

# MONTHLY BUSINESS REVIEW

Covering financial, industrial  
and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

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Resumption of operations in the auto assembly industry, following a six-week shut-down, and at many affected plants in the Ohio Valley, where serious flood damage occurred, caused a spurt in this district's industrial activity in mid-February. While figures for the month are not available, there were indications that operations in several industries had attained a post-depression peak. Efforts to make up for time lost and to work down some of the unfilled orders, in addition to the fact that the earlier Easter date and the mild winter weather have stimulated demand for spring merchandise, all contributed to the expansion in manufacturing activity. How much of a factor the general labor situation is in the recent demand for goods cannot be determined, but with sporadic strikes in many fields and threats of strikes in two major industries being freely discussed, it probably has caused some ordering in excess of current needs. Steel orders which require from three to fifteen weeks before delivery can be made are reported and coal production rose to approximately the 1929 level in the first half of February.

Complete January figures indicate that a more than seasonal falling-off from December occurred in industrial operations, as well as employment and trade. In Cleveland and Toledo employment in January was down nine and six per cent, respectively, from December. Moderate declines were reported at Canton, Dayton, and Massillon, while Cincinnati and Pittsburgh showed little change, and at Columbus and Springfield increases were reported. Except at Cleveland, where the effect of the automobile strike was quite marked in January, higher employment indexes were reported than a year previous, the gains ranging from 7 to more than 20 per cent.

Retail trade, as reflected in sales at leading department stores throughout the district, was down more than seasonally in January from the recent high level of December. The index of daily average sales was off six points to 90.5 per cent of the 1923-25 average, but dollar volume was 12 per cent in excess of January 1936. Restricted trade in Cincinnati, Wheeling, Portsmouth, and other river towns was an important factor in the decline. At Cincinnati, sales were 15 per cent smaller than a year ago, stores being closed for varying lengths of time. New automobile sales in this

section in January were down quite sharply from December, but continued well above last year, despite the fact that deliveries on some models were limited in the last half of the month.

In the industrial field steel mill operations set the pace. Except for a decline in flood-affected areas and a slight drop in automobile steel centers, partly offset by increases elsewhere, the general trend of steel ingot production continued upward so far this year. In the week starting February 22, the national average was reported at 84 per cent of capacity, the highest level since October 1929. The most pronounced gains in the past year have been at Pittsburgh, where production was reported at 87 per cent in the latest week, compared with 40 per cent a year ago.

Demand for heavy steels by railroads, the construction industry and the fact that new finishing capacity for sheet steel has been added to the Pittsburgh district contributed to the improvement. Steel buying, generally, is in large volume and scrap steel purchases by foreign as well as domestic firms have caused prices to advance to the highest level in 12 years. January steel ingot production was greater than since February 1930, and the best January on record. Pig iron output exceeded every month since May 1930.

Automobile production in January, despite strikes, exceeded last year by four per cent. The decline from December was 23 per cent, but reports indicate that output of companies not shut down was at about the December level. In the week following resumption of assemblies the seasonally adjusted index of factory output, based on *Cram's* estimate, rose to the level of early December. Parts and accessory plants in this district reported that factory operations held up quite well in January and the first half of February, but inventories also accumulated during the period. Releases against these stocks have been made in large volume since operations were resumed.

In other industries of the district efforts were being made to catch up on deliveries which were delayed in January and early February. Machine tool orders received in January were twice as large as a year ago, while foundry equipment orders were up three times. Paper and boxboard plants were operating at capacity; so were those clothing and shoe factories not damaged by floods. Plate glass makers were

rapidly reaching production levels prevailing prior to the strike and demand for clay products was better in January than in several years.

In the construction field mild weather has permitted building projects to go forward with little interruption. Total contracts awarded in this district in January were 60 per cent larger than a year ago and residential contracts were nearly three times as great as in January 1936. Similar increases continued to be shown in the first half of February.

### FINANCIAL

Only a few slight changes were evident in condition figures of weekly reporting member banks in leading cities of the fourth district or of the Federal Reserve Bank of Cleveland in the five weeks ended February 24. Debits to individual accounts in the period were 20 per cent in excess of the same interval of 1936 and the increase for the year to date was 21.5 per cent.

At the reporting member banks there was a further decline in the volume of credit extended, continuing the downward trend evident since the beginning of the year. From the first week in January to the third week of February total loans and investments of these banks declined \$46,000,000 or 2.4 per cent. In contrast with a year ago, however, total credit extended was still up nine per cent. The decline was almost entirely in investments in Government securities which were down \$49,000,000 in the period at these banks. Investments in other than Government securities increased slightly in the four latest weeks and were nine per cent larger than at this time in 1936. Total loans were approximately the same as at the beginning of the year, but an increase has been evident since the third week in January. Security loans showed a slight downward tendency in recent weeks, but commercial loans, which declined in January, have since increased a moderate amount.

Demand deposits at these banks declined from the beginning of the year to the week of February 24, but compared with a year ago they are still up 13 per cent. Time deposits have increased considerably since the beginning of the year and on the latest date they were only slightly below the all time peak of last summer. The gain over a year ago was 3.3 per cent.

One half of the 33 1/3 per cent increase in reserve requirements for member banks, which was ordered by the Board of Governors of the Federal Reserve System, becomes effective March 1 and the remainder on May 1. On the latter date reserve requirements of member banks in this district will be: 20 per cent on demand deposits at reserve city banks and 14 per cent at "country banks"; on time deposits at all banks, 6 per cent. These higher reserves are still less than were required by National banks prior to passage of the Federal Reserve Act.

