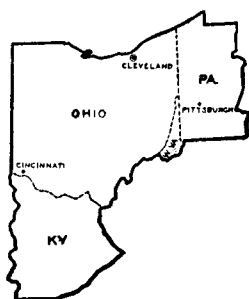


MONTHLY BUSINESS REVIEW

Covering financial, industrial
and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

Vol. 19

Cleveland, Ohio, May 31, 1937

No. 5

Industrial activity in this district continued at a high rate in late April and the first three weeks of May. Buying in the first quarter in many instances was in excess of current requirements. Large backlogs of orders were built up and deliveries were so far in the future and the price situation so unsettled that many quotations were on a "when delivered" basis. Having passed the time of the usual spring peak and having ordered materials ahead, with the price situation altered, new purchases have fallen off. In part this was reported as seasonal; it also was to permit the working down of inventories or advance orders recently accumulated. While some reports of buyers' resistance to higher prices have been heard, this situation is not general and with a few exceptions production rates in major industries of this district remained at or close to the recent high level.

The labor situation again has taken on signs of instability after a short period relatively free from major strikes. A large number of minor disturbances have occurred locally in recent weeks. Increased working forces in April were reported in most centers, with gains in industrial employment ranging from 14 to 30 per cent, as compared with last year. In March, working forces at 8,600 Ohio plants were 19 per cent larger than in the corresponding period last year. Payrolls have increased to an even greater extent because of the higher wage rates and greater number of hours being worked. With payrolls rising faster than cost of living up to the present time, purchasing power of wage earners is greater than in recent years.

Of the principal industries, automobiles and iron and steel, prior to the strike, continued to set the pace. Weekly new car production in May almost equalled the all-time high level of 1929 even though the industry was operating only five days a week. Despite this fact some dealers are unable to promise delivery and have no inventories. These limited stocks are retarding retail sales.

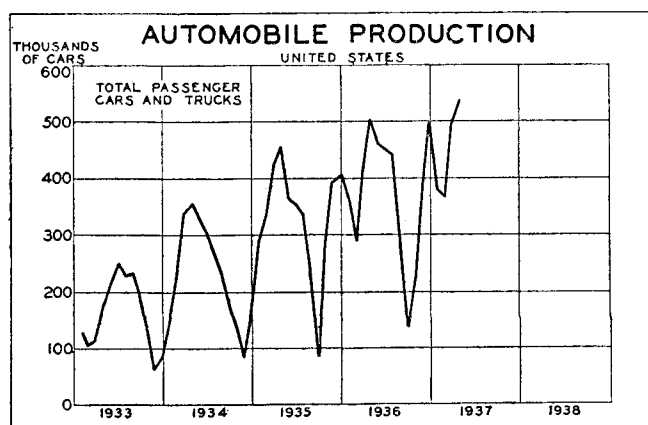
Steel ingot production was affected by strikes; the weekly rate of operations, which continued close to or above 90 per cent of capacity for ten weeks and in the third week of May was 92 per cent, dropped to about 75 per cent. Recent operations have been on orders previously placed and they

have been somewhat in excess of new buying, but the time of the usual spring peak has passed and a reduction in operations would be seasonal. So far this year steel production was 47 per cent in excess of 1936. Pig iron output has increased to a greater extent partly because of the large export demand.

Orders for machine tools made a new high record in April and so did plate glass production. Tire manufacturing was down and china and pottery plants reduced schedules. Clothing, textile and shoe production continued to exceed last year by a good margin. Production of electrical apparatus, hardware, and other metal products was considerably above last year, with demand well distributed; paint sales have declined, partly seasonal, but production has held up.

Total construction contracts awarded in this district in April were only slightly larger than in April 1936, but residential building was up 65 per cent in the month and in the first four months it was up over 100 per cent. Publicly-financed construction so far this year has been in much smaller volume than in recent similar periods.

Agricultural conditions locally are better than in recent years, though farm work has been delayed by adverse weather. Fruit and wheat prospects generally are good, pastures and meadows are fair, and oats, while late, have had a favorable start.



Retail trade in April was adversely affected by weather and the fact that all pre-Easter buying occurred in March. In the first four months a gain of 21 per cent over last year was reported by department stores in this district. While higher retail prices contributed to the gains, they were up less than eight per cent, according to *Fairchild's* index. The seasonally adjusted index of daily average sales declined quite sharply in April, following the unusual rise in February and March, and was slightly above the level of January.

Check transactions at banks in 25 cities of the district in the four weeks ended May 19 were 13 per cent larger than in the comparable interval of 1936, while the gain for the year to date was 20 per cent.

FINANCIAL

In the four weeks ended May 19 there was a slight reduction in the volume of credit extended by weekly reporting member banks in leading cities of this district. The drop, however, confined to investments in both Government bonds and other securities, was about proportionate in each class. In the most recent week a slight increase in holdings of Government securities occurred. Despite a drop of \$100,000,000, or over ten per cent, since the first of the year, reporting member banks in this district still held more Government securities than a year ago at this time. Holdings of other than Government securities were approximately the same in the third week of May as at the beginning of the year.

Loans made by these banks continued to increase moderately in the four latest weeks to a new high level for the recovery and, at \$699,000,000 on May 19, they were 11 per cent larger than a year ago and about 7.5 per cent above the level at the beginning of the year. All but a very small part of the increase was in other than security loans, chiefly commercial, and in holdings of acceptances and commercial paper which represent business activity. Loans on securities, particularly to brokers and dealers in securities, have increased in recent weeks.

The latest revision by the Board of Governors in the loan classification of the weekly condition report form, effective May 19, makes available more complete figures showing how funds obtained from reporting banks are to be used.

