iron ore in December by furnaces which rely on the aforementioned stocks for their supply was 4,551,000 tons, a gain of nearly 50 per cent over last year.

Coal Production of coal in recent weeks has continued at the highest rate in seven years, both in this district and the entire country, although demand for coal for heating purposes has been considerably retarded by the unusually mild weather. Prices on these grades weakened as inventories accumulated, but demand for coke continued at a high rate and prices on this type of fuel were somewhat better than a year ago. Rebuilding of beehive ovens in the southwestern section of Pennsylvania continues and a large by-



product coke plant at Cleveland, idle four years, has been ordered back in operation.

Large coal consumers were reported to be buying supplies somewhat in excess of current requirements in December and early January, but inventory figures for the entire country are not available. With Lake shipments cut off, local mines in December were dependent on other outlets for their product.

Automobiles Strike conditions disturbed the auto assembly industry in January, despite the fact that they were confined chiefly to General Motors Corporation which produced about 40 per cent of all autos in 1936 and even there the shutdown was not complete. In the week ended January 23 the industry was reported by *Cram* to have produced 81,395 cars and trucks. This was a drop of 10,000 from the previous week, but compared with 87,415 cars in the corresponding period of 1936. In the four weeks prior to January 23 assemblies were estimated to be 341,660 cars and trucks, compared with 345,004 in the four corresponding weeks of last year. In the latest week, however, General Motors' production represented about 15 per cent of total output, while most other plants reported assemblies considerably in excess of last year.

In early 1936 factory output was reduced from the high levels of the preceding December and November and yet the year's production, reported by the *Department of Commerce* to be 4,455,000 cars and trucks, was the second largest on record, only being exceeded by 1929. The gain over 1935 was nearly 13 per cent. December output, at 498,721 units, was up more than seasonally from November, the Board's adjusted index, at 122 per cent of the 1923-25 average, being 17 points higher than in the previous month. December production was 498,721 cars and trucks, the largest figure for that month on record and an increase of 23 per cent over December 1935. Passenger car production in December was 426,019 units, a gain of 24 per cent over the previous year. Truck production, at 72,702 units, was up 18 per cent in the same period.

While complete figures on car sales and registrations in December are not available, new passenger car registrations in principal centers of this district in the month were nearly 70 per cent greater than in December 1935, and the total for the year exceeded 1935 by more than 40 per cent. Demand for cars in the first half of January is reported to have held up very well. Peak assembly rates have been reported in most cases, however, excluding General Motors Corporation. Lack of plate glass was stated to be responsible for the four-day week at one plant. Some parts plants in this district have had to curtail operations where General Motors were their chief customers, but in other cases operations have been maintained and inventories of finished parts have accumulated.

Tires, Rubber Tire plants in this district have been taking advantage of the slack season to build up inventories, according to reports, and while the year end figure is not yet available, on December 1 tire inventories in hands of manufacturers were nearly 11,000,000 casings. The increase over the same date in 1935 was 31 per cent and further gains were reported in December and January as schedules were maintained at most plants. Crude rubber consumption in December by domestic manufacturers was 49,626 long tons. This was only slightly under the November figure of 50,303 tons and was a gain of 16.8 per cent over December 1935. Rubber consumption in the entire year established an all-time record, and at 573,522 tons, an increase of over 16 per cent from 1935 was evident.

While crude rubber imports increased in the closing months of last year as quotas in producing countries were stepped up, total imports to the United States, at 490,858 long tons, were much below consumption during the year and stocks of crude rubber on December 31, at 219,000 tons, were 28 per cent smaller than on the corresponding date of 1935. Rubber stocks increased slightly in December, imports exceeding consumption for the first time since August 1935. This diminishing inventory in the face of increased consumption was accompanied by a marked price rise. In the third week of January crude rubber was quoted above 21 cents a pound, down slightly from the recent peak of 23¼ cents, but still higher than since early 1929 and compared with a recent low of less than three cents a pound in 1932. The rise in the fourth quarter of 1936 was about 30 per cent.

These higher material costs and other operating expenses caused manufacturers to advance tire prices six per cent on January 18. This followed a general increase in May 1936 of 5 to 13 per cent and a slight readjustment of prices last November.