Total reserve deposits of member banks in this district in February were more than sufficient to meet the full 33 1/3 per cent increase, though only half of this is effective on March 1. Based on the latest deposit reports available, member banks in this district had approximately \$136,000,000 of excess reserve deposits, or 49 per cent above requirements on February 24. Reserve City banks had an excess of 41 per cent and country banks 72 per cent on that date.

A study of individual member banks' reserve position in late January revealed that by using only 50 per cent of deposits with correspondent banks (which were larger than normally) all but 13 banks in this district would have sufficient funds to meet the full increase in required reserves. Member bank reserve deposits with the Federal reserve bank fluctuated somewhat in the first three weeks of February and at \$417,000,000 on February 24, were approximately \$8,000,000 smaller than on January 20.

Note circulation of this bank, after showing a post holiday decline in the first three weeks of January, has since increased, and at \$418,000,000 on February 24, it was \$60,000,000 higher than a year ago and at the highest level on record for this season of the year. In early 1929 note circulation was approximately \$200,000,000. Factors accounting for at least part of this increase in note circulation have been discussed on previous occasions.

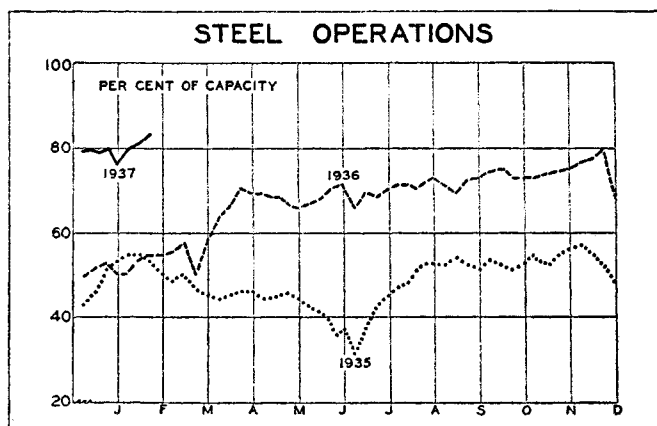
No change was evident in this bank's holdings of Government securities or acceptances in recent weeks. Industrial advances were down slightly, and while bills discounted increased \$61,000 between January 20 and February 24, because of the small volume involved, the rise had only slight significance. Total earning assets on the latest date were \$251,700,000, of which \$250,228,000 were Government securities on which the average rate of earnings was 1.47 per cent.

### MANUFACTURING, MINING

#### Iron and Steel

Except for a slight decline in the national operating rate when floods were at their peak, the general trend of iron and steel production continued upward. In the week of February 22, mill operations averaged 84 per cent of capacity, the highest point in the recovery movement and higher than at any time since September 1929. A year ago the national average rate was 54.5 per cent.

An almost universal demand for steel seems to have developed recently. Inquiries from abroad are large. Great Britain is seeking 50,000 tons of pig iron to be delivered over ten months and Japan is ordering 35,000 tons in addition to 45,000 tons previously placed. Foreign steel trade is increasing generally; December exports totaled 244,156 gross tons, compared with 203,297 tons in November, the increase being largely due to scrap. For 1936, total manufactured steel exports were 1,221,663 tons, compared with 959,646 tons in 1935. In the same period, scrap ex-



ports were less than in 1935. Imports in December were 52,584 tons compared with 61,970 in November. For 1936 they totaled 666,838 tons, compared with 470,015 in 1935. Export prices on wire products have been advanced \$4 to \$8 a ton and domestic prices also have risen. *Steel's* composite iron and steel price, at \$36.71, compared with \$33.48 a year ago. Scrap, pig iron, and coke prices have increased considerably.

The domestic steel situation is reflected in the fact that deliveries on various products are reported to be delayed from 3 to 15 weeks. Consumers are purchasing further ahead, and some orders have been placed for delivery into second quarter, the price to be that prevailing at time of shipment. How much of this buying represents actual requirements cannot be estimated. There seems little doubt, however, that some purchasing in excess of current needs has developed as a result of threatened labor interruptions in the coal or steel industries.

Orders for construction steel have risen substantially in recent weeks, although the year-to-date total is under that for the corresponding period of 1936. The sharp rise in railroad equipment buying evident in the closing month of last year has continued at a slightly lower rate and has been one of the chief supports to the steel industry. On February 1 there were 36,000 freight cars on order, the largest number since 1926. Resumption of production by General Motors Corporation and releases of its tonnage gave steel producers a further problem to solve in meeting delivery needs. Settlement of the maritime strike on the Pacific coast is a further similar factor as steel consumers on the coast urge prompt shipment of steel long delayed by interruption of transport.

In the principal steel centers of this district, Cincinnati and Wheeling mills were seriously affected by flood. At the former, operations dropped from 92 to 21 per cent of capacity and by February 27 the rate had recovered to only 64 per cent. Wheeling operations fell from 94 to 41, but soon were back to the higher level. Mills in Cleveland, Youngstown, and Detroit curtailed production slightly, in some cases for repairs, in late January and early February, but by the third week of the month production was again at or close to the highest level of the recovery movement. Pittsburgh mills showed practically no dip in production in the four latest weeks and at the end of the period were working at 87 per cent, compared with about 40 per cent a year ago.

New continuous mills and the better demand for heavy steels have aided that section considerably.