Time deposits rose to the highest level of the year on May 19 and were 2.5 per cent larger than on January 1. Demand deposits declined in late April and early May, but subsequently made up all the loss; at \$1,110,000,000 they were only slightly below the level at the beginning of the year. Government deposits at these banks have been reduced steadily since January and on May 19 were only about one-ninth of what they were at the start of 1937.

The third increase in reserve requirements of member banks, which became effective May 1, was accomplished with little apparent difficulty in this district. Some of the liquidation of investments in Government securities probably was in preparation for the higher requirements. Bills discounted for member banks increased slightly in early May, but on May 19 they still only totaled \$340,000. On May 21 estimated excess reserves over the higher requirements were \$73,600,000 at banks in this district, or 19 per cent. The excess at reserve city banks was approximately 12 per cent, while at country banks it was 41 per cent.

Reserve Bank Credit A slight gain in holdings of Government securities in late April (this bank's proportionate share of the System's purchases), a nominal increase in bills discounted in the four latest weeks, a rise of \$82,000 in holdings of acceptances, and a reduction of \$74,000 in direct loans to industry constituted the changes in earning assets of the Federal Reserve Bank of Cleveland in the four weeks ended May 19.

As a result of inter-district transfers through the gold settlement fund, this bank's gold certificate reserves increased quite sharply in recent weeks to \$690,000,000 on May 12, a new high figure, but declined \$9,000,000 in the following week. Compared with a year ago these reserves were up \$131,000,000, or 24 per cent.

Note circulation increased slightly in early May to \$431,000,000, a new high level, but a reduction in the week of May 19 lowered the total outstanding to approximately the level of late April. In comparison with last year circulation of this bank's notes was up over 15 per cent. Total reserve deposits of member banks rose sharply to a new high level in the first week of May at which time the higher reserve requirements became effective.

MANUFACTURING, MINING

Iron and Steel

Announcement of steel prices for third quarter delivery was made at the end of April, an unusually early date. Efforts to place business before a possible price rise loaded mill books heavily in the first quarter and this price extension caused many customers to put off ordering. In the meantime mills have had opportunity to make progress in reducing backlogs.

In spite of the decline in buying, production has been continued at a high rate, close to or above 90 per cent of capacity. Labor difficulties in the Pittsburgh district caused a slight dip during the week of May 15, but a rebound of 2½ points to 91.5 per cent of capacity raised the national weekly rate to approximately the highest level of the year. Recovery at Pittsburgh raised the rate to 96 per cent of capacity, the highest of the year and more than 50 per cent above that time in 1936. At Cleveland, operations have increased slightly to 82 per cent, compared with 79.5 per cent in the previous four weeks and 74 per cent a year ago. Youngstown operations have receded slightly, but in the latest week continued at 80 per cent. The peak so far this year was 87 per cent in April. Wheeling mills have been operating at 94 per cent for the past three weeks and Cincinnati has ranged between 94 and 90 per cent recently. Last year the spring peak in the national operating rate was in mid-April; in 1935 it was in March and in 1934 it was in early May. Excluding the effects of strikes, the national average has been above 90 per cent since late March.

April pig iron production totaled 3,400,636 gross tons, compared with 3,470,470 in March, a drop of 69,734 tons, or two per cent, because of the shorter month. The daily rate in April was 113,354 tons, a gain of 1,413 tons over the daily rate of 111,941 tons in March. Total production in the first four months was 13,114,277 tons, compared with 8,323,831 tons in the same period of 1936, a gain of 4,790,446 tons, or 57 per cent.

Production of steel ingots in April totaled 5,017,875 gross tons, at 90.27 per cent of capacity. The shorter month gave a total slightly under March, but the percentage of capacity for March was only 89.91. However, the April total has been exceeded only in March and in May 1929. April produced nearly 30 per cent more ingots than the same month of 1936. Production for four months of 1937 was almost 50 per cent larger than for all 1932.

All records for Lake Superior iron ore shipments for April were broken when 3,770,555 tons were shipped to lower lake ports. This compares with 2,516,241 tons in April 1929, the previous record. In the entire ore season of 1932 only 3,567,985 tons were moved. In April 1936, 19,446 tons were shipped. Ore stocks at furnaces and Lake Erie ports were 24 per cent smaller on April 30 than a year previous despite the heavy April movement.

March exports of steel scrap set an all-time record with 362,249 tons. For first quarter scrap exports were 586,369 tons. Steel exports, without scrap, in March totaled 208,327 tons, the highest month since July 1929, a gain of 59 per cent over those of February and 118 per cent over March 1936. For first quarter exports, exclusive of scrap, were 476,886 tons, 91.5 per cent over first quarter of last year. Scrap steel prices have declined to approximately the low level of the year, but the falling-off has moderated recently.

Insistent demand for pig iron, heightened by export inquiry and tonnage already booked for foreign shipment, has caused further productive capacity to be blown in. In addition to two stacks already lighted at Cleveland, one in eastern Pennsylvania was blown in early in May. Other stacks in the East are being prepared for activity. Inquiries for at least 60,000 tons of pig iron for export are pending in the Pittsburgh district. On May 1 blast furnaces in operation numbered 188, a net gain of six in the month and of 45 compared with last year.

Coal

Following the heavy accumulation of coal stocks above ground in March in anticipation of a strike developing which would cut off production, and possibly higher prices under the Guffey Coal Act, mine operations in this district and elsewhere declined quite sharply in early April to levels under a year ago to permit absorption of coal stocks above ground. With the Lake shipping season opening somewhat earlier than usual, absorption of this surplus coal

has proceeded quite rapidly and by mid-May coal production had again risen above the corresponding week of 1936. April output in this section was 11,853,000 tons, a decline of 3.8 per cent from last year, but in the first four months a gain of nearly 20 per cent was evident. More coal was produced in the period than in any corresponding four months since 1930.