Production of pneumatic tires in 1936 (with December estimated) was about 55,000,000 units. Eleven months' output, according to *The Rubber Manufacturers' Association*, was 52,779,000 casings, a gain of 16.5 per cent over the same interval of the previous year. Shipments to dealers, auto assembly plants and exports in the first eleven months, at 50,300,000 casings, although nine per cent larger than in the same period of 1935, were 2,440,000 casings under production in the eleven-month period and inventories on December 1 were that much larger than in late 1935. According to trade reports, sales of tires for replacement purposes in 1936 were only slightly greater than in 1935; exports were little changed, but shipments to the auto industry accounted for the bulk of the increase in tire sales. Output of mechanical rubber goods in the year was reported to have been considerably greater than in 1935, in part due to additional uses to which rubber is being adapted.

Other Manufacturing Conditions in the smaller manufacturing industries of this district remained better in early January than at this season of the past several years. Unfilled orders generally were much larger than a year ago and increased inventories also were reported.

Auto Parts, Accessories Up to mid-January most parts and accessory plants in this district experienced few ill effects of the automobile strike. Some had to curtail operations to a degree and others had varying quantities of materials tied up, but the majority continued to manufacture for inventory purposes. Most plants operated in December at an unusually high rate, for that season of year, to supply materials for current auto assemblies as well as to build up an inventory of parts at assembly points. Since mid-January a slowing down was reported as plants not directly affected by strikes found it necessary to curtail operations because of shortages of certain materials, particularly glass at assembly plants.

China, Pottery At the beginning of the year china and pottery plants in this section had a larger volume of unfilled orders on hand than a year previous and production was estimated to be about 85 per cent of capacity. Employment was greater than a year ago and while wage rates were unchanged, earnings were larger. Considerable buying interest was evident at the Pittsburgh pottery and glass show in January.

Clothing Orders on hand for spring clothing were reported up to 20 per cent in excess of last year and plant operations, though somewhat curtailed by sickness in Cincinnati, were above early 1936. Textile mills are operating full time and have on hand a very large volume of unfilled orders. Finished clothing inventories were smaller at the year end than at the close of 1935.

Electrical Supplies Conditions in the electrical apparatus and supply industries remain quite favorable. Unfilled orders are very much larger than a year ago and employment, sales and operations all show large gains over last year.

Hardware Demand for metal specialties continued at a high rate in early January, heavy hardware products showing the greatest improvement as compared with last year. Orders and inventories were considerably larger than in early 1936.

Glass Plate glass production was all but stopped completely in late December and the first half of January by strikes, and while they were terminated in late January, it was reported that it would be some time before peak production could be reached. Demand for glass from all consuming units continued at a high rate and even increased as the strikes spread with the result that stocks were reduced to a minimum; in some cases supplies were completely exhausted and automobile assembly plants were reported to have imported some glass from Europe through Canada. While window glass production was not curtailed to the extent plate glass output was, plants accounting for approximately 50 per cent of the country's supply of window glass were not operating in the first half of January. Window glass inventories of both jobbers and manufacturers are reported at the lowest level on record, and unfilled orders at the beginning of 1937 were 2,000,000 boxes in excess of those on hand a year previous. Prices have not changed materially since the increase of eight per cent last May. Makers of molded and blown glassware were not affected by the strike.

Machine Tools A decided spurt in buying of machine tools occurred in December and the index of the *National Machine Tool Builders' Association* rose from 147 in November to 257 per cent of 1926 shipments in the last month of 1936. Buying was greater than in any month on record back to 1919 when tabulation of these figures began. While foreign purchases rose somewhat, the bulk of the increase was in domestic orders. The index, based on dollar value, reflects higher prices that prevail on machine tools. In addition, since plants generally are behind on shipments, considerable buying in advance of actual needs was reported in the month. Small tool and foundry equipment sales also were large in December and both were reported to have held up well in the first half of January. Inventories of the former are lower than for some time, but supplies of raw materials have been purchased in rather large quantities.

Paint Operations at paint plants have been maintained at high levels this winter to build up inventories in preparation for the spring season. Sales, even in this dull period, have been reported much larger than in corresponding intervals of previous years. Inventories of both raw materials and finished goods are larger than a year ago, but prices also are higher.

Paper Makers of paperboard in this district reported that operations held up very well over the year end and in the first half of January. Inventories are not large, buying continues in good volume, and prices have been advanced three times since December, aggregating $10 a ton.

