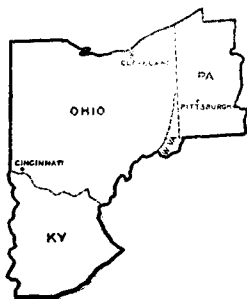


MONTHLY BUSINESS REVIEW

Covering financial, industrial
and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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No. 7

The recession in June industrial activity in this district, due almost entirely to strikes in the steel industry which reduced operations in several centers by more than the usual seasonal amount was followed by a resumption of operations after the July holiday at a high rate for the summer season. This was not a result of new buying, but was possible because of the large volume of unfilled orders steel mills had on hand prior to the strike. The current rate of steel production, in excess of 80 per cent of capacity, is the best mid-July rate since 1929, the only year in which a higher operating rate was experienced. New buying is at a rate somewhat under current steel production, but summer is generally a dull period now that automobile model changes are made then. There is also little incentive to order future steel requirements now, since prices on most products have been extended for the fourth quarter.

Steel ingot production in the first six months was short less than one per cent of establishing an all-time record, notwithstanding strikes. The gain over 1936 was 35 per cent. Pig iron production was up 45 per cent in the same period. Lake shipping operations continued at a very high rate in June and early July, loadings of iron ore and coal prior to July 1 surpassing even 1929.

Electric power produced in this section so far this year has been 17 per cent above 1936. Coal production was up 16 per cent in the first six months, but a smaller than average increase was reported in June. Machine tool, heavy equipment, hardware, electrical supply, glass, paint, and shoe factories continued to operate at high levels for the summer season. Pottery and china makers reported a somewhat greater than seasonal reduction in both orders and production, and rubber and tire plants curtailed operations to permit absorption of large inventories.

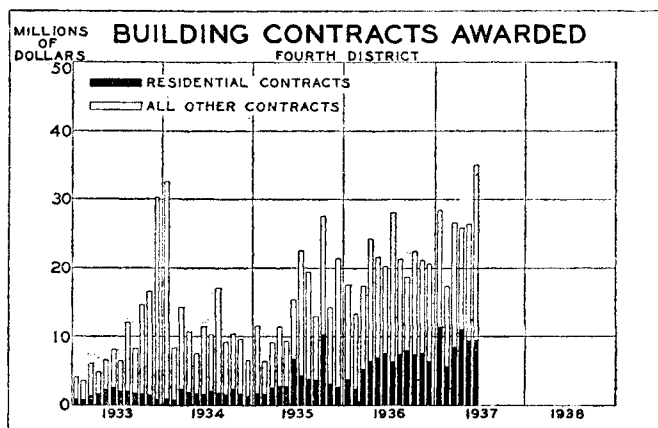
Auto production, which held up better than seasonally in early July, was rather sharply reduced in the latter part of the month by vacation shut-downs and also by curtailments incident to model changes. Retail automobile sales in principal counties of this district in the first six months of 1937 were nearly 12 per cent larger than last year and they declined less than seasonally in June from May. Parts plants are beginning to get specifications for 1938 models,

but except for machinery orders, they have not affected operations.

Department store sales declined only seasonally from May to June in this district and a gain of 12 per cent was shown over last year in the latest month. The labor situation had an unsettling effect on trade in several cities and caused a reduction in employment at Cleveland, Canton, Massillon and Youngstown, where smaller increases in sales were evident than in the district as a whole. Gains in employment in June over May were reported at Pittsburgh, Erie, Sharon, and New Castle, Pennsylvania, and at Columbus, Dayton, Cincinnati, Springfield, and Toledo, Ohio.

Debits to individual accounts at banks in 25 leading cities in the four weeks ended July 18 were 4.9 per cent larger than in the corresponding period of 1936, while the gain for the year to date was 16.8 per cent. In this connection as well as comparing retail trade with last year it should be recalled that at this time in 1936 Veterans' bonus payments were stimulating certain lines of trade.

