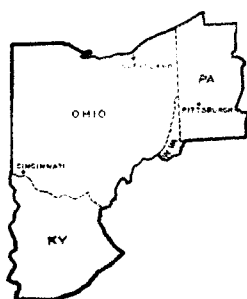


MONTHLY BUSINESS REVIEW

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and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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The upward pace of business in this district was reversed in late May and the first three weeks of June, judging by reports now available. The drop was only slight in actual industrial operations, for in many cases plants had received sufficient advance orders this spring to enable them to continue at high rates for some time, even though new buying subsided. The falling-off in new orders was quite general, but this oftentimes occurs at the start of the summer season. How much of the slowing-down can be attributed to this seasonal factor, to the assimilation of goods ordered in advance of requirements this spring, or to industrial disputes, is impossible to say. They all have contributed a share.

Despite these current developments the actual level of trade and industry was still much above last year in this district and not far from the high point of the recovery movement. Buying of steel in mid-June, according to the trade, "showed an increase over a fortnight ago to the extent that deliveries in some instances are falling back."

The employment trend in principal cities of the district was mixed in May. Gains over April were general in Western Pennsylvania, but slight declines occurred in most Ohio cities. These were partly seasonal and in some centers, after allowing for seasonal changes, a net improvement was evident. Large gains over last year—in some cases as much as 30 per cent—were shown in individual city indexes. Wage payments showed little change from April, following sizable gains for three consecutive months. Pay roll indexes have advanced at a much faster rate this year than employment, chiefly as a result of wage increases. In the first half of June some seasonal decline in employment was reported in a few lines, but strikes affecting large employers of labor added further to the contraction.

Retail sales at fourth district department stores in May were up contra-seasonally from April when, however, they were somewhat depressed. The seasonally adjusted index was 98 per cent of the 1923-25 average and the gain in dollar volume was 12 per cent in May and 18.5 per cent in the first five months over similar periods of 1936. Preliminary reports for June indicate that, except in strike-affected areas, sales were holding up quite well. At Cleveland, the increase in the first three weeks over last year was seven per cent. Buying in rural areas has been in good volume; the

continued favorable condition of crops, and prospects for a better-than-average harvest of practically every local crop, and higher farm prices than in several seasons, have been accompanied by the largest volume of farm equipment and other goods sales in recent years.

The gain in wholesale sales in May over last year was smaller than in previous months of 1937 and in dry goods a smaller volume of sales was reported than in May a year ago. Buying on the part of retailers in excess of current requirements had largely subsided by May.

Construction activity in May was still ahead of last year in this district by 21 per cent, but the slight increase over April was less than seasonal and residential contracts awarded in the month had a 13 per cent smaller value than in April. Other types of building, except public works, were smaller in May than in April in this area. So far this year total contracts awarded were valued at 32 per cent more than in the first five months of 1936 and residential building was up 82 per cent.

In the industrial field, developments in iron and steel have been of great importance to this section. While this district's output of steel was quite sharply reduced by industrial disputes and the national operating rate was lowered about 15 points, at 75 per cent of capacity, it was still above last year at that time. Steel ingot production in the first five months made an all-time record and was 42 per cent in excess of 1936 and pig iron output was up 52 per cent. Iron ore receipts at



Lake Erie ports so far this year were 221 per cent larger than in 1936.

Auto parts production has moved erratically in recent weeks. In the latter part of June some tapering off was evident as the period for model changes approached. May auto production was 12 per cent above last year, while the gain for the first five months was 12.6 per cent. Tire production has declined; electrical supply output held close to recent high levels, despite a contraction in new business.

Commercial failures in May were 38 per cent less than a year ago and the decline in liabilities involved was 19 per cent. Bank debits to individual accounts in the five weeks ended June 23 were 16 per cent larger than in the corresponding period of 1936 and the increase for the year to date was 19 per cent.

FINANCIAL

Total credit extended by weekly reporting banks in leading cities of the fourth district increased between May 19 and June 16 by about \$15,000,000, but a reduction in both loans and investments in the week of June 23 more than counteracted the previous gain. At \$1,883,000,000 on the latest date, the volume of loans and investments was lower than on any previous report date this year, but it was still 3.2 per cent larger than on the corresponding date in 1936.

Total loans made by these banks increased in early June to a new high level for the recovery, but a decline was evident throughout the district in the latest week. A falling-off occurred at this season in both 1936 and 1935. On the latest date total loans were still ten per cent larger than a year ago. Commercial loans, chiefly in the form of open market paper held, declined in the four latest weeks, but loans for the purpose of purchasing or carrying securities increased in the period. Commercial loans were still somewhat larger than a year ago, while collateral loans were down.

Investments in Government securities were slightly larger on June 23 than in the third week of May, but the rise of \$17,000,000 which occurred at the time of the June 15 financing was followed by a decline of \$12,000,000 in the week ended June 23, and on the latest date holdings of Government securities by banks in this district were at about the level of a year ago. In the last six months the reduction in investment holdings of these banks has been more than twice as great as the increase in loans in the same period, but deposits, chiefly Government and inter-bank, also have declined more than \$100,000,000 since the beginning of the year. Commercial deposits were down slightly, but time deposits, while off a little in the two latest weeks, were at approximately the highest level of the recovery period.

Except for temporary fluctuations, excess reserves of all member banks in this district have averaged close to \$80,000,000 since the higher reserve rates became effective on May 1. This is about 20 per cent above requirements. At country banks the excess in mid-June was 37 per cent, while at reserve city banks it was 16 per cent. The trend of total, required, and excess reserves at member banks in this district in the past three and one-half years is shown on the accompanying chart.