Pig iron in January made a gain of three per cent over December, slightly more than seasonal. Total production in January was 3,219,741 gross tons, at a daily rate of 103,863 tons, compared with 3,125,192 tons in December, a daily rate of 100,814 tons. This is the best month since May 1930, when 104,564 tons were made daily. Production in January 1936 was 65,461 tons daily. There was no change in the number of blast furnaces in operation in the month, 170 being active, but consumption of iron ore continued at a high rate. Ore supplies at furnaces and lower lake ports on February 1 were six per cent smaller than a year ago.

Steel ingot production in January was the largest for that month in history, 4,736,697 gross tons being turned out. This was seven per cent above the 4,431,645 tons made in December and 55 per cent over January 1936. In January 1929, production was 4,500,131 tons. January production was at 81.42 per cent of capacity, the highest rate since February 1930, when the rate was 84.47 per cent.

#### Coal

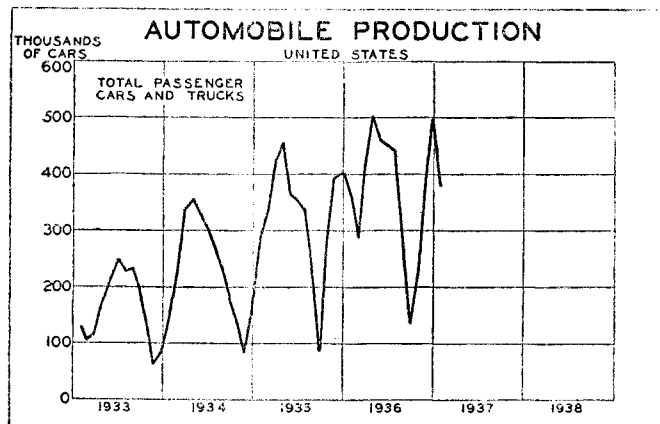
With negotiations now under way between operators and the coal miners' union concerning the wage contract which expires March 31, and demands of both groups far apart, stocking of coal in anticipation of a possible strike assumed sizable proportions in February. Weekly output of bituminous mines rose to approximately the level of 1930. December figures on coal inventories are the latest available, but even these showed a contra-seasonal increase in stocks in hands of industrial consumers of 3,331,000 tons to nearly 35,000,000 tons. In the corresponding month of the previous year inventories declined nearly 2,000,000 tons to 28,639,000 tons. Milder weather was a factor, but it affected domestic stocks more than industrial supplies. Consumption of coal by industrial users recently has been greater than in several years and mines were having difficulty in February supplying enough fuel for current needs and also for inventories.

In January coal production was down more than seasonally from December, but continued slightly above a year ago. The increase at fourth district mines was 8.5 per cent. Railroads and power companies were reported to be stocking large quantities of coal in late February, but weekly production was about on a par with last year, for a similar feeling of uncertainty stimulated mine operations at that time.

Coal prices have shown little change, in fact steam grades were priced slightly lower in February than a year ago. Coke prices, however, have advanced, partly because of the decided rise in demand of industrial users.

#### Automobiles

Although automobile production declined more than seasonally in January compared with December, entirely due to the General Motors Corporation strike, total output, at nearly 380,000 cars and trucks, according to the *Department of Commerce*, was still 4.4 per cent above January 1936. A year ago weather conditions were unfavorable in January and February, a fact which retarded retail car sales and production, and in addition the result of new models being introduced in November instead of January was felt then for the first



time. The effects of the strike, which continued through the first half of February, therefore will not be so noticeable in comparison with last year's output, but other than General Motors companies are reported to have produced cars at or above the high rate of last December. The resumption of production by General Motors Corporation in the week ended February 20 raised estimated weekly output to 95,698 units, according to *Cram's Reports, Inc.*, compared with 72,800 in the previous week and 62,000 in the corresponding period last year. In the week of February 27 a further increase to 111,915 cars and trucks was reported. February output last year was 287,000 cars and trucks. Schedules of assembly plants not affected by strikes for February were reported to be large enough to produce as many cars as the entire industry made in February 1936.

Assembly plant operations were resumed under little more than a truce; actual settlement of differences is being worked out through a series of conferences, but movement of parts and supplies, which was held up at many local plants pending outcome, started in large volume. The current assembly rate depends, however, on the speed at which bodies can be built. These were not made during the strike as were other parts.

Passenger car production in January was 309,594 units, an increase of 3.8 per cent over last year, but compared with 426,000 in December. Truck production held up better, being 70,249 units in January, compared with 72,700 in December and 65,730 in January, 1936.

January sales figures for the entire country are not yet available, but trade reports indicate a strong consumer demand. In principal counties of Ohio, January passenger car registrations were 23 per cent less than in December, but 34 per cent in excess of January 1936.

#### **Rubber, Tires**

Operations at rubber and tire factories in January and the first half of February continued at a high rate, according to reports. Curtailment of auto assemblies reduced demand for original equipment, but replacement tire sales have been running about 20 per cent in excess of estimated normal for this season of the year. As a result, inventories of companies doing only a replacement business are reported to be small, but the industry as a whole is carrying more than 11,000,000 tires, which is about 3,000,000 in excess of usual requirements. This is maintained as a protection against possible strikes, but conditions have been rather quiet in Akron lately, an additional wage increase of 5 to 8 cents an hour having been granted a short time ago. The minimum rate for men is now 75 cents and for women 65 cents an hour.

Some dealer buying of tires for inventory purposes, prior to the latest retail price advance, the third in nine months, was reported, but the extent of this movement cannot be ascertained. The active spring season is close at hand; some stocking in preparation for this generally occurs at this time of year. December factory output, the latest figure available, was 23.5 per cent in excess of December 1935.