Shoes Footwear production at plants in this district was 30 per cent greater in December than in November and nine per cent above the previous year. Factory output for the entire year 1936, both in this district and the entire country attained a new high record, and with a larger volume of unfilled orders on hand than a year ago, early January operations were in excess of last year. Hide and leather prices continue firm and higher than a year ago. Retail shoe prices have advanced slightly.

CONSTRUCTION

The relatively mild weather so far this winter in this district has permitted many construction projects to move forward that would have been held up had weather conditions been more severe. As a result the seasonal let-up in demand for building materials has been less than usual and inventories of construction supply dealers at the year end were reported smaller than a year ago.

Lumber prices have increased quite sharply in recent weeks, some items as much as 25 per cent on the mill value. Dry lumber is reported as being quite scarce in this section.

Residential building in the fourth district in December, according to figures of the *F. W. Dodge Corporation*, was 139 per cent larger than in December 1935 and, valued at $6,400,000, contracts awarded for this type of work exceeded every December since 1928. More than 50 per cent of this amount represented construction of dwellings for owner occupation, but there was a good increase in construction of houses indicated for sale or rent. It was reported that building done in 1936 for market was readily disposed of in most sections of this district and contemplated work of this type reported in December was nearly three times as great as a year ago. In 1936, residential construction contracts awarded in the fourth district were valued at $76,400,000, a gain of 65 per cent over 1935. Housing developments in this district in 1936 had a contract value in excess of $9,000,000 and apartment contracts awarded were valued at about $10,000,000.

The value of total contracts awarded in this section in December was slightly under November and was three per cent less than in the closing month of 1935. The drop from last year was chiefly in contracts for public works, educational, and public buildings. The marked increase in commercial and factory construction contracts awarded and the gain in the residential field were not quite sufficient to overcome the loss in other classifications from late 1935. In the entire year 1936 total awards were valued at $247,000,000, not much below the figure of 1931 and exceeding any year since then.

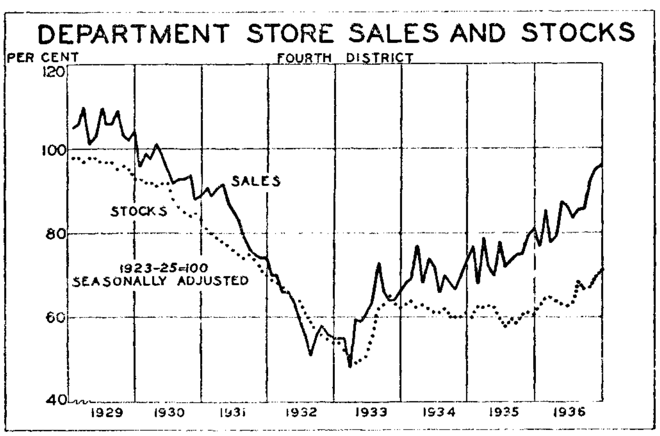
Awarding of a large factory contract in Cleveland in December swelled that city's figures, but the majority of cities experienced gains from last year, both in December and the year. Canton was the only city in the district in which 1936 building was less than in 1935.

TRADE

Retail Department store sales in the fourth district in December were 23 per cent larger than in the same month of 1935 and dollar volume was the best since December 1929. Daily average sales in the month, with adjustment for seasonal variation, amounted to 96.3 per cent of the 1923-25 average, a gain of one per cent over November. In 1929 the December index was 104, but retail prices at that time were considerably higher than at present, judging by *Fairchild's* index. Increases in principal cities in December ranged from 18 per cent at Cincinnati, 20 per cent at Cleveland, to 32 per cent for the group of stores in cities from which insufficient reports are received to show a separate figure. In every one of the 55 departments, for which individual percentages are computed, gains were recorded over December 1935. The smallest increase shown was seven per cent in the yard goods and art needlework departments, while gains from 25 to 50 per cent were not uncommon. Fur sales were up 48 per cent, furniture 42 per cent, women's ready-to-wear 30 per cent, and silverware and jewelry 25 per cent.

For the entire year, stores reported an increase of 15 per cent in dollar sales over 1935 and the largest annual volume since 1930. Prices on January 2, 1937, were about four per cent higher than a year previous. Sales were 87 per cent of the average of 1923-25.

As in other recent months sales of basement departments in December represented a smaller percentage of total store sales than a year previous. The increase in December basement store sales from 1935 was 18 per cent and sales of these departments represented 15.6 per cent of total store volume.