Building activity increased contra-seasonally in June in the fourth district and was 72 per cent greater than in June 1936. While residential construction continued to expand, the greater share of the June improvement was in the non-residential classification, particularly factories. Value of contracts awarded for this type of work was over



four times what it was in June 1936, while in the first six months the gain was approximately 75 per cent. Residential contracts awarded prior to June 30 were 67 per cent larger than in the first half of 1936.

While farm work has been retarded by weather conditions, prospects continue better in this district than in several recent years. The largest wheat crop raised in this section since 1919 has just been harvested.

FINANCIAL

A further slight increase in commercial loans occurred at weekly reporting member banks in leading cities of the fourth district in the four weeks ended July 21. In the same period there also was a moderate rise in loans made primarily for the purchase or carrying of securities. Loans on real estate and those otherwise secured declined slightly. The reduction in real estate mortgage loans was attributed by reporting banks to be partly a result of increased demand for mortgages as investments outside the banking field. This is particularly true of insurance companies loaning in this district. The result of these changes was a further net increase in total loans in the four latest weeks to \$700,000,000 on July 21. At that figure they were at approximately the highest level of the year and eleven per cent above this time in 1936.

The total volume of credit extended by these reporting banks was approximately the same on July 24 as a month previous and 2.3 per cent above a year ago, despite the reduction in holdings of Government securities that has occurred. After an increase in holdings in mid-June a decline was resumed at a moderate rate and continued in the four latest weeks. On July 24 investments in Government securities were down \$5,000,000 from the third week of June and \$102,000,000 from the all-time high point of \$957,000,000 in the first week of January. Investments in other securities were little changed in the four latest weeks, and although under the peak touched in March, they were larger than a year ago at this time. In the four latest weeks, the decline in investments at weekly reporting banks in this district was counteracted by the rise in loans. Because loans generally are made at higher rates of interest than banks have been receiving on their investments, particularly the Treasury certificates and bills, earnings of banks in this section improved in the first half of 1937.

Commercial deposits at reporting banks fluctuated somewhat in the four latest weeks, but were slightly larger at the end of the period than at the beginning. At \$1,093,000,000 on the latest date they were down \$24,000,000 from the peak in January, but still nearly seven per cent above last year. Time deposits, which were down slightly in June, recovered in July and on the latest date were at the highest level since the banking holiday.

Member bank reserves fluctuated between 20 and 23 per cent above requirements in the four latest weeks, or slightly in excess of \$80,000,000 in this district. The excess at country banks was about 37 per cent, while at reserve city banks it was around 17 per cent.

At the reserve bank, condition figures showed very little change in the four latest weeks. There was a slight decline in bills discounted, acceptance holdings, and direct

loans to industry, but the combined contraction in earning assets in the four latest weeks was only \$339,000 and total bills and securities were still \$10,000,000 larger than a year ago, all of which represented investments in Government securities.

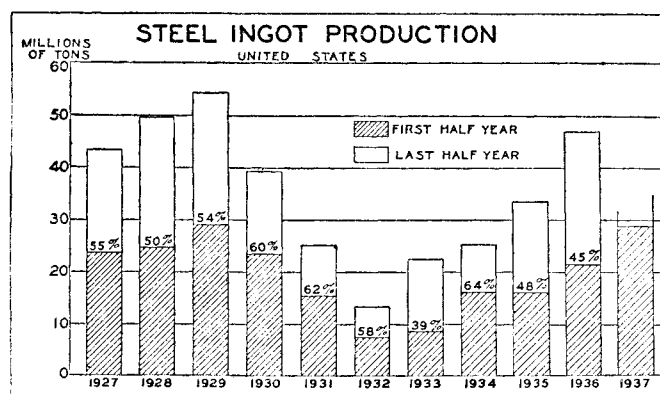
Note circulation increased over the holiday period by about the usual amount, but by July 21 it had declined to approximately the level of the third week of June. While note circulation has continued to increase so far this year, the gain since January has been less than half as great as occurred in the first seven months of 1936. On the latest date note circulation was eleven per cent greater than a year ago. Total deposits, including reserve deposits, continued close to the record high level, in excess of half a billion dollars.