Reserve Bank Credit Total earning assets of the Federal Reserve Bank of Cleveland increased slightly in the five weeks ended June 23. The rise in bills discounted for mem-

ber banks, from \$340,000 to \$848,000 in the period, more than offsetting the decline in holdings of acceptances and direct loans to industry. Despite the rise in bills discounted, they are still in small volume when compared with any but the two preceding years. Investments in Government securities were unchanged in recent weeks at \$246,000,000. Industrial advances to provide working capital, at \$922,000 on the latest date, were only slightly more than half as large as on the same date in 1936.

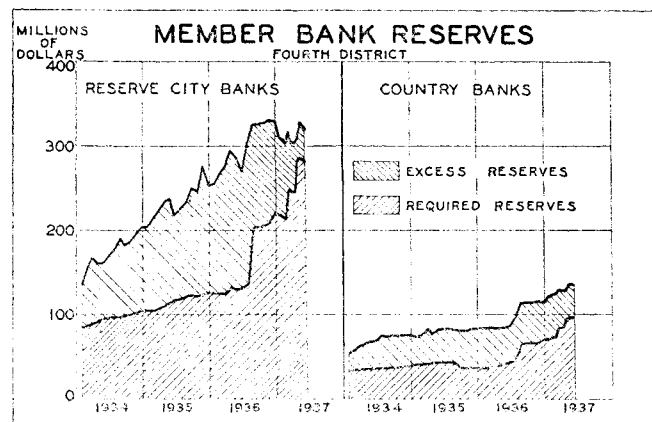
Note circulation of this bank rose again to an all-time high level in the five latest weeks, and except for one week, was above \$430,000,000 during the period. A year ago note circulation was \$386,000,000.

MANUFACTURING, MINING

Iron and Steel

Operations in the entire steel industry were reduced from above 90 per cent of capacity to about 75 per cent in late May through strikes at plants in the Mahoning Valley, Cleveland, Chicago and other scattered centers. The 90 per cent rate was in effect for all but one of the preceding nine weeks, but the current rate was still five points above the operating rate in the corresponding week of 1936. Cleveland and Youngstown were the centers hardest hit; at the former, operations were at 46 per cent of capacity, compared with 82 per cent in the third week of May and also in June 1936. At Youngstown the rate dropped from 80 to 30 per cent, while a year ago it was close to 80 per cent. Pittsburgh activity dropped four points to 92 per cent in the four latest weeks, but last year the rate in the corresponding week was 67 per cent. At Wheeling and Cincinnati the rate fluctuated between 90 and 96 per cent in the four latest weeks, compared with 70 to 80 per cent a year ago.

In spite of this loss of producing capacity, steel consumers continue to be served and little apparent difficulty has been experienced in obtaining needed materials. In some instances consumers have sought steel from other than their usual suppliers, but most mills are so well booked it is not possible to do much in the way of relief. Under present conditions mills have made little headway against backlogs of orders and current bookings are sufficient to assure a rather high rate of activity for several weeks. Automotive needs are beginning to appear for 1938 models and agricultural implement and tractor builders are taking large tonnages. Considerable shipbuilding tonnage, for tankers, other cargo vessels, and naval construction is appearing.



In spite of 20 blast furnaces being banked in late May because of strike conditions, pig iron production in May totaled 3,544,162 gross tons, compared with 3,400,636 tons in April, a gain of 4.2 per cent. The average daily rate of production in May was 114,328 tons, compared with 113,354 tons in April, a gain of 0.8 per cent. Both these figures were the largest since October 1929. Five months' production this year was 51.5 per cent higher than the comparable period of 1936. Active blast furnaces at the end of May were 17 less than at the end of April, but banking occurred near the end of the month, and thus had little effect.

For the third consecutive month steel ingot output in May exceeded 5,000,000 tons, the first time in steel history so sustained a rate has occurred. May production was 5,153,559 tons, exceeded only twice previously, in March this year and in May 1929. Five months' production totaled 24,580,871 tons, compared with 24,133,319 tons in the same months of 1929, the record year.

April exports of steel, excluding scrap, totaled 243,800 gross tons, the highest since 1921. Scrap exports, at 427,886 tons, made a new high mark and for four months totaled 1,014,255 tons.

Placing of freight car orders in May is an indication of the activity of railroads in the steel market. With 4,732 cars bought during the month the total placed this year reached 45,437, practically double the number placed during the corresponding period of 1936.

Sale of about 40,000 tons of steel ingots by a Pittsburgh district producer, for export to Japan, at a premium price, indicates strength of world demand for steel. A report to the *Department of Commerce* from Tokyo states that Japan so far this year has placed orders in the United States for 680,000 tons of iron and steel, including 420,000 tons of pig iron, 140,000 tons of semifinished steel and 120,000 tons of finished steel. Pig iron sales to Japan this year have been larger than total export sales of pig iron from the United States for six years.

Pig iron producers have opened books for third quarter delivery at unchanged prices, carrying second quarter price schedules forward another three months. The decline in *Steel's* composite price recently has been largely due to weakness in scrap, for which current demand, particularly for export, is slight. Efforts to build up iron ore stocks at lower lake ports and furnaces before the close of the shipping season has called into service practically every available lake boat. In May ore shipments were in excess

of 10,000,000 tons, and almost double last year. Receipts at Lake Erie ports in May were more than 2½ times as large as a year ago and established a new high record for that month.