While recent stock figures are not available, they are reported as being somewhat larger than a year ago, though with industrial activity continuing at a high rate, coal consumption this year has been in excess of other recent years. In the first four months coal shipments from Lake Erie ports were 162 per cent larger than in the same period of 1936 and the gain in April was 132 per cent. Constituting one of the chief return cargoes for boats bringing down iron ore from upper lake ports, the heavy ore traffic this spring is also reflected in the lake coal shipments which have particularly benefited fourth district mines.

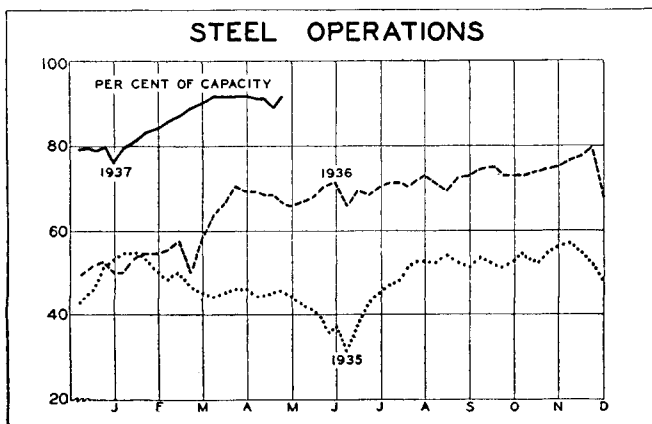
Prices on bituminous grades continue at about the level of a year ago and are relatively weak. Intense competition for orders has resulted in considerable wholesale selling below cost, according to reports. Coke is in a much more sound position, and demand has held up well.

Automobiles

Following settlement of strikes in the auto industry, weekly production schedules advanced in the first two weeks of May to new high levels for the recovery, notwithstanding the fact that operations were on a five-day week basis compared with six days in 1929 when the all-time high record was made. In the week of May 15 output was estimated at 140,396 cars and trucks by *Cram's*, but in the following week it dropped to 134,500 units. A year ago factory output was running around 118,000 units, having declined from the year's peak touched in April.

Despite the high level of current operations, a definite shortage of new cars exists in the case of models on which production was stopped by strikes earlier in the year. Deliveries cannot be promised with any assurance. Inventories are low in the entire industry for this, the most active buying period of the year, but in lines not affected by strikes some accumulation recently has occurred. The used car situation also is favorable; dealers are able to devote more time to that phase of the business because of the new car shortage. New passenger car sales in principal counties of this district in April were down from March, contrary to seasonal tendency, but in the first four months a gain of 17 per cent over last year was reported. Ability to make delivery has been almost the only limiting factor on new car sales this spring.

Whereas April of previous years has been the month of greatest production, it is evident from figures now available that May will exceed that month this year. April output, according to the *Department of Commerce*, was 536,334 cars and trucks, a gain of 8.5 per cent over March despite strikes, and of 6.7 per cent over April 1936. The gain over March was more than seasonal and the *Board's* preliminary index rose nine points to 130 per cent of the 1923-25 average. In the first four months 1,775,000 cars and trucks were made, a gain of 12.6 per cent over 1936. Passenger car production was 439,980 units in April,



a gain of 5.7 per cent over last year's peak month of April, while for the first four months output was 13.2 per cent ahead of 1936.

Truck production in April was 96,354 units, an increase of 11.7 per cent over last April, while for the four-month period output was 10.4 per cent ahead of 1936.

Rubber, Tires

Tire and rubber plant operations declined in April, but recovered somewhat in the first half of May, following settlement of the strike at one of the major plants. Some factories were maintaining schedules at recent capacity rates, but inventories were accumulating. Demand for tires for replacement and original equipment has held up well this spring and has been much better than in other recent years, but dealers bought heavily in the first quarter when rubber and finished tire prices were advancing. These stocks now are being worked down. Buying recently has been chiefly of sizes to round out stocks, but no cancellation of orders previously placed has been reported.

Crude rubber consumption by domestic manufacturers declined to 51,797 tons in April from 54,064 tons in March and, although one large plant was not operating in the month, consumption was only 0.4 per cent less than in April 1936. Including reclaimed rubber, total absorption in the month was 66,603 tons, a gain of over 4,000 tons as compared with last year. As a result of the increased price of new rubber, reclaimed rubber consumption has risen sharply in recent months. In the first four months total rubber consumption by domestic users was 205,000 tons, a gain of 13.9 per cent over last year.

Imports of crude rubber in April were about one-third less than the amount taken by manufacturers in the period and were 11 per cent below April 1936, but the amount of crude rubber afloat to this country was 52 per cent greater than a year ago. As a result of these changes stocks of crude rubber on April 30 were further reduced to less than 175,000 tons, or 37 per cent below last year at that time. Less rubber is on hand now than at any time since late 1930.

Crude rubber prices, which advanced rapidly in the first quarter to a high of about 27 cents in early April, receded sharply in the ensuing weeks to below 21 cents, but recovered slightly to about 22 cents in mid-May. Despite the reaction, current prices are nearly 50 per cent higher than a year ago.

Figures on tire shipments, inventories and production, as compiled by the *Rubber Manufacturers Association*, are available only through February and, therefore, are of limited value so far as current conditions in the industry are concerned. At the end of February manufacturers' inventories exceeded 12,300,000 casings, about 3,000,000 more than on the same date in 1936 and a record figure.