Wearing apparel stores showed smaller increases in December and the entire year than department stores, but gains in sales at reporting furniture stores were 31 per cent in December and 29 per cent in the year 1936.

Despite the increase in total department store volume, credit sales represented a smaller share of total sales than in December 1935, and a seasonal decline from November was evident. Compared with last year, however, the drop was entirely in regular charge sales, for a greater proportion of total sales represented installment buying than a year ago. While accounts receivable at the year end were 19 per cent larger than a year previous, collections have shown considerable improvement. In December they were 26 per cent larger than in December 1935 and the ratio of all collections during the month to accounts receivable at the beginning of the month was 38.2 per cent, compared with 36.1 per cent in December 1935.

Department store stocks declined 18 per cent in December, but the reduction was less than seasonal and the adjusted index was 17 per cent higher than at the end of 1935 and also was above any month since 1930. The increase in inventories was not as great as the gain in sales and the ratio of sales to stocks continued higher than in other recent years.

Wholesale Sales of all reporting wholesale lines in this district in December were larger than in November and the increase over December 1935 was considerably greater than was reported in the entire year. Reporting wholesale hardware firms experienced an increase of more than 36 per cent in the month from December 1935 and in the entire year a gain of 14 per cent was evident. Sales of wholesale dry goods firms were up 30 and 14 per cent, respectively, in similar periods. Wholesale drug sales were 22 per cent larger in December and up 14 per cent in the entire year, and the gains in grocery sales were 15 and 7 per cent in the month and the year. While advancing wholesale prices were responsible for part of the rise in dollar volume, wholesale trade conditions improved generally in 1936.

AGRICULTURE

Recent changes in market prices of farm products indicate that the general level of prices received by farmers rose substantially from mid-December to mid-January. Rather sharp declines were experienced in poultry and egg prices, but advances occurred in all livestock, wheat, corn, oats, butter, wool and potatoes in the period. Livestock and wheat prices reacted somewhat in the third week of January, but both remained substantially above other recent years. In December, the *Department of Agriculture's* index of prices received by farmers was 126 per cent of the five-year pre-war average compared with 110 at the close of 1935. All wholesale prices were up about five per cent in the same period. Prices of goods farmers buy were 127 per cent of pre-war average in December compared with 122 a year previous and the ratio of prices received to prices paid was 99 in December, compared with 90 at the end of 1935.

The annual inventory of grain stocks on farms as of January 1 showed that a smaller percentage of last year's wheat and corn crops remained in farmers' hands than a year ago, or the average of the five years 1928 to 1932. Wheat stocks on Ohio farms represented only 25 per cent of the previous year's harvest, compared with 29 per cent in 1936 and 36 per cent, the five-year average. Other states of the district and the entire country showed a similar situation. The total supply was smaller than on January 1 of the eleven years for which figures are available, attractive prices being partly responsible for close marketings. Corn on farms also was less than at any time in the same period, but as a per cent of the 1936 crop, it was close to average. Oats stocks bear about the same relation to previous years as corn.

Acreage seeded to winter wheat last fall was by far the largest on record, both in states of this district and the entire country. The total increase over the autumn of 1935 was 15 per cent, while compared with the five years 1927-31 it was 26 per cent. The gain in Ohio acreage sown to winter wheat was ten per cent over last year, but 34 per cent as compared with the five-year average. The relatively smaller increase in Ohio over 1935 than in the entire country was partly due to the fact that in recent years a relatively larger acreage has been planted to wheat locally than in other sections.

Tobacco Prices prevailing on Kentucky tobacco auction floors continued to exceed expectations in the first three weeks of January and the average price received so far for the 1936 crop at Lexington was in excess of 41 cents a pound, whereas the average for the entire previous season was 19.2 cents a pound. This was the highest average price since 1919. Despite the small crop of 1936, more had been paid growers at the Lexington auction markets by mid-January than in the entire selling season last year.