Coal

Demand for coal in recent weeks has slackened somewhat, due to smaller requirements of the steel and other industries, but also to the fact that large inventories, built up prior to April 1 in anticipation of a strike which did not develop, retarded new buying. Industrial stocks at that time were 45,000,000 tons, or approximately double what they were on March 31 last year, and while these were being absorbed, mine activity lagged. In May and the first two weeks of June output of bituminous coal was above last year, but the gain was much smaller than in February or March.

At fourth district mines, output in May was 13,176,000 tons, a gain of 8.3 per cent over last year. In the first five months the increase in coal production in this district was 17.6 per cent.

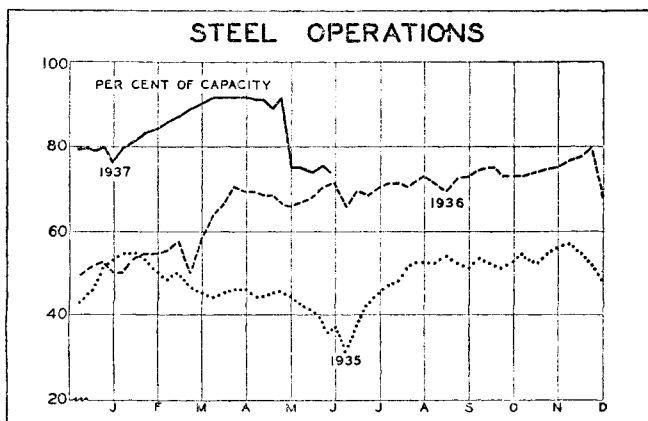
Coal shipments from Lake Erie ports in May were 6,754,000 tons, an increase over last year of 11.5 per cent. The gain so far this year was 46.7 per cent, but the lake shipping season opened earlier than usual.

Automobiles

April generally is the peak month in automobile production and this year so far, has been like preceding ones in that respect. Factory output in May, according to the *Department of Commerce*, was 516,899 cars and trucks. This was about 20,000 units under April, but a less-than-seasonal drop. The *Board's* seasonally adjusted index rose 5 points, as a result, to 135 per cent of the 1923-25 average, a new high level since July 1929. This high level was attained despite the fact that the industry was handicapped by labor disturbances in the form of sporadic sitdown, slowdown, and other strikes at parts and assembly plants which tended to disrupt the orderly flow of materials to assembly lines. In some instances plants not effected by strikes had to be closed to permit other factories to catch up on deliveries.

Compared with last year, total production in May was up 12.2 per cent and the gain in the first five months was 12.6 per cent. Passenger car production was 10.5 per cent larger than in May 1936, but truck output was up 21 per cent and less than 5,000 units below the all-time high of April. In the first five months 416,000 trucks were made. Weekly production in mid-June was somewhat greater than a year ago and while increased attention is being given to 1938 models, evidenced by some steel orders recently placed, no reports as to when various plants are to be down for model changes have yet come to light.

The demand situation is more difficult to judge than is normally the case since many deliveries which could not be made in April or early May, were reported to be boosting the late May and June registrations. Trade reports are irregular; sales in farm sections are reported to be holding up well, while industrial centers, particularly those affected by strikes, reported a falling-off in early June. In principal counties of the fourth district new passenger car registrations in May were up contra-seasonally from April and the gain in the first five months was approximately 15 per cent.



Rubber, Tires Operations in the rubber industry have declined recently. In mid-June some tire plants were working only 24 hours a week. Manufacturers' inventories at present total more than 12,000,000 casings, which is approximately 50 per cent in excess of last year and ordinary estimated requirements of trade. In each month since last July factory output has surpassed shipments to dealers and distributors. With such a large supply on hand and labor conditions in Akron reasonably quiet, operating schedules are being reduced to a point more in line with actual demand. Large inventories oftentimes lead to a price war, from which the industry has been reasonably free for quite a period.

Replacement tire sales have lagged behind expectations this spring, partly attributed to inclement weather in many areas. With automobile production apparently past the spring peak, demand for tires from that field has declined recently. Figures covering first quarter operations have just become available and they indicate that sales value of all rubber products shipped by companies representing 80 per cent of the entire industry was \$168,902,000. This was a gain of 42 per cent over the first quarter of 1936. Tires and tire sundries accounted for \$100,000,000 of the total, being nearly 50 per cent over last year.

Crude rubber consumption in May was 51,733 long tons, according to the *Rubber Manufacturers' Association*. This was slightly less than in April, but 2.2 per cent in excess of May, 1936. In four consecutive months consumption has exceeded 50,000 tons, but the gain over the last year in the latest month was slight, compared with the first quarter increase. Domestic mills continued to absorb more than was imported in May as has been the case in every month this year, despite the fact that imports have increased with the lessening of restrictions on crude rubber production. May imports were only slightly less than consumption and 42.8 per cent larger than in May 1936. Domestic rubber stocks dropped to 172,985 long tons on May 31, a reduction of 34 per cent from last year at that time.

The decline in crude rubber prices from above 26 cents a pound in early April to slightly above 18 cents in early June was evidence, according to the *Department of Commerce*, "that the statistical position and outlook is the most important influence and that the ability of producing countries to meet their production quotas established for 1937 is no longer seriously in question". Declining commodity prices, in general, and reduced buying by manufacturers were contributing factors, but export statistics seem to have had a more important effect. In mid-June a slight price advance occurred, ribbed smoked sheets on June 19 being 19.35 cents a pound compared with 16 cents a year ago.