The domestic supply of crude rubber was further reduced in January as consumption of 48,744 tons was 50 per cent above imports in the same period. Inventories dropped to the lowest point since December 1930 and stocks afloat at the end of January were 20,000 tons less than two months

ago. On January 31 inventories of crude rubber were down to 201,915 tons, compared with 288,000 tons a year previous. Fluctuations in crude rubber prices were less in recent weeks than for some time and a net decline occurred since January. In the third week of February ribbed smoked sheets were quoted at 20.8 cents a pound, compared with a recent high of 22 cents in late January. A year ago rubber was selling under 15 cents a pound.

#### **Clothing**

With Easter occurring somewhat earlier than in other recent years, clothing factories are operating at capacity levels in an attempt to make deliveries on the larger orders they have received. In the southern part of the district several plants had to close for varying periods because of floods which caused power to be shut off even if no actual damage was done. As a result, some of these factories are now working overtime to catch up on unfilled orders which are much larger generally than in other recent years. Sales continue in very good volume and in some cases inquiries for fall clothing are being received. No cancellations or reductions in orders of any consequence in flood or strike-affected areas were reported.

Manufacturers' inventories of finished goods are only reported as being normal—slightly larger than in other recent years, but not in proportion to the increased sales. In raw materials, however, orders have been placed earlier than usual and for much larger amounts, chiefly because of advancing prices, but also because of the reported shortages in wool supplies. Textile plants report twice the volume of orders for materials on hand as a year ago.

Clothing prices on spring lines are five to ten per cent higher than last year, but due to rising raw material costs and the 12 per cent wage increase recently granted, it is expected in the trade that a further rise should develop this fall. At reporting department stores in this district, despite the fact that January sales in some cases were sharply reduced by floods, an increase of 12 per cent was reported in sales of men's clothing, while buying of women's apparel was up 21 per cent from a year ago. A definite trend has been noted towards increased demand for apparel in the higher-priced brackets.

#### **Other**

##### **Manufacturing**

While strikes and floods held up operations in several sections in January and the first part of February, reports at hand indicate that few cancellations of orders resulted, the chief effect being a postponement of activity. Now that production has been resumed and rehabilitation work is under way in the Ohio Valley, local manufacturing plants are being pressed for delivery on orders, and employment and payrolls have advanced to new high levels since the depression.

With that part of the auto industry affected by strikes now making every effort to catch up on orders and other makers turning out cars at a much faster rate than a year ago, parts and accessory factories in this district reported current sales from 25 to 30 per cent in excess of last year in February. Inventories of parts built up in January and early February were being worked down in the latter part of the month, but production schedules were being maintained.

Practically all metal-working industries are operating

at what is reported to be satisfactory rates. Hardware companies, both heavy and light, are booking orders for much larger amounts than a year ago. Machine tool sales in January, while down from the unusually high level of December, were still twice as large as a year ago and, at 200 per cent of the 1926 average shipments, they compared with 156, the monthly average of 1929, the previous high year. Foreign buying represented 22 per cent of total orders in January, compared with about half that much a year ago. Cincinnati factories were affected, both directly and indirectly, by the flood, but fortunately it occurred just when some of the auto orders were being held up because of the strike. Work has again been resumed, and sales and unfilled orders are much larger than a year ago. Small tool demand is great and because of this inventories are low. Payrolls and employment have increased recently. Foundry equipment orders received in January were 191 per cent of the monthly average of 1922-24 and unfilled orders on hand at the month end were more than three times as large as a year ago. Shipments during January were about 60 per cent in excess of last year.

Electrical appliance and supply companies in January and early February continued to receive an increasing volume of orders. Rapidly rising cost of copper, which now is above 15 cents a pound, compared with nine cents a few months ago, corresponding advances in lead and zinc and rising wages have been accompanied by a pronounced buying movement in all electrical equipment. Household electrical products also have shared in the increase. Unfilled orders are reported from 30 to 80 per cent larger than a year ago. Inventories of both raw materials and finished goods are up, but not in proportion to the rise in sales.

Plate glass plants had not attained normal production by the third week of February despite every effort to do so following resumption of operations after the strike. Since fires were drawn from most furnaces it took considerable time to reach capacity production again. Meanwhile inventories are very low and orders are large. Window and moulded glass factories continue to operate at much higher levels than a year ago.

Brick and tile manufacturers report the best demand for materials in several years, resulting in part from the open winter which has made it possible to continue construction work. China and pottery plants also are operating at better levels than a year ago. Sales volume so far this year has been ahead of 1936 by about 25 per cent.

Boxboard and paper plants in mid-February were operating at capacity levels, in some cases seven days a week, and still orders were accumulating, according to reports. In a few instances orders have been booked so far ahead that prices are not specified, the goods to be invoiced at price when shipment is made. Fine paper sales also have improved.

The majority of shoe factories in this district are located in the Ohio Valley and many of them were very materially affected by the flood. January output, for the entire country, was not seriously affected; it reached an all-time high for that month. In the latter part of February those plants not greatly damaged were working at top speed to catch up on orders. With Easter early and prices rising, retailers have been increasing their purchases. Shoe stocks at

department stores in this section were 6 to 11 per cent larger than a year ago. January sales were up 15 per cent in the case of women's and children's shoes, and six per cent in men's and boys' footwear.