Clothing

Continued cool weather has retarded retail sales of all kinds of wearing apparel and the increases experienced in the first quarter were not carried over into April or the first half of May, though gains were still evident over last year. Except for affecting sales to replenish spring stocks, clothing manufacturers indicate that conditions are little changed. Employment at 148 firms in March (the

latest available) was two per cent greater than a year ago and 111 per cent of the 1926 average.

Clothing prices have advanced, particularly on fall lines, but while salesmen have not been on the road very long, advance bookings to date are considerably larger than a year ago. Buyers for retail stores apparently are accepting higher prices with little objection. On May 1 *Fairchild's* index of retail clothing prices at department stores throughout the country was up about four per cent over last year, but more than 25 per cent compared with 1933.

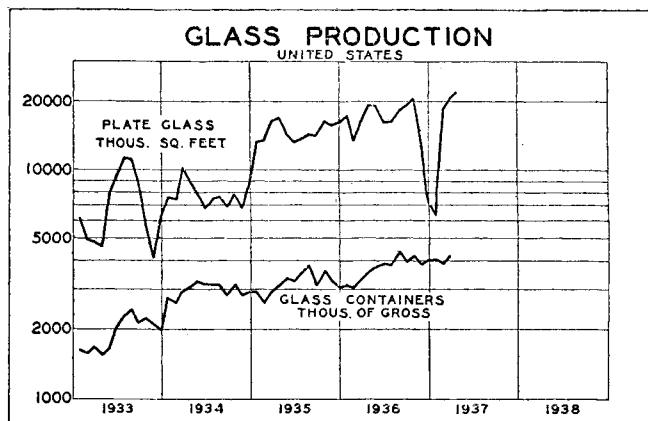
Most plants were operating at reduced rates seasonally in April and early May, but activity was resumed around the middle of the month on fall models in most cases. No cancellations of textile orders for fall clothing placed earlier in the year have been reported and plants in this section continue to operate at a high rate.

Other Manufacturing

While some reduction in the volume of new orders received by a few of the smaller industries was reported in late April and the first half of May, it was partly seasonal. In view of the extensive advance ordering which occurred earlier this year it was not surprising. Plant operations, generally, continue at high levels, work being on large backlogs of orders that were built up this spring and which still remain in many cases.

With auto assembly plants operating at close to all-time high rates in mid-May, parts and material requirements from local manufacturers in April were large, averaging 25 per cent to 40 per cent in excess of a year ago. Releases on parts are generally about six weeks ahead of actual assemblies, and some contraction in orders was experienced in May, though gains continued to be reported over comparable periods of 1936. Where prices not covered by contract have advanced, because of higher costs, some resistance is evident, though not to any marked degree. Extension of steel prices and reductions in some other metals have had a stabilizing effect on this industry.

Metal working plants also were operating in mid-May at or close to the highest level of the recovery movement. Small tool demand has been excellent, some plants reporting further expansion in early May, while others showed no change. Sales of foundry equipment in April were 208 per cent larger than the average of the three years 1922-24 and more than 50 per cent in excess of last year. While little is heard regarding specific extensive retooling programs, buying of new machine tools in April rose to an



all-time high level of 282 per cent of the average monthly shipments in 1926, according to the *National Machine Tool Builders Association*. A gain over last year of considerably more than 100 per cent and also over March was chiefly in orders from domestic sources. Foreign buying represented 17 per cent of total sales in the month compared with 20 to 30 per cent in most months of 1936. Deliveries on certain types are very much extended. No cancelations have been reported. Small tool sales and engineering specialties were ordered in late April and early May in much larger volume than a year ago. Payrolls are double last year and employment was above 1929.

Sales of electrical apparatus and supplies showed little change in April from March, but large gains over 1936 were still evident. A drop in May was attributed by the trade to ordering earlier in the year in excess of actual requirements. Little resistance to higher prices is apparent. Unfilled orders are so large that little change in operations has occurred.

China and pottery plants reported a slump in new orders following the price increase and operations also are down more than seasonally partly because they were up more than that earlier this year to build up inventories prior to the expiration of the wage agreement. In early May the industry was reported to be operating at about 80 per cent.

Window and plate glass production in April and early May was running well ahead of last year, and the latter attained an all-time record in April. Employment is at a peak and wages are the highest ever paid. Stocks of window glass in hands of all manufacturers are the lowest they have ever been and jobbers' inventories also are small. Increased consumption of window glass in other fields than construction has been partly responsible for the high rate of activity in this industry. The same situation prevails in plate glass. No replenishment of inventories, reduced when the strike was on, has been possible because of the great demand from the auto industry and elsewhere. Prices are slightly higher, but no buying resistance is reported. Container and molded glass production also exceeded last year by about 50 per cent. Sales in April were 33 per cent in excess of last year, so backlogs were slightly reduced. Employment was up 16 per cent and payrolls 40 per cent.

Industrial paint sales in early May, while exceeding last year, were not up in proportion to the gains of the first quarter. Rising prices caused considerable buying in

the first three months in excess of actual requirements. Demand for household and other paints has held up very well.

Paper and boxboard manufacturers operated at capacity in the first half of May, because of the large volume of orders on hand, even though buying declined, chiefly seasonal. Boxboard sales showed larger gains over last year than paper, particularly the finer grades.

Shoe production at plants in this district declined 17 per cent in April from March, but exceeded last year by more than 20 per cent, whereas for the first four months an increase of ten per cent was reported. In the first part of May most plants continued to operate at high levels, some producing new fall lines which are about eight per cent higher priced. Retail sales have been retarded by adverse weather.