Clothing Sales of women's clothing in May at reporting department stores in this district showed fairly large gains over last year and, while recent sales have fluctuated with the weather, demand for summer wear has been good, judging by the fill-in orders that have been received by clothing makers in this section. Sales of women's wear in May were 14 per cent larger than a year ago, while sales of men's clothing were up 6.7 per cent and boys' wear 8.7 per cent. Higher prices continued to affect sales by increasing dollar volume; the advance in May, according to *Fairchild's* index was slight,

but on June 1 clothing prices were about five per cent higher than a year ago. According to the trade, little resistance to higher prices is evident.

Most clothing plants in early June were operating at high rates on advance orders for fall and winter clothing which have been received in larger volume than a year ago, despite the fact stores are reported to be carrying over summer a larger inventory of woolen clothing than is customarily the case. This was bought when talk of rising prices was general, and now that raw wool prices have softened somewhat there is less disposition to place advance orders than formerly. Domestic wool prices are still nearly 15 per cent above last year.

Several knitting and textile plants in this section were affected by strikes in mid-June, but they report that operations so far this year have been on a profitable basis.

Other Manufacturing Operations in most of the general manufacturing lines held at or close to recent high levels and well above last year in May, but there were reports that the volume of new business being received had fallen off, rather materially in some instances. A contraction in buying is not unusual at this season of the year, but in some cases the drop has been more than can be attributed to this fact. Plant operations held up quite well generally, many companies having a sufficient backlog of orders (placed earlier this year when considerable advance buying occurred, partly because of fear of rising prices) to permit them to continue at rates substantially above last year. Few cancellations of these orders had been reported up to mid-June.

In the metal-working industries such as auto parts, hardware, machine tools, and metal specialties, the trend of operations was mixed. Auto parts production held up quite well in late May and early June as automobile assemblies maintained schedules at relatively high rates for that season of year. Some parts plants reported early June sales 40 per cent in excess of last year, but this was not general and a slowing-down was expected in the trade as the period of model changes approached. Strikes in various fields tended to affect the orderly movement of parts to assembly plants and releases on some orders were held up until other plants were able to make deliveries. Hardware sales, particularly to agricultural implement companies, have held up very well and while there has been a slight decline in buying of screw machine products and small tools, production of both in the first half of June was still well in excess of last year.

New orders for machine tools received in May by members of the *National Machine Tool Builders' Assn.* were about 25 per cent smaller than in April when they attained an all-time high. They were approximately the same as in March and more than 50 per cent above May 1936. The drop in May from April was almost entirely in domestic orders, foreign buying accounting for 22 per cent of the month's total, compared with 17 per cent in April. Foundry equipment orders in May were larger than in April and 48 per cent above last year; unfilled orders on hand were more than twice as large as a year ago. Cancellations amounted to 4.4 per cent of the base period (1922-24) in May compared with 0.2 per cent in April and 0.3 per cent a year ago.

Electrical supply companies report current buying in more reasonable quantities, compared with earlier months this

year, but still well in excess of 1936. Accumulation of orders on hand has enabled factory operations to continue at or close to recent high rates.

In the pottery industry operations were reported to be down more than seasonally in late May and the first half of June and currently they were estimated at 50 per cent of capacity. Buying in large volume to build up inventories prior to the price advance was experienced this spring and most retailers enter the summer months, when sales are limited, with adequate stocks.

Plate glass production in June continued at capacity, with no accumulation of stocks evident. Window glass shipments in May were slightly smaller than in April and a further contraction was evident in the first three weeks of June. Factory output increased slightly in May over April and continued at the higher rate in the first half of June to build up inventories which were practically depleted this spring and which on June 1 were reported to be 1,400,000 boxes below normal and 1,500,000 boxes under last year. Glass container production decreased only seasonally in May and shipments so far this year were 22 per cent above 1936.

Operations in the paper and boxboard industry reached their peak in mid-May and have since declined as a result of a drop in new orders which was partly seasonal. Some plants operating seven days a week, attempting to fill the large more or less speculative orders, have dropped to six or even five days. For the year to date, however, a sizable gain over 1936 was still evident.

While total paint sales in April were 23 per cent larger than a year ago, industrial paint sales in May and early June, according to reports, failed to show the usual seasonal increase. Inclement weather affected household paint sales in May and retail sales of paint purchased from manufacturers earlier in the year in excess of actual needs also reduced current orders.

Shoe production at fourth district plants in May was 21 per cent in excess of the corresponding month of 1936 and the gain for the first five months was 12 per cent. In the entire country the estimated increase was about 20 per cent. Sales of summer footwear have been retarded by weather conditions. Inventories of leather and raw materials are reported larger than in other recent years.

TRADE

Retail

Department store sales in principal cities of the fourth district were larger in May than in April, whereas generally there is little change between the two periods. As a result, the seasonally adjusted index of daily average sales advanced seven points to 98 per cent of the 1923-25 average, compared with 87 in May last year and 97, the average for the first five months of 1937. The increase in May dollar sales over last year was nearly 12 per cent, but in the first five months total sales were 18.5 per cent larger than in the corresponding interval of 1936. All reporting cities in the district experienced smaller gains in May over last year than were shown in the first five months and reports for the first half of June indicate that in strike-affected centers retail sales had slowed down perceptibly. In the smaller cities and rural areas May sales showed larger gains than in the principal cities.

Among the major departments, larger sales in May were

reported except in yard goods, laces and trimmings, aprons and house dresses, and men's furnishings, and smaller increases were shown in basement stores, where operated, than in total store sales. Furniture, housefurnishings, silverware and jewelry, furs and women's coats and suits showed the greatest gains over last year. Price changes continue to be a factor in the sales comparison, a rise of 0.4 per cent occurring in *Fairchild's* index in the month and, compared with last year, the index was up 8.5 per cent. Sales of reporting furniture and wearing apparel stores in May were up nine and ten per cent, respectively, from last year, while the gains for the five months were 15 and 22 per cent.