MANUFACTURING, MINING

Iron and Steel

Resumption of national steel operations following the July holiday, at above 80 per cent of capacity, after a five-week period in which activity was reduced to 74 per cent by strikes at various plants, was at a high rate for that season of the year. At this time in 1936 the rate was 70 per cent and the average operating rate for July in the eleven years 1926-36 was 55 per cent. Only in 1929 was a higher July rate reported. The current high rate for the summer season was possible because of the large volume of unfilled orders that was carried over from the second quarter. New buying at present is down, but it is reported in sufficient volume to permit a continuation of production at a high rate, since deliveries on some products, notably sheets, are still deferred several weeks. Nevertheless, steel mills are making progress in clearing the accumulations of orders from their books.

Vacation shutdowns and repairs have affected the operating rate in some centers. In the Cleveland district, the operating rate in the third week of July was reduced to 51 per cent of capacity by closing of the Lorain mills for vacation and repairs. In the previous week operations were at 79 per cent of capacity. A similar reduction occurred at this season last year. At Pittsburgh mills, operations in the week ended July 17 were at 88 per cent of capacity compared with 63 per cent last year, but activity declined five points in the week ended July 24. At Youngstown, the rate in July ranged between 75 and 78 per cent, the higher figure prevailing in the two latest weeks, which was approximately the same as a year ago.



Heavy demand for tin plate helped maintain operations at Wheeling and in the latest week they were at 92 per cent of capacity. At Cincinnati and southwestern Ohio the rate has continued at 93 per cent for four consecutive weeks. The net result of these changes and those occurring in steel centers outside the fourth district was a reduction of one point in the national operating rate in the week of July 24, but the average continued above 80 per cent, compared with 70 per cent last year.

Announcement of fourth quarter prices on most rolled steel products, except galvanized sheets and a few minor products, at the same level as has prevailed during third quarter, is a stabilizing factor.

Steel ingot production in June was 19 per cent less than in May, because of strike interruption, but still five per cent above that of June, 1936. June tonnage was 4,183,762 tons. First half ingot production was less than one per cent under the record first half of 1929. Except for strike effects, a new record would have been set. In the first half of this year steel output was 28,764,633 tons, compared with 29,036,274 tons in the corresponding period of 1929.

Pig iron production in June also suffered from strike interruptions and totaled 3,114,658 gross tons. This was 12.1 per cent under May, but because there was one less operating day the average daily rate showed a loss of only 9.2 per cent from the May daily rate. For six months total production was 19,770,691 tons, a gain of 45.6 per cent over the 13,580,002 tons made in the first half of 1936. At the end of June 182 blast furnaces were in operation, four less than the high point of the year, but compared with 144 a year ago.

World demand for iron and steel products and scrap is well illustrated in export figures in May. Finished and semifinished steel exports totaled 405,810 gross tons, which compares with 450,859 tons for the first five months of 1936. Pig iron exports were 117,598 tons and steel ingots and blooms 99,551 tons. Scrap reached an all-time high at 637,679 tons in the month, which is 72 per cent of the total scrap exported in five months of 1936.

Movement of iron ore from the Lake Superior district continues at an accelerating pace, June shipments being 10,107,883 tons, a gain of 64,027 tons over May. For the season, to July 1, total shipments were 23,922,294 tons, more than double the 11,677,510 tons in the corresponding period of 1936. Strike conditions had no effect on ore

shipments and steelmakers are building stocks to carry them through the winter when ore movement is limited to railroads.