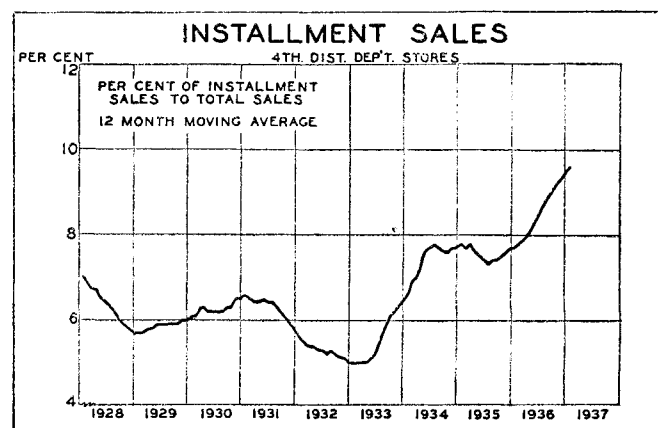
## TRADE

### Retail

Despite conditions which adversely affected retail buying in this district in January, reporting department stores experienced a gain of 12.7 per cent in dollar sales in the month, compared with January 1936. The decline from the high level of January was slightly greater than seasonal and the adjusted index of daily average sales was 91.5 per cent of the 1923-25 average, compared with 96.3 in December. Cincinnati was the only city for which separate figures are available to show a decline, sales being 11.8 per cent under last year. Pittsburgh stores reported an increase of 22 per cent. Toledo and Wheeling stores reported smaller than average gains.

In the fiscal year ended January 31, department store sales in this district were over 16 per cent larger than in 1935 and better than since 1930. Prices during the year rose 5.3 per cent, according to *Fairchild's* index, accounting for part of the increased volume. While most of the departments experienced larger sales in the year than for some time, the housefurnishing departments led in the gains, with apparel departments coming next. Furniture and housefurnishing sales were up 34 and 20 per cent, with electrical appliances, lamps and draperies being 13 and 25 per cent larger than in the fiscal year 1935.

Payment for a good share of this type of merchandise is made by means of installment accounts and the volume of such sales has increased materially in the past year. Stores in this district which report separate figures indicated that installment sales in the fiscal year 1936 were 38 per cent larger than in 1935, while total store sales were up 16 per cent. In January, installment sales were 43 per cent larger than in January 1936. Installment sales in 1936 were approximately nine per cent of total store volume, compared with five to six per cent in 1933 and also in 1929. The accompanying chart shows the ratio of installment to total sales at reporting stores in the fourth district from 1928 to the present time. In order to eliminate seasonal fluctuations and show more clearly the trend of installment sales, the curve represents the twelve-month moving average. The latest point, therefore, shows the ratio of installment to total



sales in the twelve months ended January 1937. Since early 1933 the trend has been definitely upward. Collections on these installment accounts apparently hold up very well, as was revealed by the chart in the December Review. They seem to fluctuate only slightly around 16 per cent, regardless of the condition of general business. Department store installment selling represents only a very small share of this type of sale in the field of retail trade. Whether these figures are typical of total installment business, is impossible to determine, but they seem to furnish some information on a phase of the current situation for which limited data are available.

While installment sales have been increasing in recent years, regular credit sales have declined. The second chart shows the ratio of regular credit to total sales at fourth district reporting stores. The twelve-month moving average again is used to eliminate fluctuations and more clearly reveal the general trend. From an average of about 57 per cent in 1930, the ratio of regular credit to total sales at reporting stores dropped to below 50 per cent in 1935 and showed little change from that level in 1936. In January these sales represented 49.5 per cent of the total reported. In addition there has been a marked improvement in collections on these accounts recently. The average for 1936 was close to 44 per cent, compared with 33 per cent in 1933. In January, collections on regular charge accounts were 46.8 per cent.

Inventories at department stores in this district increased more than seasonally in January and at the month end had a 19 per cent greater dollar value than a year previous. Gains were quite general throughout the district.

#### Wholesale

The wholesale district of Cincinnati was badly damaged by the flood and trade was thus retarded in that section. January wholesale grocery sales in the month at reporting firms in the entire district were slightly smaller than a year ago, but inventories at the month end were up 18 per cent. Sales of drugs, dry goods, and hardware firms in January were 17, 21, and 33 per cent larger than in the corresponding period of 1936. Declines from December, chiefly seasonal, were evident in all lines.

#### CONSTRUCTION

The mild weather this winter may have had a retarding effect on some industries, but it apparently has had the opposite reaction on construction. It has permitted work

to go forward that ordinarily would have been delayed until later in spring. Total construction contracts awarded in this district in January, according to the *F. W. Dodge Corporation*, were valued at \$28,648,000. This was 60 per cent in excess of 1936 and was only surpassed by one January since 1930. That was in 1934 when CWA work was at its height. Building contracts awarded in the month were 14 per cent in excess of the average for January of the past ten years. In the first half of February a similar situation prevailed.

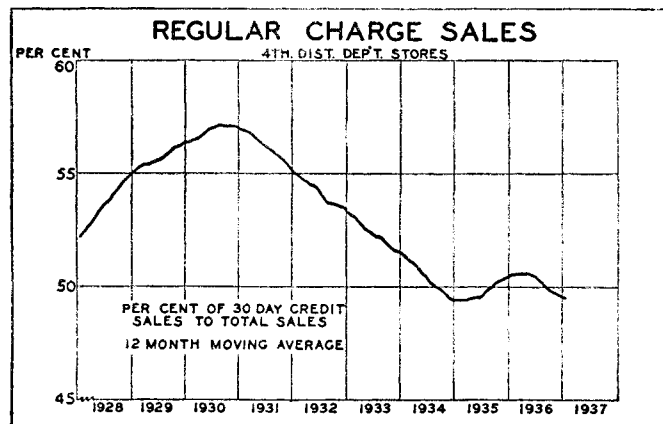
Contracts awarded in January for both public works and utilities were smaller in this district than in the same month last year. Nonresidential construction work was up about 50 per cent over January 1936 and also as compared with December. The greatest improvement was in the residential classification. Contracts awarded for this type of work were valued at \$11,241,000 in January, compared with \$3,887,000 a year previous, or a gain of 189 per cent. Residential awards were nearly equal to those of January 1929 and exceeded each year since that time. They also were 87 per cent larger than the average January of the past ten years. In addition they were greater than in any month since April 1930. The gains were well distributed in principal cities of the district, and approximately 1,800 new dwelling units were provided. Contemplated construction reported in January in this section had a value of over \$40,000,000 compared with about \$25,000,000 a year ago.