Credit sales at department stores represented 61.9 per cent of total sales in May, a slight increase from April and last May. While regular charge sales in May represented a larger share of total sales than in April, the ratio was smaller than in May 1936 and the increase that was reported was in installment sales. These accounted for 11.7 per cent of total sales in the month, compared with 10.9 per cent last year.

Accumulation of inventories by department stores, evident in the early months of this year, apparently ceased in May for dollar value of stocks on May 31, though 27 per cent larger than a year ago, was 1.5 per cent less than on April 30, a contra-seasonal change. The seasonally adjusted index of dollar value of inventories was 80.6 per cent of the 1923-25 average, compared with 63 a year ago. The ratio of total sales to average stocks was slightly higher in May than in April, but was below last year.

Collections in May were 19 per cent larger than a year ago, but the ratio of collections during the month to accounts receivable at the beginning of the month was slightly smaller than in April or May last year.

Wholesale

Somewhat smaller increases in total sales of all reporting lines of wholesale trade were evident in May than in earlier months of this year; in fact wholesale dry goods sales were 2.5 per cent smaller in the month than in May 1936, while the gain for the five-month period was 13 per cent. Hardware sales were up 10 per cent in May and 24 per cent in the five months; the increases in drug sales were 4 and 14 per cent, respectively, while grocery sales were up 10 and 11 per cent in similar periods. Heavy buying on the part of retailers, when the feeling that prices were to rise sharply was quite general, has largely subsided now that supplies have been built up and the feeling in the trade concerning prices has changed.

CONSTRUCTION

Total value of construction contracts awarded in this district in May, at \$26,302,000, according to the *F. W. Dodge Corporation*, continued to show an improvement over the corresponding month last year. The gain was 21.1 per cent, despite losses sustained in nonresidential and public utilities building. Construction of residential buildings maintained an increase for May of this year of 33.6 per cent over May 1936.

There was, however, a slowing down in building activity in this section in May when compared with the preceding month, and also in the first half of June. Value of total construction contracts awarded in the fourth district in May was 1.5 per cent better than in April 1937, but residential building dropped off 13.1 per cent. This decline from April 1937

was evident in all classes of construction except public works.

Building supply dealers continue to report resistance to higher prices of materials with some decline in orders. This, coupled with rising labor costs and general unrest, apparently has caused construction work in this district to lag behind what was anticipated by the trade earlier in the year.

Similar general conditions prevailed throughout the country, except that in the first half of June a slight gain over May was evident. While total construction in the 37 States east of the Rocky Mountains, as reported by the *F. W. Dodge Corporation*, showed a gain in May over May 1936, a drop of 9.6 per cent was evident when compared with April 1937. May residential building dropped 22.3 per cent below April.

There was a decided improvement in this district in total construction in the first five months of 1937, however, as compared with the corresponding period last year. Residential building in this period increased 81.7 per cent, while total construction gained 32 per cent. Excluding public works and utilities, contemplated construction reported in this section in May was down sharply compared with April, but a gain of approximately 50 per cent over last year was evident.

AGRICULTURE

A year ago lack of rain was seriously retarding crop growth, but this year the situation is quite reversed. Copious and general rains throughout most of the fourth district have made it difficult to plant the later crops such as corn, oats in some sections, and potatoes, but where planting has been possible, crop conditions are good; germination has been excellent and while many corn fields are weedy they were not yet beyond control in the latter part of June. The cool, wet weather has been excellent for winter grains, grasses and oats and prospects in this district for all crops, including fruits, are above average.

Marked improvement occurred in nearly all sections of the country, except the Great Plains Area, in May and, according to the *Department of Agriculture's* June 1 report, "the outlook is for about average production of the principal food, feed and forage crops. As the supply of hay on farms is rather small and as the amount of feed grain carried over into the new crop year will be close to the record low carry-over of two years ago, the total supply of feed and roughage available for feeding next winter seems more likely to be below average than it is to be above, but it will probably be ample for the reduced numbers of livestock on hand."

The general level of farm prices in mid-June was slightly

lower than in May and April, but was still about 17 per cent higher than a year ago; so far this year farm prices have averaged close to 30 per cent above the five-year pre-war average level and the recent decline represents chiefly the transition from a year of small crops to one in which prospects are much improved. The ratio of prices of farm products to other commodities declined slightly in May, but showed little change in June; it remained four points below parity and about 11 points above a year ago. Prices of all grains except corn declined in May, on prospects of larger crops, but wheat prices recovered somewhat in June on unfavorable crop reports in some sections of the country.

Estimated farm income in the first five months of 1937 was greater than in any similar period in seven years. The increase, according to the *Department of Agriculture*, was due to higher prices, for volume of marketings was about five per cent smaller than in 1936.

Wheat

The June 1 reports of the State Departments of Agriculture for States in this district indicate that winter wheat made excellent progress this spring and on June 1 the crop generally was in much better than average condition. In Ohio the condition was 87 per cent of estimated normal, compared with 73 a year ago and 75 per cent, the ten-year average. In Pennsylvania the June 1 condition was 90; in Kentucky it was 91 and in West Virginia it was 89—all much above the five-year average and last year. Estimated harvest is much greater than in every year since 1931 and excluding that year, than since 1919. Increased acreage planted to winter wheat last fall and the better condition contributed to the indicated gain in this section. The Ohio crop is 25 per cent larger than in 1937 and, at 50,204,000 bushels, was only exceeded by Kansas. Wheat generally has headed very well on long straw, but the excessive rains in some sections and storms have caused some fields to lodge quite badly and hindered pollination. No rust or fly damage has been reported in this district, though the former is causing some concern in mid-western areas and the crop is still in a critical stage in many sections.