TRADE

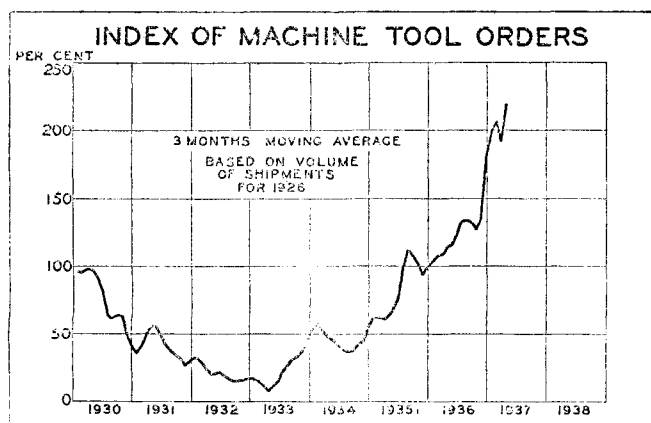
Retail

There was little change between March and April in dollar sales at reporting department stores in this district, while usually there is a rather sharp increase. Several factors contributed to this situation. With Easter occurring in late March, all seasonal buying preceding the Holiday occurred in that month. Inclement weather has prevailed much of this spring and has affected retail buying. Also there has been some talk in trade circles of resistance to higher prices; as yet, however, this appears to be negligible, for *Fairchild's* index of department store prices was only eight per cent higher on May 1 than a year ago and, judging by payroll indexes, purchasing power has increased considerably more than that. Despite these conditions, dollar sales were 9.2 per cent larger in April than a year ago, which included some Easter buying, and the gain in the first four months was 20.9 per cent. All cities except Wheeling showed gains in the month, with the smaller centers experiencing an average rise of 27 per cent. The seasonally adjusted index of daily average sales dropped 12 points to 91.3 per cent of the 1923-25 average, and was slightly above the level in January when sales were affected by floods in certain parts of the district. Preliminary reports for the first half of May indicate that sales were showing about the same gain over 1936 as they did in April.

Buying of better quality merchandise is still reported and in April basement store sales were up only 3.8 per cent, while in two cities basement store sales were smaller in April than a year ago. Departments such as silverware, jewelry, linens, toilet articles, furs, furniture, floor coverings, electrical appliances and other house furnishings all showed large gains in April over last year. Clothing sales, both at department and wearing apparel stores, were only slightly larger than in April 1936.

Installment sales increased in April to 12.9 per cent of total store sales, compared with 10.6 per cent in March and 9.8 per cent in April 1936. Other charge sales in April represented a slightly smaller share of total sales than in March or a year ago.

Inventories at reporting stores increased by about the usual seasonal amount in April and retail dollar value at the month end was 28 per cent greater than a year ago. Stores bought rather heavily in the first quarter and the



ratio of sales to stocks was slightly below last year, both in the month and for the year to date.

Collections on accounts receivable, both regular and installment, improved slightly in April as compared with March, and collections on total and regular 30-day accounts were better than a year ago. Installment account collections were down slightly from April 1936.

Wholesale A contrary-to-seasonal decline in dollar sales of reporting wholesale firms in this district occurred in April, but gains in all lines were shown over last year. Except in groceries, the April increase was smaller than in the first quarter when considerable advance buying was indicated. Wholesale hardware sales continued to lead with gains of 22 and 29 per cent, respectively, in April and the first four months. Grocery sales were up 16 and 11 per cent in corresponding periods; drug sales were up 13 and 17 per cent, while dry goods sales were up 8 and 18 per cent. Collections generally have been holding up very well.

CONSTRUCTION

A further improvement in residential building in the fourth district occurred during April as against all other types of construction. Value of residential contracts awarded, at \$10,817,000, was 41.7 per cent of total contracts reported for the month and showed an increase of 65.1 per cent over the corresponding month of last year, while total building increased only 7.2 per cent over April 1936. Total contracts awarded during the first four months of this year were the highest since 1931 and 35 per cent in excess of last year.

Increased residential building prevailed in general throughout the country. In the 37 states east of the Rocky Mountains covered by the *F. W. Dodge Corporation*, dollar volume of residential building surpassed nonresidential construction, excluding public works and utilities, and showed the largest monthly total since May 1930.

Private capital in construction financed 72.5 per cent of the total contracts reported in April, the highest ratio since July 1933. A year ago privately-financed construction represented 55.4 per cent of total contracts awarded. While total new building contracts awarded so far this year have lagged somewhat behind earlier expectations, chiefly because of a decline in publicly-financed work, the gain in private building is encouraging.

Of the total number of residential buildings contracted for in April in this district, 66 per cent were for single dwellings for either owner occupation or investment. Value of this type of construction comprised 77 per cent of residential building contracts let in the month and 28 per cent of total construction.

In the nonresidential classification, a gain of about three per cent in April over last year was evident in this section, but there was a decline of 12 per cent from March. Increased highway construction in April added to the public works' total, which was five per cent above April 1936, but public utility contracts awarded in April were smaller than in March, or the corresponding month of 1936.

Building supply dealers report some resistance to higher

prices, with work on some projects being deferred or even canceled because costs now exceed previous estimates.

AGRICULTURE

April and the first three weeks of May were cold and very wet in most parts of this district, resulting in a retardation of spring work generally. Oat planting was so much delayed that a smaller acreage probably has been seeded than was indicated in the spring planting intention's report. Ground preparation for corn and other crops also has been delayed. On the other hand rains have benefited wheat, meadows, and pastures, which suffered during the winter and from the droughts of recent years. It would appear, however, that agricultural conditions in this district were better than the average for the entire country which was lowered by the unfavorable conditions in the Great Plains and Pacific Northwest sections, damage to fruits and early crops in the South, and California, and in the spring wheat areas where moisture shortage is still a threat to this year's crop.