Building supply concerns had a larger number of orders on hand than in several years and the average amount of the order has risen considerably. Inventories are not large, having been reduced because of difficulties in shipping channels on the West coast and in southern lumber areas because of wet weather. Prices on several grades of lumber have advanced in recent months and one index of building costs was more than ten per cent higher on January 1 than a year previous.

#### AGRICULTURE

The general level of farm prices, which advanced at a "phenomenal rate", according to the *Department of Agriculture*, in December and January, showed a further rise in the first half of February, judging by price movements of principal commodities. In January the index of farm prices was 131 per cent of the five-year pre-war average, a gain of five points from December and of 22 points, or 20 per cent, in the past year. Farm prices in January were higher than since June 1930 and the index of prices received was above that of prices paid for goods purchased for the first time since November 1925. The index of prices of goods farmers buy was unchanged in January, compared with December and was only five per cent above a year ago. The more rapid rise in prices of farm products restored the ratio of prices received to prices paid to above parity, or 102, in January for the first time in over 11 years.

The sharp rise in grain prices, resulting from short supplies generally, was one of the primary factors responsible for the increase, both in recent months and compared with a year ago. The index of grain prices was up 51 points compared with January 1936, while other principal groups showed increases of 6 to 16 points, with truck crops down seven points and poultry products three points. As feed requirements cut into declining grain supplies and foreign



purchases increased, grain prices rose sharply, corn and oats being nearly twice as high as a year ago.

This improved price situation is reflected in figures covering cash receipts by farmers during 1936 from the sale of 33 principal farm products, the production of which was considerably less than in other recent years. In the entire country cash receipts were estimated at \$7,578,000,000, an increase of 16 per cent over 1935. Including Government payments, which were smaller in 1936 than in 1935, the increase in cash income of farmers was 11 per cent above last year.

In states of the fourth district, income from the sale of crops in 1936 compared with 1935 was up eight per cent in Ohio and seven per cent in Pennsylvania, but only one per cent in Kentucky and two per cent in West Virginia, where drought damage was marked. Including Government payments, percentage changes in cash income from 1935 in Ohio were +5, Pennsylvania +7, West Virginia +1, and Kentucky -7 per cent. In connection with the decline for Kentucky, the tobacco crop, sale of which carries over into 1937, commanded much higher prices than in other recent years, making up for part of the 1936 decline reported.

The tobacco selling season has all but closed; recent offerings have been of rather low quality and therefore have brought somewhat less than the average price for the season which is close to the record high. Final figures are not available, but the average price at Lexington up to February 20 was 36.7 cents a pound, compared with a season average of 19.8 cents last year. The total supply of burley tobacco (stocks and 1936 production) on January 1 has declined for three successive years, and consumption of this type has increased in each of the past four years. Cigarette consumption has shown an average annual increase of 11-

### Wholesale and Retail Trade

(1937 compared with 1936)

	SALES January 1937	STOCKS January 1937	PERCENTAGE Increase or Decrease COLLECTED January 1937
<b>DEPARTMENT STORES (51)</b>			
Akron.....	+14.4	+25.3	+18.2
Cincinnati.....	+11.8	+25.7	+1.4
Cleveland.....	+15.0	+18.6	+19.1
Columbus.....	+17.8	+16.0	+18.6
Pittsburgh.....	+22.1	+17.5	+24.8
Toledo.....	+7.4	+21.3	+16.2
Wheeling.....	+6.8	+17.7	+17.5
Youngstown.....	+13.9	+12.0	+17.5
Other Cities.....	+16.5	+19.0	+27.9
District.....	+12.7	+19.4	+18.7
<b>WEARING APPAREL (13)</b>			
Cincinnati.....	+14.8	+7.6	+5.7
Cleveland.....	+14.6	+12.7	+24.6
Pittsburgh.....	+15.4	+10.1	+23.0
Other Cities.....	+25.7	+5.2	+17.9
District.....	+7.9	+8.9	+16.2
<b>FURNITURE (42)</b>			
Cincinnati.....	+22.7		+10.2
Cleveland.....	+12.3		+22.4
Columbus.....	+36.5		+29.9
Dayton.....	+15.9		+44.7
Toledo.....	+1.2		+1.8
Other Cities.....	+59.8		+29.9
District.....	+18.5		+21.3
<b>CHAIN STORES*</b>			
Drugs—District (4).....	+11.0		
Groceries—District (5).....	+12.1		
<b>WHOLESALE GROCERIES (29)</b>			
Akron.....	+11.4		
Cleveland.....	+10.3		
Erie.....	+0.8		
Pittsburgh.....	+4.4		
Toledo.....	+4.1		
Other Cities.....	+3.6		
District.....	+0.02	+17.9	+8.0
<b>WHOLESALE DRY GOODS (10)</b> .....	+21.3	+12.1	+15.8
<b>WHOLESALE DRUGS (11)</b> .....	+16.8		+10.7
<b>WHOLESALE HARDWARE (13)</b> .....	+32.8		+32.8

\*Per individual unit operated.