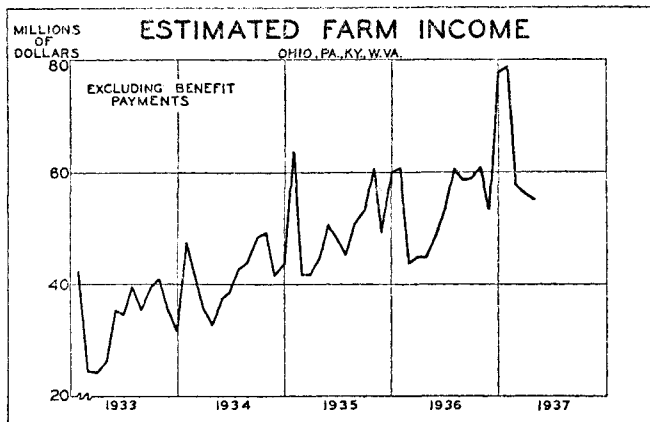
For the entire country winter wheat production is estimated at 649,000,000 bushels, compared with 519,000,000 bushels in 1936 and a five-year 1928-32 average crop of 623,000,000 bushels. The June 1 condition, at 71.5 per cent of estimated normal, was below the ten-year average for the entire country because of unfavorable conditions in the Great Plain States. Total wheat production, including spring wheat which has not yet progressed far enough to permit an accurate appraisal, is estimated at 840 million bushels, somewhat above domestic requirements. With world stocks below normal and unfavorable reports from many wheat-growing countries, domestic prices have adjusted themselves to an export basis.

Rye

Condition of the rye crop in this district also was better than in the country generally and estimated harvest was somewhat greater than last year or the five-year average of 1928-32. A large increase in the Kentucky rye crop was reported.

Oats

Sowing of oats was delayed in some sections of the district and prevented entirely in others by wet weather, but where planted, conditions have been excellent



for growth of this crop. The June 1 estimated condition was above last year generally, but no report as to acreage or production will be available until next month.

Hay and Pasture Marked improvement in meadows and pastures occurred in this district in May and early June and the damage done by the drought of past years and the open winter was largely overcome. The June 1 condition of all grasses, except alfalfa in Ohio, was above the ten-year-average in States of this district. Improved pastures have supplemented the short feed supply and increased milk production.

Fruits Prospects for all fruits in this district were much above average and better than for several years. Bloom was extremely heavy and, while weather was unfavorable for pollination, a good set of fruit is evident generally. In Ohio, the June 1 condition of apples was 84 per cent of estimated normal, compared with 26 last year and 62, the ten-year average. The peach crop is estimated at 1,476,000 bushels for the State, compared with 1,080,000, the five-year average harvest. Pears and cherries are also expected to be more than double the average crop, although rains have damaged the latter quite seriously.

Tobacco No official estimates concerning the tobacco crop are yet available, and while conditions in many sections were not favorable in late May for transplanting, a large crop appeared likely, assuming favorable weather, much land having been prepared, etc.

The total supply of leaf tobacco owned by dealers and manufacturers after the close of the selling season was 2,276,000,000 pounds, a reduction of about six per cent from a year previous. Stocks of all principal types of tobacco were smaller on April 1 than in 1936. Burley tobacco on hand amounted to 635,000,000 pounds on April 1, a reduction of 13 per cent from last year.

Wholesale and Retail Trade

(1937 compared with 1936)

	Percentage Increase or decrease		
	SALES May 1937	SALES first 5 months	STOCKS May 1937
DEPARTMENT STORES (51)			
Akron.....	+13.8	+19.1	+23.0
Cincinnati.....	+14.6	+14.0	+27.4
Cleveland.....	+11.9	+14.3	+29.3
Columbus.....	+ 6.8	+12.7	+21.3
Pittsburgh.....	+10.9	+25.2	+30.9
Toledo.....	+ 5.0	+10.8	+18.2
Wheeling.....	+ 8.4	+14.2	+13.7
Youngstown.....	+23.0	+23.1	+28.9
Other Cities.....	+18.7	+22.9	+26.4
District.....	+11.9	+18.5	+27.3
WEARING APPAREL (13)			
Cincinnati.....	+ 5.7	+ 7.0	+ 0.3
Cleveland.....	+ 6.1	+15.6	+ 7.8
Pittsburgh.....	+11.4	+24.6	+19.6
Other Cities.....	+18.3	+18.3	- 1.0
District.....	+ 9.8	+15.4	+ 5.9
FURNITURE (43)			
Cincinnati.....	+33.6	+42.1	
Cleveland.....	+ 4.5	+17.4	
Columbus.....	+12.4	+25.7	
Dayton.....	+18.4	+27.8	
Toledo.....	- 4.4	+ 2.4	
Other Cities.....	+14.5	+30.9	
District.....	+ 9.3	+21.8	
CHAIN STORES*			
Drugs—District (4).....	+13.5	+10.1	
Groceries—District (5).....	+ 7.5	+ 9.2	
WHOLESALE GROCERIES (29)			
Akron.....	- 4.1	+ 6.9	
Cleveland.....	+ 8.5	+ 8.7	
Erie.....	+15.8	+12.7	
Pittsburgh.....	+ 0.1	- 0.3	
Toledo.....	+12.2	+11.0	
Other Cities.....	+13.0	+13.9	
District.....	+ 9.6	+10.7	+16.5
WHOLESALE DRY GOODS (10).....	- 2.5	+13.3	+39.3
WHOLESALE DRUGS (11).....	+ 3.9	+14.2	
WHOLESALE HARDWARE (11).....	+ 9.9	+24.4	

*Per individual unit operated.