Wholesale and Retail Trade

(1936 compared with 1935)

	Percentage Increase or decrease SALES December 1936	SALES Year 1936	STOCKS December 1936
DEPARTMENT STORES (52)			
Akron	+23.7	+11.6	+19.7
Cincinnati	+17.8	+11.5	+14.3
Cleveland	+19.9	+15.4	+26.0
Columbus	+21.1	+13.8	+11.4
Pittsburgh	+25.1	+17.4	+15.2
Toledo	+22.7	+12.1	+16.2
Wheeling	+22.0	+15.4	+12.3
Other Cities	+32.7	+19.3	+13.4
District	+22.9	+15.2	+17.0
WEARING APPAREL (13)			
Cincinnati	+13.9	+ 2.6	+ 5.7
Cleveland	+16.4	+12.9	+25.6
Pittsburgh	+21.3	+10.4	+12.9
Other Cities	+23.3	+12.7	+ 6.7
District	+18.3	+ 9.4	+12.8
FURNITURE (42)			
Cincinnati	+36.7	+26.6	
Cleveland	+27.6	+27.5	
Columbus	+23.3	+22.3	
Dayton	+57.0	+34.6	
Toledo	+25.2	+29.2	
Other Cities	+35.0	+33.7	
District	+31.4	+28.6	
CHAIN STORES*			
Drugs—District (4)	+14.5	+14.0	
Groceries—District (5)	+11.6	+ 3.4	
WHOLESALE GROCERIES (30)			
Akron	+22.1	+ 7.5	
Cleveland	+ 5.0	+ 3.2	
Erie	+20.7	+ 7.2	
Pittsburgh	+ 7.0	+ 0.8	
Toledo	+13.8	+ 4.2	
Other Cities	+20.7	+10.5	
District	+15.1	+ 6.8	+ 8.9
WHOLESALE DRY GOODS (10)	+30.2	+14.2	+ 7.4
WHOLESALE DRUGS (11)	+22.1	+13.7	
WHOLESALE HARDWARE (13)	+36.6	+14 1	

*Per individual unit operated.

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	Dec. 1936	% change from 1935	Year 1936	% change from 1935
Bank Debits—24 cities	$3,056,000	+31.0	$27,839,000	+18.7
Savings Deposits—End of Month:				
40 banks, O. and W. Pa.	$ 741,071	+ 5.3	[1]	
Life Insurance Sales:				
Ohio and Pa.	$ 80,627	— 1.9	876,305	+ 7.0
Retail Sales:				
Dept. Stores—52 firms	$ 36,888	+22.9	239,358	+15.2
Wearing Apparel—13 firms	$ 1,466	+18.3	10,820	+ 9.4
Furniture—42 firms	$ 1,315	+31.4	11,844	+28.6
Wholesale Sales:				
Drugs—11 firms	$ 1,765	+22.1	17,828	+13.7
Dry Goods—10 firms	$ 1,525	+30.2	15,526	+14.2
Groceries—30 firms	$ 4,343	+15.1	49,518	+ 6.8
Hardware—13 firms	$ 1,989	+36.6	17,315	+14.1
Building Contracts—total	$ 20,638	— 3.2	247,098	+35.9
" " —Residential	$ 6,400	+138.9	76,442	+65.0
Commercial Failures—Liabilities	$ 757	—21.0	11,331	—25.0
" " —Number	40[2]	—31.0	667[2]	—24.9
Production:				
Pig Iron—U. S. ... tons	3,125	+47.6	30,682	+45.8
Steel Ingot—U. S. ... tons	4,432	+44.2	46,919	+40.4
Auto—Passenger Car—U. S.	426,019[2]	+24.2	3,676,063[2]	+13.0
Auto—Trucks—U. S.	72,702[2]	+18.2	778,472[2]	+12.1
Bituminous Coal, O., W. Pa., E. Ky. ... tons				
Cement—O., W. Pa., W. Va. bbls.	770	+91.1	10,650	+45.8
Elec. Power, O., Pa., Ky. ... thous k.w.h.	1,608[3]	+13.4	16,199[4]	+14.3
Petroleum—O., Pa., Ky. .. bbls.	2,174[3]	+ 1.2	21,888[4]	— 5.8
Shoes ... pairs	1,386	+ 8.9	17,773	+ 6.5
Tires, U. S. ... casings	4,969[3]	+24.3	52,779[4]	+16.5
Bituminous Coal Shipments:				
L. E. Ports ... tons	519	+60.7	45,441	+26.8
Iron Ore Receipts:				
L. E. Ports ... tons	62	+244.4	31,438	+57.9

[1] Not available
[2] Actual number
[3] November
[4] Eleven months
[5] Confidential