700,000,000 since 1932 and the bulk of the burley crop is consumed in this manner.

### Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	January 1937	January 1936	% change from 1936
Bank Debits—24 cities.....	\$ 2,599,000	\$2,135,000	+21.7
Savings Deposits—End of month:			
40 banks, O. and W. Pa.....	745,619	712,161	+ 6.2
Life Insurance Sales:			
Ohio and Pa.....	72,047	72,407	- 0.5
Retail Sales:			
Department Stores—51 firms.....	15,248	13,525	+12.7
Wearing Apparel—13 firms.....	712	660	+ 7.9
Furniture—42 firms.....	704	594	+18.5
Wholesale Sales—			
Drugs 11 firms.....	1,698	1,455	+16.8
Dry Goods—10 firms.....	1,116	920	+21.3
Groceries—29 firms.....	3,685	3,686	- 0.02
Hardware—13 firms.....	1,415	1,065	+32.8
Building Contracts—total.....	28,648	17,860	+60.4
—Residential.....	11,241	3,887	+189.2
Commercial Failures—Liabilities.....	449	685	-34.5
—Number.....	46 <sup>2</sup>	62 <sup>2</sup>	-25.8
Production:			
Pig Iron—U. S..... tons	3,220	2,029	+58.7
Steel Ingot—U. S..... tons	4,737	3,046	+55.5
Auto—Passenger Car—U. S.....	309,594 <sup>2</sup>	298,274 <sup>2</sup>	+ 3.8
Auto—Trucks—U. S.....	70,249 <sup>2</sup>	65,730 <sup>2</sup>	+ 6.9
Bituminous Coal, O., W. Pa., E. Ky. tons	15,109	13,925	+ 8.5
Cement—O., W. Pa., W. Va..... bbls.		144	
Elec. Power, O., Pa., Ky..... Thous. k.w.h.	1,742 <sup>3</sup>	1,472 <sup>3</sup>	+18.3
Petroleum, O., Pa., Ky..... bbls.	2,348 <sup>3</sup>	2,000 <sup>3</sup>	+17.4
Shoes..... pairs	1	1	
Tires, U. S..... casings	5,015 <sup>3</sup>	4,051 <sup>3</sup>	+23.8

<sup>1</sup> not available

<sup>2</sup> actual number

<sup>3</sup> December

### Debits to Individual Accounts

(Thousands of Dollars)

	5 weeks ended Feb. 24, 1937	% change from 1936	Year to date Dec. 31, 1936 to Feb. 24, 1937	Year to date Jan. 2, 1936 to Feb. 26, 1936	% change from 1936
Akron.....	\$72,892	+21.1	\$121,925	\$101,552	+20.0
Butler.....	10,788	+23.1	18,292	14,804	+23.6
Canton.....	39,962	+23.8	67,850	56,814	+19.4
Cincinnati.....	357,283	+12.0	622,574	547,315	+13.8
Cleveland.....	654,854	+19.3	1,102,150	939,959	+17.3
Columbus.....	193,401	+25.3	342,037	271,262	+26.1
Dayton.....	76,907	+27.7	130,039	99,179	+31.1
Erie.....	34,254	+36.7	57,278	42,356	+35.2
Franklin.....	4,294	+34.5	6,822	5,750	+18.6
Greensburg.....	6,395	- 8.5	12,176	12,708	- 4.2
Hamilton.....	13,124	+31.1	21,712	16,284	+33.3
Homestead.....	3,260	+28.0	5,712	4,244	+34.6
Lexington.....	34,943	+53.1	76,875	44,605	+72.3
Lima.....	15,375	+53.7	25,357	18,058	+40.4
Lorain.....	5,357	+47.2	8,894	6,029	+47.5
Middletown.....	10,317	+16.1	17,826	15,343	+16.2
Oil City.....	12,152	+13.9	20,736	17,849	+16.2
Pittsburgh.....	867,380	+19.0	1,469,329	1,196,511	+22.8
Sharon.....	10,038	+19.2	16,522	13,335	+23.9
Springfield.....	18,703	+23.7	32,484	26,749	+21.4
Steubenville.....	11,192	+51.1	18,543	12,452	+48.9
Toledo.....	141,944	+22.1	241,351	195,622	+23.4
Warren.....	10,997	+35.6	18,283	13,193	+38.6
Wheeling.....	35,007	+13.9	63,114	54,473	+15.9
Youngstown.....	54,277	+35.9	93,104	66,819	+39.3
Zanesville.....	8,140	+15.2	14,672	12,510	+17.3
Total.....	\$2,703,236	+20.2	\$4,625,657	\$3,805,775	+21.5

### Fourth District Business Indexes

(1923-25 = 100)

	Jan. 1937	Jan. 1936	Jan. 1935	Jan. 1934	Jan. 1933
Bank Debits (24 cities).....	96	79	68	57	55
Commercial Failures (Number).....	32	43	71	70	172
—Liabilities.....	10	16	27	42	135
Sales—Life Insurance (O. & Pa.).....	86	87	120	88	89
—Department Stores (49 Stores).....	69	58	60	52	43
—Wholesale Drugs (10 firms).....	117	100	97	100	75
—Dry Goods (10 firms).....	46	38	39	37	24
—Groceries (29 firms).....	70	70	70	61	48
—Hardware (13 firms).....	75	55	49	50	30
—All (62 firms).....	72	65	64	59	43
Chain Drugs (4 firms)**.....	95	86	77	73	65
Building Contracts (Total).....	60	38	24	69	9
—(Residential).....	65	23	11	6	6
Production—Coal (O., W. Pa., E. Ky.).....	84	77	74	68	55
—Cement (O., W. Pa., E. Ky.).....		12	5	6	18
—Elec. Power (O., Pa., Ky.)*.....	207	175	152	139	129
—Petroleum (O., Pa., Ky.)*.....	127	108	106	97	97
—Shoes.....		124	98	68	70