Fourth District Business Statistics

(000 omitted)

	May 1937	% change from 1936	Jan.-May 1937	% change from 1936
Fourth District Unless Otherwise Specified.....	\$2,513,000	+14.1	\$12,643,000	+19.2
Bank Debts—24 cities.....	\$ 751,688	+ 6.4	1	
Savings Deposits—End of month:				
40 banks, O. and W. Pa.....	\$ 91,905	+ 6.0	470,073	+12.1
Life Insurance Sales:				
Ohio and Pa.— ⁶	\$ 91,905	+ 6.0	470,073	+12.1
Retail Sales:				
Dept. Stores—51 firms.....	\$ 23,278	+11.9	101,231	+18.5
Wearing Apparel—13 firms.....	\$ 974	+ 9.8	4,609	+15.4
Furniture—43 firms.....	\$ 1,516	+ 9.3	5,724	+21.8
Wholesale Sales:				
Drugs—11 firms.....	\$ 1,407	+ 3.9	8,048	+14.2
Dry Goods—10 firms.....	\$ 1,288	- 2.5	6,377	+13.3
Groceries—29 firms.....	\$ 3,979	+ 9.6	20,315	+10.7
Hardware—11 firms.....	\$ 1,769	+ 9.9	8,156	+24.4
Building Contracts—Total.....	\$ 26,302	+21.1	124,988	+32.0
" —Residential.....	\$ 9,396	+33.6	45,277	+81.7
Commercial Failures—Liabilities.....	\$ 584	+44.0	3,719	+39.3
" —Number.....	47 ²	-38.2	277 ²	-19.2
Production:				
Pig Iron—U. S..... tons	3,544	+33.2	16,655	+51.6
Steel Ingot—U. S..... tons	5,154	+27.7	24,581	+42.1
Auto—Passenger Car—U. S.....	425,432 ²	+10.5	1,875,564 ²	+12.6
" —Trucks—U. S.....	91,467 ²	+21.0	415,987 ²	+12.6
Bituminous Coal, O., W. Pa., E. Ky..... tons	13,176	+ 8.3	76,079	+17.6
Cement—O., W. Pa., W. Va. bbls	1,108	+ 6.4	3,462	+58.2
Elec. Power, O., Pa., Ky. thous.	1,644 ³	+15.7	6,588 ⁴	+18.3
Petroleum, O., Pa., Ky. k.w.h.	2,324 ⁴	+ 5.9	8,927 ⁴	+ 7.7
Shoes..... pairs	5	+21.4	5	+12.1
Bituminous Coal Shipments:				
L. E. Ports..... tons	6,754	+11.5	11,635	+46.8
Iron Ore Receipts:				
L. E. Ports..... tons	6,695	+152.5	8,524	+221.5

¹not available
²actual number
³April

⁴Jan.-April
⁵confidential
⁶New series.

Debts to Individual Accounts

(Thousands of Dollars)

	5 weeks ended June 23, 1937	% change from 1936	Year to date Dec. 31, 1936	Year to date Jan. 2, 1937	% change from 1936
Akron.....	\$ 84,695	+24.5	\$399,843	\$335,392	+19.2
Butler.....	12,469	+20.5	61,684	47,875	+28.8
Canton.....	46,505	+21.5	231,398	186,229	+24.3
Cincinnati.....	406,121	+ 9.0	2,087,870	1,796,542	+16.2
Cleveland.....	726,643	+13.5	3,629,853	3,067,635	+18.3
Columbus.....	221,644	+12.0	1,110,148	966,282	+14.9
Dayton.....	84,476	+11.4	442,059	344,226	+28.4
Erie.....	38,429	+34.2	191,064	139,868	+36.6
Franklin.....	4,524	+16.7	21,353	18,252	+17.0
Greensburg.....	9,116	+12.0	42,588	37,530	+13.5
Hamilton.....	14,610	+ 5.0	74,063	60,514	+22.4
Homestead.....	4,392	+33.0	19,276	14,105	+36.7
Lexington.....	23,052	+19.8	157,250	111,679	+40.8
Lima.....	16,235	+32.5	81,676	61,962	+31.8
Lorain.....	6,509	+43.8	30,808	21,184	+45.4
Middletown.....	12,659	+23.1	62,052	51,093	+21.4
Oil City.....	13,401	+17.2	66,712	55,683	+19.8
Pittsburgh.....	912,527	+17.7	4,547,211	3,900,069	+16.6
Sharon.....	10,516	+21.1	52,477	41,173	+27.5
Springfield.....	22,389	+26.4	110,781	87,464	+26.7
Steubenville.....	12,899	+34.5	64,250	43,419	+48.0
Toledo.....	163,166	+24.4	802,790	635,770	+26.3
Warren.....	12,606	+23.5	61,851	45,714	+35.3
Wheeling.....	42,510	+ 5.6	205,611	178,956	+14.9
Youngstown.....	58,852	+18.8	313,406	250,483	+25.1
Zanesville.....	9,862	+16.9	48,707	41,199	+18.2
Total.....	\$2,970,807	+15.6	\$14,916,781	\$12,540,298	+19.0