Debits to Individual Accounts

(Thousands of Dollars)

	4 weeks ended January 20, 1937	% Change from 1936	Year Jan. 1, 1936 to Dec. 30, 1936	Year Jan. 2, 1935 to Dec. 31, 1935	% change from 1935
Akron	$ 63,506	+14.2	$ 734,786	$ 608,291	+20.8
Butler	9,971	+29.4	106,803	86,895	+22.9
Canton	35,998	+15.5	411,790	358,121	+15.0
Cincinnati	351,846	+17.3	3,996,621	3,378,788	+18.3
Cleveland	595,687	+11.6	6,832,841	5,591,462	+22.2
Columbus	187,075	+21.8	2,120,788	1,842,810	+15.1
Dayton	69,901	+37.3	760,973	585,999	+29.9
Erie	30,181	+32.5	319,197	255,526	+24.9
Franklin	3,295	+ 0.7	41,907	34,091	+22.9
Greensburg	7,444	+ 7.6	80,559	64,289	+25.3
Hamilton	11,504	+36.5	134,654	105,362	+27.8
Homestead	3,191	+48.4	32,639	26,137	+24.9
Lexington	54,531	+103.4	246,883	237,039	+ 4.2
Lima	13,072	+28.2	141,624	110,849	+27.8
Lorain	4,648	+51.3	50,458	39,913	+26.4
Middletown	9,618	+15.3	110,334	90,406	+22.0
Oil City	10,669	+16.6	121,201	105,958	+14.4
Pittsburgh	811,945	+28.1	8,625,332	7,558,225	+14.1
Sharon	8,375	+33.7	95,220	75,161	+26.7
Springfield	17,565	+18.2	191,933	167,921	+14.3
Steubenville	9,739	+51.1	106,591	82,211	+29.7
Toledo	153,061	+43.6	1,475,269	1,123,904	+31.3
Warren	9,454	+46.7	103,748	81,412	+27.4
Wheeling	36,810	+15.4	393,530	340,893	+15.4
Youngstown	50,533	+44.1	549,123	453,846	+21.0
Zanesville	8,203	+20.7	89,141	77,472	+15.1
Total	$2,567,822	+23.3	$27,873,945	$23,482,981	+18.7

Fourth District Business Indexes

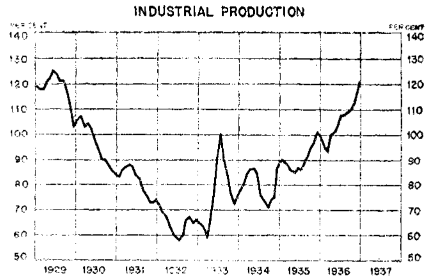
(1923-25=100)

	Dec. 1936	Dec. 1935	Dec. 1934	Dec. 1933	Dec. 1932
Bank Debits (24 cities)	113	86	75	57	58
Commercial Failures (Number)	27	40	41	62	135
" " (Liabilities)	17	22	14	36	187
Sales—Life Insurance (O. and Pa.)	96	98	110	91	91
" Department Stores (50 firms)	158	134	123	108	91
" Wholesale Drugs (10 firms)	120	100	83	99	83
" " Dry Goods (10 firms)	62	48	43	34	33
" " Groceries (30 firms)	80	70	63	55	51
" " Hardware (13 firms)	105	76	59	56	37
" " All (63 firms)	86	70	61	57	49
" Chain Drugs (4 firms)**	129	112	93	86	79
Building Contracts (Total)	43	45	14	63	11
" " (Residential)	37	16	6	5	4
Production—Coal (O., W. Pa., E. Ky.)	..	71	64	62	62
" Cement (O., W. Pa., E. Ky.)	64	34	20	8	53
" Elec. Power (O., Pa., Ky.)*	191	169	143	129	120
" Petroleum (O., Pa., Ky.)*	118	116	109	99	97
" Shoes	106	98	74	51	51

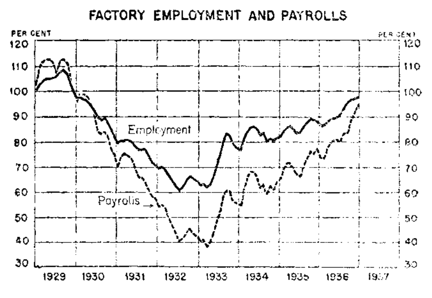
* November
** Per individual unit operated.