The May 1 general report of the *Department of Agriculture* points to the signs of increasing demands for farm products, shortages that prevail, higher prices, and the better relation between prices of farm products and other commodities as factors which make the agricultural situation more favorable than in several years. Purchases of new equipment have been very large this spring and fertilizer sales in states where figures are available indicate that gains in April of 32 per cent and in the first four months of 31 per cent over similar intervals of 1936 were experienced. Sales exceeded every year back to 1930.

Wheat Winter wheat in states of this district suffered considerably by the open winter, but heavy rains this spring and cool weather resulted in much improvement. Fields which earlier were considered too poor for harvest have been saved and abandonment was considerably below the average of previous years. In Kentucky the abandonment was eight per cent, but in other States of the district it ranged between 2 and 3.5 per cent, while for the entire country it was 17 per cent. In Ohio the ten-year average abandonment was 13.6 per cent, while last year it was six per cent. Remaining for harvest in Ohio were 2,449,000 acres, the seventh largest state acreage, but indicated harvest this year, based on the May 1 condition, was 46,531,000 bushels, a figure only exceeded by Kansas and Oklahoma. This was approximately 50 per cent in excess of the ten-year average yield and only slightly under the record crop of 1935. The May 1 condition for the State was 82 per cent of estimated normal, 11 points above last year and five points above the average for the entire country. The May 1 condition in Pennsylvania was 88, West Virginia 89, and Kentucky 92 per cent of estimated normal. Early-sown fields generally were in better condition than those planted later. With the average acreage yield in this section generally much greater than elsewhere, wheat is regarded as the local farmers' best cash crop.

Rye A greater proportion than usual of rye sown last fall is being used for hay, pasture, or being turned under for green manure, but acreage remaining for harvest was

in better condition than the average of preceding years. **Hay** The dry summer and open winter were very hard on new seedings and the latter caused clover and alfalfa fields to heave badly. As a result present indications point to another short hay crop in this section. The May 1 condition was below the ten-year average in all states of the district as well as the entire country. Supplies of old hay are very short, being less than a third as large on May 1 as the five-year average in this section. Pasture growth was retarded by weather, and the May 1 condition was somewhat below the average of past years.

Tobacco Ground preparation, where weather permitted, and the numerous plant beds point to one of the largest acreages devoted to tobacco in recent years, though it is too early to estimate accurately the extent of the increase. In the Burley section, plants are abundant, though small, because of the cool weather.

Fruits Cool weather has retarded the blossoming of fruits somewhat. Present indications are very favorable in most sections, practically no frost damage being reported prior to May 20, and all fruits have blossomed heavily following the mild winter. Weather during the pollination period was none too good, but indications now point to about 75 or 80 per cent of a full fruit crop in this section, the best in several years.

Prices The general level of prices received by farmers, which in mid-April was 130 per cent of the five-year pre-war average, compared with 128 in March and 105 in April 1936, apparently receded between April and May. Declines in recent weeks were in wheat, cattle, cotton, lambs, eggs and potatoes; fruits, corn, poultry, hogs, and dairy products were higher; while wool showed little change. Prices paid by farmers for commodities have risen considerably recently to 134 per cent of pre-war average, so that the ratio of prices received to prices paid is 97 per cent of the average of 1909-1914.

Fourth District Business Statistics

(000 omitted)				
Fourth District Unless Otherwise Specified	April 1937	% change from 1936	Jan.-Apr. 1937	% change from 1936
Bank Debits 24 cities.....	\$2,669,000	+16.3	\$10,130,000	+20.5
Savings Deposits—End of month: 40 banks, O. and W. Pa.....	\$ 748,374	+ 6.3	1	
Life Insurance Sales: Ohio and Pa.....	\$ 103,832r	+26.3	378,168r	+13.7
Retail Sales:				
Dept. Stores—51 firms.....	\$ 22,503	+ 9.2	77,952	+20.6
Wearing Apparel—13 firms.....	\$ 1,012	+ 2.8	3,662	+17.9
Furniture—43 firms.....	\$ 1,346	+31.6	4,208	+27.0
Wholesale Sales:				
Drugs—11 firms.....	\$ 1,607	+13.2	6,641	+16.6
Dry Goods—10 firms.....	\$ 1,321	+ 8.2	5,088	+18.1
Groceries—29 firms.....	\$ 4,380	+15.7	16,356	+10.9
Hardware—11 firms.....	\$ 1,838	+21.8	6,387	+29.2
Building Contracts—Total.....	\$ 25,917	+ 7.2	98,686	+35.2
" Residential.....	\$ 10,817	+65.1	35,881	+100.6
Commercial Failures—Liabilities.....	\$ 1,343	- 7.5	3,135	-38.4
" Number.....	63 ²	+ 3.3	230 ²	-13.9
Production:				
Pig Iron—U. S..... tons	3,401	+41.1	13,114	+57.5
Steel Ingot—U. S..... tons	5,072	+29.0	19,427	+46.5
Auto—Passenger Car—U. S.....	439,980 ²	+ 5.7	1,450,132 ²	+13.2
" Trucks—U. S.....	96,354 ²	+11.7	324,520 ²	+10.4
Bituminous Coal, O., W. Pa., E. Ky..... tons	11,853	- 3.8	62,803	+19.6
Elec. Power, O., Pa., Ky..... thous. k.w.h.	1,728 ³	+21.9	4,944 ⁴	+19.2
Petroleum—O., Pa., Ky..... bbls.	2,386 ³	+ 7.3	6,603 ⁴	+ 8.4
Shoes—U. S..... pairs	96,354 ²	+20.6	5	+10.1
Bituminous Coal Shipments: L. E. Ports..... tons	3,785	+131.5	4,882	+161.8
Iron Ore Receipts: L. E. Ports..... tons	1,830	6	1,830	6