Fourth District Business Indexes

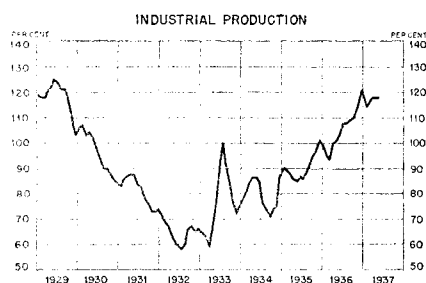
(1923-25=100)

	May 1937	May 1936	May 1935	May 1934	May 1933
Bank Debts (24 cities).....	93	81	72	64	49
Commercial Failures (Number).....	32	52	59	50	99
" (Liabilities).....	13	24	25	80	150
Sales—Life Insurance (O. and Pa.).....	96	91	90	107	89
" —Department Stores (49 firms).....	105	93	75	80	63
" —Wholesale Drugs (10 firms).....	95	92	86	87	68
" —Dry Goods (10 firms).....	53	54	45	48	40
" —Groceries (29 firms).....	75	68	69	66	57
" —Hardware (11 firms).....	97	89	71	73	53
" —All (60 firms).....	77	72	67	67	55
" —Chain Drugs (4 firms)**.....	101	89	78	73	63
Building Contracts (Total).....	55	46	20	16	14
" (Residential).....	55	41	17	11	13
Production—Coal (O., W. Pa., E. Ky.).....	73	67	61	65	54
" —Cement (O., W. Pa., E. Ky.).....	82	87	65	80	53
" —Elec. Power (O., Pa., Ky.)*.....	196	169	147	134	97
" —Petroleum (O., Pa., Ky.)*.....	126	119	118	101	91
" —Shoes.....	114	94	101	111	90

*April.
**Per individual unit operated.

Summary of National Business Conditions

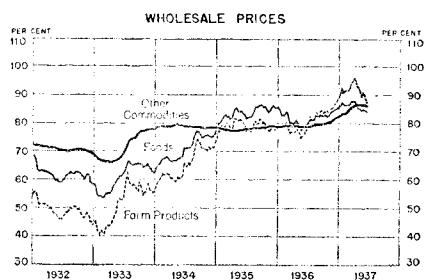
By the Board of Governors of the Federal Reserve System



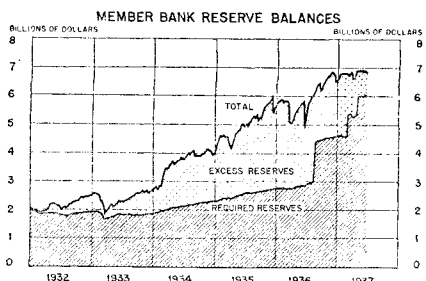
Index of physical volume of production, adjusted for seasonal variation, 1923-25 = 100. By months, January 1929 to May 1937, the latest figure being 118, preliminary.



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



Indexes compiled by the United States Bureau of Labor Statistics 1926 = 100. By weeks 1932 to date. Latest figure is for week ended June 19, 1937.



Wednesday figures of estimated excess reserves for all member banks and for New York City, January 6, 1932 to June 16, 1937.

Volume of industrial production in May continued at the level of the two preceding months. Commodity prices declined slightly in May and the first three weeks of June.

Production, Employment, and Trade

In May the Board's seasonally adjusted index of industrial production remained unchanged at 118 per cent of the 1923-25 average. Output of iron, steel, automobiles, and lumber increased further. At cotton and woolen mills and at shoe factories activity continued at a high level, while at silk mills, meat-packing establishments, and sugar refineries there were considerable decreases. Crude petroleum production continued to rise and output of bituminous coal increased somewhat, following a sharp decline in April. Shipments of iron ore in May were larger than in the corresponding month of any previous year. In the first three weeks of June automobile production declined seasonally and, largely owing to labor disturbances, steel output was reduced to 77 per cent of capacity as compared with 90 per cent in May.

Value of construction contracts awarded in May was smaller than in April, according to figures of the F. W. Dodge Corporation. There were declines in awards for residential and other private projects, while contracts for public projects increased. In the first half of June awards for both private and public work were at a somewhat higher rate than in May.

Factory employment, which usually declines at this season, showed little change from April to May and the Board's adjusted index advanced somewhat further. Employment in the durable goods industries continued to increase while employment in other lines declined seasonally. Factory payrolls remained at the April level, following sharp increases in earlier months.

Distribution of commodities to consumers continued in May at the level of other recent months. Sales at department stores and at variety stores showed a seasonal rise and mail-order sales were maintained.

Commodity Prices

Between the middle of May and the third week of June, prices of grains, except spring wheat, declined considerably and there were smaller declines in cotton, cotton goods, wool, rubber, and steel scrap, while prices of most other commodities showed little change.

Bank Credit

Excess reserves of member banks, which had been about \$900,000,000 after the May 1 increase in reserve requirements, declined by about \$180,000,000 during the week ending June 16, in connection with Treasury operations, but increased in subsequent days and on June 23 were at a level of \$810,000,000.

At reporting member banks in leading cities holdings of United States Government obligations, after several weeks of little change, increased sharply during the week ending June 16, reflecting purchases of the new issues of Treasury notes.

Commercial loans at member banks continued to increase in the four weeks ending June 16. This increase was largely at banks in New York City, which also showed a growth in loans to other New York banks and to brokers and dealers in securities.

Money Rates

The open-market rate on 90-day bankers' acceptances, which had been reduced from 9/16 to 1/2 of 1 per cent on May 7, was further reduced to 7/16 of 1 per cent on June 22. Other money rates have shown little change in recent weeks.