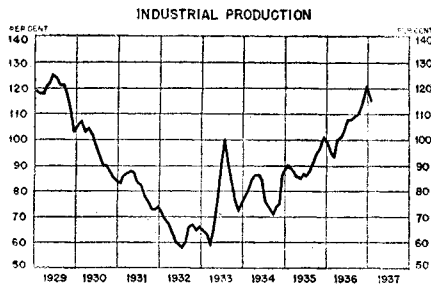
\*December

\*\*Per individual unit operated.

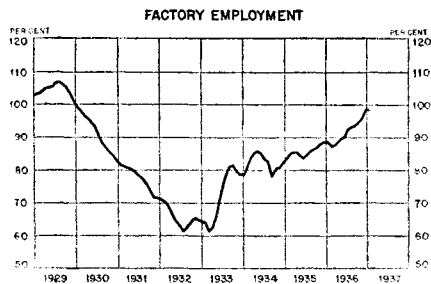


## Summary of National Business Conditions

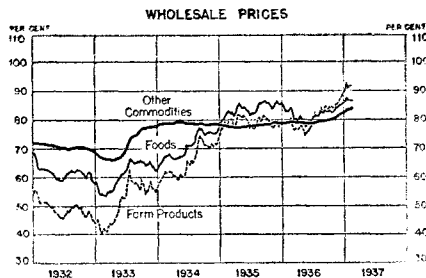
By the Board of Governors of the Federal Reserve System



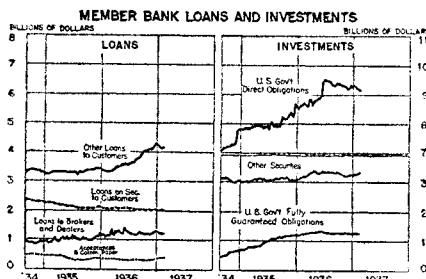
Index of physical volume of production, adjusted for seasonal variation, 1923-25 = 100. By months, January 1929 to January 1937, the latest figure being 115 preliminary.



Indexes of number employed adjusted for seasonal variation, 1923-25 = 100. By months, January 1929 to January 1937, the latest figure, January 98.8.



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 February 13, 1937.



Wednesday figures for reporting member banks to 101 leading cities, September 5, 1934 to February 17, 1937. Loans on real estate and loans to banks excluded.

Industrial activity, adjusted for seasonal changes, showed a decline in January following a rapid rise in November and December. Distribution of commodities to consumers declined more than seasonally.

### Production and Employment

Volume of industrial production, which usually increases at this time of year, declined from December to January, and the Board's seasonally adjusted index was 115 per cent of the 1923-25 average as compared with 121 in December and 114 in November. Steel production increased, though by less than the usual seasonal amount, and was larger in January than at any other time during the recovery period. In the first three weeks of February output of steel increased somewhat further. Output of automobiles was curtailed by strikes in January and the first half of February, but after the strikes were settled production rose sharply. At lumber mills there was a considerable decrease in activity in January, reflecting in part the effects of unusually cold weather in the western lumber regions. Production of plate glass declined further in January, but toward the end of the month the strikes which had restricted output since October were settled. At textile mills activity declined from the exceptionally high level reached in December, and in the meat packing industry there was also a decrease, while output at shoe factories increased.

Value of construction contracts awarded showed a considerable rise in January according to figures of the F. W. Dodge Corporation and was substantially larger than a year ago. The most marked increases over December were in factory building, which recently has been in larger volume than at any time since 1930, and in residential building. The increase in residential building was largely in publicly-financed apartment construction.

Factory employment and payrolls showed about the usual seasonal decline between the middle of December and the middle of January. Among the durable goods industries there were increases in employment at blast furnaces and steel mills and at foundries and machine shops, while in the automobile industry there was a considerable decline. In industries producing nondurable goods employment declined by less than the usual seasonal amount, with increases at textile mills and in the chemical industries, and seasonal reductions in working forces in most other lines.

### Distribution

Department store sales showed the usual seasonal decrease in January, while sales at variety stores and mail order houses declined considerably more than is usual. Car loadings of revenue freight also declined in January, reflecting in part the effects of floods. There were substantial declines in shipments of forest products, coal and miscellaneous freight.

### Commodity Prices

The general level of wholesale commodity prices, which, according to the Bureau of Labor Statistics, had advanced more than five per cent from the end of October to the middle of January, showed little change from the middle of January to the third week of February. Prices of agricultural commodities declined slightly, while industrial commodities as a group continued to advance.

### Bank Credit

Total loans and investments of weekly reporting member banks in leading cities declined somewhat further during the four weeks ending February 17, reflecting principally a decrease in holdings of United States Government obligations. Commercial loans, following a seasonal decline in January, increased at reporting banks outside New York City and remained practically unchanged in New York.

On January 31 the Board of Governors raised reserve requirements for member banks by 33 1/3 per cent, half of the increase to become effective on March 1 and half on May 1. This action completes the use of the Board's authority under the law to raise reserve requirements.

Excess reserves of member banks showed little change in the five weeks ending February 24; there was a further substantial increase at New York City banks and a small decline at banks elsewhere.