1 not available
2 actual number
3 March
4 Jan.-Mar.
5 confidential
6 none in 1936
r Revised series

Debits to Individual Accounts

	4 weeks ended May 19, 1937	% change from 1936	Year to date		% change from 1936
			Dec. 31, 1936	Year to date Jan. 20, 1936	
Akron.....	\$ 63,611	+12.8	\$315,148	\$267,389	+17.9
Butler.....	10,523	+30.9	49,215	37,524	+31.2
Canton.....	40,912	+34.7	184,893	147,960	+25.0
Cincinnati.....	343,392	+17.1	1,681,749	1,423,919	+18.1
Cleveland.....	607,447	+15.4	2,903,210	2,427,139	+19.6
Columbus.....	169,625	+ 8.7	888,504	768,350	+15.6
Dayton.....	77,304	+32.7	357,583	268,370	+33.2
Erie.....	33,110	+31.8	152,635	111,237	+37.2
Franklin.....	3,299	+ 8.2	16,829	14,376	+17.1
Greensburg.....	7,459	+25.3	33,472	29,393	+13.9
Hamilton.....	13,068	+28.6	59,453	46,596	+27.6
Homestead.....	3,249	+34.2	14,884	10,803	+37.8
Lexington.....	19,404	+18.5	134,198	92,437	+45.2
Lima.....	13,402	+25.6	65,441	49,712	+31.6
Lorain.....	5,104	+45.2	24,299	16,659	+45.9
Middletown.....	11,036	+29.3	49,393	40,810	+21.0
Oil City.....	10,679	+18.6	53,311	44,249	+20.5
Pittsburgh.....	723,003	+ 2.0	3,634,684	3,125,015	+16.3
Sharon.....	9,020	+34.0	41,961	32,487	+29.2
Springfield.....	18,504	+33.1	88,392	69,758	+26.7
Steubenville.....	11,068	+47.8	51,351	33,826	+51.8
Toledo.....	125,847	+21.5	639,624	504,557	+26.8
Warren.....	10,736	+40.2	49,453	35,510	+38.7
Wheeling.....	34,101	+10.8	163,101	138,699	+17.6
Youngstown.....	56,802	+34.5	254,554	200,934	+26.7
Zanesville.....	8,260	+15.9	38,845	32,765	+18.6
Total.....	\$2,429,965	+12.9	\$11,945,974	\$9,970,474	+19.8

Wholesale and Retail Trade

	Percentage Increase or decrease		
	SALES April 1937	SALES first 4 months	STOCKS April 1937
DEPARTMENT STORES (51)			
Akron.....	+ 7.4	+20.7	+25.9
Cincinnati.....	+ 9.8	+13.8	+28.4
Cleveland.....	+ 9.6	+15.0	+28.1
Columbus.....	+ 3.8	+14.5	+21.8
Pittsburgh.....	+ 5.5	+30.4	+34.2
Toledo.....	+11.3	+12.5	+16.6
Wheeling.....	- 5.3	+16.3	+12.3
Youngstown.....	+32.6	+23.1	+22.1
Other Cities.....	+27.9	+24.3	+21.1
District.....	+ 9.2	+20.6	+27.9
WEARING APPAREL (13)			
Cincinnati.....	+ 1.0	+ 7.3	- 1.4
Cleveland.....	+ 8.2	+18.5	+17.3
Pittsburgh.....	-12.4	+28.7	+33.3
Other Cities.....	+14.5	+22.0	+ 3.9
District.....	+ 2.8	+17.9	+11.6
FURNITURE (43)			
Cincinnati.....	+40.5	+45.0	
Cleveland.....	+34.0	+22.8	
Columbus.....	+32.3	+31.1	
Dayton.....	+58.4	+31.4	
Toledo.....	- 7.5	+ 5.4	
Other Cities.....	+30.1	+38.3	
District.....	+31.6	+27.0	
CHAIN STORES*			
Drugs—District (4).....	+ 9.2	+ 9.3	
Groceries—District (5).....	+11.2	+ 9.6	
WHOLESALE GROCERIES (29)			
Akron.....	+ 7.8	+ 9.9	
Cleveland.....	+19.4	+ 8.8	
Erie.....	+16.2	+12.0	
Pittsburgh.....	+ 1.4	- 0.4	
Toledo.....	+14.9	+10.7	
Other Cities.....	+17.4	+14.2	
District.....	+15.7	+10.9	+21.2
WHOLESALE DRY GOODS (10).....	+ 8.2	+18.1	+32.3
WHOLESALE DRUGS (11).....	+13.2	+16.6	
WHOLESALE HARDWARE (11).....	+21.8	+29.2	

*Per individual unit operated.

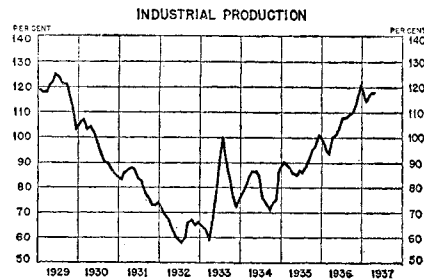
Fourth District Business Indexes

	(1923-25 = 100)				
	April 1937	April 1936	April 1935	April 1934	April 1933
Bank Debits (24 cities).....	99	85	71	62	46
Commercial Failures (Number).....	43	42	55	62	125
" (Liabilities).....	30	33	24	74	136
Sales—Department Stores (49 firms).....	98	89	79	74	67
" —Wholesale.....	110	97	88	82	63
" Dry Goods (10 firms).....	54	50	46	44	32
" Groceries (29 firms).....	83	71	66	57	50
" Hardware (11 firms).....	101	83	68	69	46
" All (60 firms).....	83	72	65	60	47
" Chain Drugs (4 firms)**.....	98	89	73	73	61
Building Contracts (Total).....	54	51	24	23	10
" (Residential).....	63	38	17	11	10
Production—Coal (O., W. Pa., E. Ky.).....	66	68	49	60	44
" Cement (O., W. Pa., E. Ky.).....	55	45	57	57	18
" Elec. Power (O., Pa., Ky.)*.....	206	169	149	147	117
" Petroleum (O., Pa., Ky.)*.....	129	120	115	106	95
" Shoes.....	134	111	113	106	87