Summary of National Business Conditions

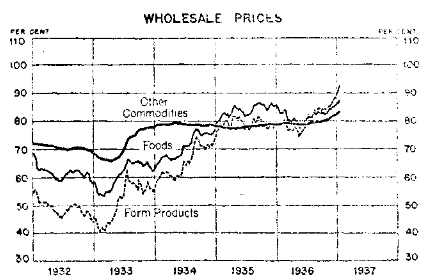
By the Board of Governors of the Federal Reserve System



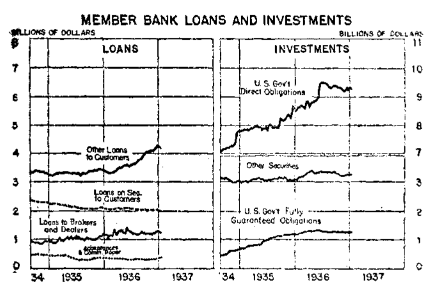
Index of physical volume of production, adjusted for seasonal variation, 1923-25 = 100. By months, January 1929 to December 1936, the latest figure being 121, preliminary



Indexes of number employed and payrolls without adjustment for seasonal variation, 1923-25 average = 100. By months, January 1929 to December 1936. Indexes compiled by the United States Bureau of Labor Statistics.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By months 1929 to 1931; by weeks 1932 to date. Latest figures are for week ending January 16, 1937.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934 to January 20, 1937. Loans on real estate and loans to banks excluded.

The Board's index of industrial production showed a sharp advance in December after allowance is made for the usual seasonal changes. There was a marked expansion in employment and payrolls and retail trade continued at high levels.

Production and Employment

Actual volume of industrial production showed little change from November to December, at a time when a sharp seasonal decline is usual, and the Board's adjusted index advanced from 114 to 121 per cent of the 1923-1925 average. There was a further rise in activity at textile mills to the highest level on record and output of other nondurable manufactures was maintained. Declines in production of steel and lumber were smaller in December than are usual in that month. At automobile factories there was a marked increase in output. In the first three weeks of January activity at steel mills increased somewhat, but there was a decline in assemblies of automobiles as a result of shutdowns occasioned by strikes. Coal production declined seasonally from November to December, while output of crude petroleum increased contrary to seasonal tendency.

Value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, showed a seasonal decrease in December.

Factory employment expanded further between the middle of November and the middle of December, contrary to the usual seasonal movement. Increases were general among the durable goods industries, with the largest advances at plants producing automobiles and machinery. In the nondurable goods industries there were marked increases in the number employed at textile mills and at shoe factories. Reflecting principally the higher level of employment and advances in wage rates, factory payrolls increased sharply in December, particularly at steel mills and in the textile industries. In retail trade, employment rose more than seasonally and in most other nonagricultural pursuits there were increases, when allowance is made for seasonal changes.

Distribution

Retail sales in December increased seasonally at department stores and by more than the usual seasonal amount at variety stores and mail order houses serving rural areas.

Freight-car loadings showed a smaller decrease than is usual in December, and the Board's seasonally adjusted index advanced further.

Commodity Prices

Wholesale prices, for both industrial and agricultural commodities, continued to advance in the second half of December and the first half of January. There were marked increases in prices of industrial raw materials, particularly nonferrous metals, lumber, hides, and wool, and prices of a number of finished goods, such as steel products, paper, and textiles also advanced. Since the middle of January there has been a decline in prices of commodities traded in on the organized exchanges.

Bank Credit

Loans and investments of reporting member banks in leading cities declined in the first three weeks of January, as a result of reductions in commercial loans and in loans to brokers. The decrease in loans reflected in part the retirement of notes issued by the Commodity Credit Corporation last July and in part repayment of other loans, which had increased sharply in preceding weeks. Holdings of Government obligations declined further at New York City banks but increased at banks in other leading cities. Demand deposits decreased at the turn of the year, but thereafter increased somewhat, reflecting chiefly the return of currency from holiday use.

The rate on 90-day bankers' acceptances was raised 1/16 of 1 per cent on January 13 and now stands at ¼ of 1 per cent. Excess reserves of member banks increased from $1,880,000,000 to $2,130,000,000 in the four weeks ending January 20, reflecting largely the post-holiday return flow of currency from circulation.