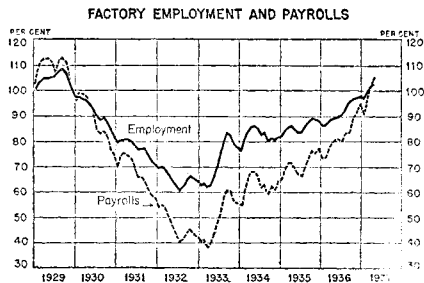
*March.
**Per individual unit operated.

Summary of National Business Conditions

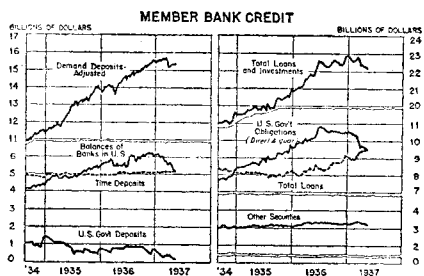
By the Board of Governors of the Federal Reserve System



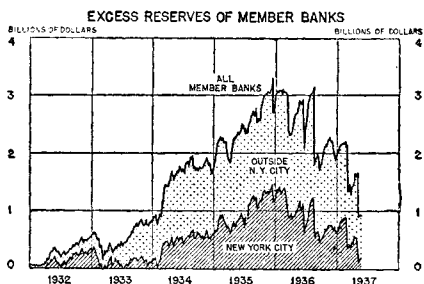
Index of physical volume of production, adjusted for seasonal variation, 1923-25 = 100. By months, January 1929 to April 1937, the latest figure being 118, preliminary.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-25 average = 100. By months, January 1929 to April 1937. Indexes compiled by the United States Bureau of Labor Statistics.



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934 to May 19, 1937.



Wednesday figures of estimated excess reserves for all member banks and for New York City, January 6, 1932 to May 19, 1937.

Industrial activity in April and the first half of May was maintained at the relatively high level of recent months. The general level of wholesale commodity prices declined somewhat, reflecting considerable reductions in prices of many raw materials and semi-finished products.

Production, Employment, and Trade

The Board's seasonally adjusted index of industrial production in April continued at 118 percent of the 1923-1925 average. Manufacturing production rose further, reflecting increased output of durable goods. Activity at steel mills was at a rate slightly higher than in March and about equal to that in the peak month of 1929. Automobile production continued to expand. In the first three weeks of May output in these industries was maintained at the levels reached at the close of April. Increased output in April was also reported for lumber and plate glass. At textile mills, where output has been at a high level in recent months, there was a slight reduction in activity.

At bituminous coal mines output declined sharply, following an increase in March, when consumers accumulated stocks of coal in anticipation of a strike. Crude petroleum output, which had risen sharply from November to March, showed further growth in April. Production of most metals also increased.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased more than seasonally from March to April and continued higher than a year ago, reflecting, as in earlier months of the year, a larger volume of residential building and of other privately-financed work. Contracts awarded for publicly-financed construction have been considerably smaller in the first four months of this year than in the corresponding period of 1936.

Employment rose further between the middle of March and the middle of April. There was a considerable growth in the number of persons employed in manufacturing and on the railroads, little change in those employed in the public utility industries and in trade while the number employed in the clothing industry declined. Working forces at textile mills were maintained, although a decrease is usual at this season. Factory payrolls increased more than employment, reflecting chiefly further increases in wage rates.

In April, sales at department stores showed little change and mail order sales were also maintained at the March level, while sales at variety stores declined.

Commodity Prices

The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor statistics, declined from 88.3 percent of the 1926 average at the beginning of April to 86.9 percent in the middle of May. Prices of nonferrous metals, steel scrap, cotton, and rubber declined considerably and there were also decreases in the prices of grains, cotton goods, silk, hides, and chemicals, while prices of shoes and clothing showed further small advances. Since the middle of May prices of hogs and pork have advanced sharply and grain prices have also risen.

Bank Credit

Following upon the final increase in reserve requirements, which became effective on May 1, excess reserves of member banks declined from \$1,600,000,000 to about \$900,000,000, and in the first three weeks of May fluctuated around the new level. Adjustments by banks to the new requirements were reflected in a decrease in interbank balances and in a small increase in borrowings. The Federal Reserve System in April purchased \$96,000,000 of United States Government securities, for the purpose of easing the adjustment to the new requirements and preserving orderly conditions in the money market.

Total loans and investments of reporting member banks showed a small decline from the middle of April through May 19. Holdings of United States Government obligations and other securities showed some decline, which was offset in part by increases in loans.

While domestic interbank and United States Government deposits declined further, balances of foreign banks and other demand and time deposits at reporting member banks increased.

Money Rates

The open-market rate on 90-day bankers' acceptances, which between January and the latter part of March had advanced from 3/16 to 9/16 percent, was reduced to 1/2 percent on May 7, and the rate on nine-months Treasury bills declined to .62 percent on May 24 compared with a high point of .74 percent on May 3. Other short-term rates have shown little change in recent weeks. Yields on long-term Treasury and other high-grade bonds have declined somewhat.