Coal

During June and the first half of July production of bituminous coal showed little change and continued slightly above last year. At fourth district mines the increase in June output over 1936 was 9.4 per cent, slightly more than the gain for the country as a whole in the same period. While coal producers state that recent demand has been limited and below expectations, actual production of local mines in the first six months, at 90,000,000 tons, was 16 per cent greater than a year ago and the best six-month total since 1930. Because of the curtailment in iron and steel operations in June, the large stocks of coal accumulated this spring have not disappeared quite as rapidly as expected and shipments of coal from Lake Erie Ports also have slowed down. In June the latter were four per cent larger than in June 1936, but for the year to date a gain of 27.9 per cent was evident over the first half of last year and loadings were approximately 25 per cent larger than in the comparable period of 1929, although total coal production was considerably under that period. Prices continue to show little change. They are depressed by the large available supply of coal.

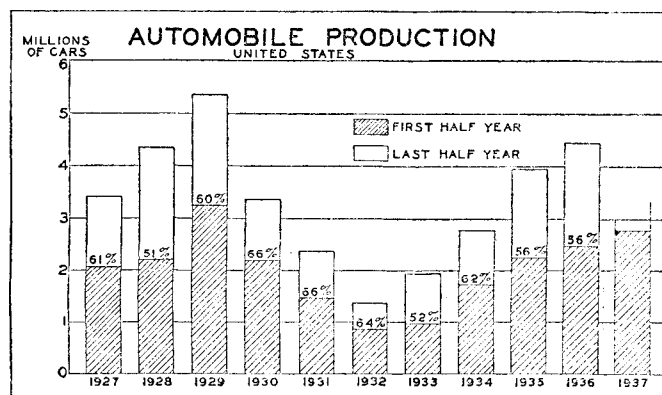
Bituminous coal operators began preliminary work toward meeting requirements of the Guffey Coal Act. It now appears that much detailed discussion concerning classification of mines, coal grades, etc., must occur before price schedules can be made for the 23 districts into which the country has been divided.

Automobiles

Automobile production in June was 3.8 per cent less than in May, but the decline was chiefly seasonal. The Board's adjusted index, at 130 per cent of the 1923-25 average, compared with 118 per cent a year ago. Actual output in the United States was 497,298 cars and trucks, according to the *Department of Commerce*. The June figure was only exceeded by 1929. The gain over June 1936 was nearly 10 per cent, while the increase reported for the first six months, when output totaled 2,788,049 units, was 12 per cent. The accompanying chart shows annual production by six-month periods from 1927 to date, and the per cent of total annual production that occurred in the first six months. In 1935 and 1936 approximately 56 per cent of total yearly production was completed prior to July 1. In years preceding 1935 a greater proportion of annual output generally occurred in the first six months because the annual auto shows were held in January instead of around November 1 as at present.

Only slight variation in the percentage increase over last year was evident in truck and passenger car production, each showing a gain of 12 per cent in the first six months. In June, truck production showed a gain of 10.6 per cent over last year while passenger car output was up 9.6 per cent.

Even though the date for formal showing of 1938 models has been set, no announcements concerning individual model programs have yet appeared. Assembly of 1937 models has tapered off somewhat, but it continued at a



high rate for this season in the first three weeks of July. In the week ending July 18, according to *Ward's Automotive Reports*, assembly of 115,380 cars and trucks occurred, compared with 98,000 in the corresponding week of 1936, a gain of 19 per cent. In July the weekly index, adjusted for seasonal variation, rose to the highest level of the recovery period. It was reported that assembly plants affected by strikes earlier in the year were operating at high levels, but at those factories not particularly affected a contraction was under way. Shutdown of one major assembly plant for vacation reduced output in the week of July 24 to 88,000 cars. Last year September was the month of smallest production, the July total being only slightly under June. Payment of the Veterans' Bonus in 1936 stimulated retail car sales during the summer months. While a similar stimulus is not present this year, wage increases, more employment, and better agricultural conditions have been reflected in new car sales. In the principal counties of this district passenger car sales in June declined less than seasonally from May and there were nearly 12 per cent more cars sold in the first six months than in the corresponding period of 1936.

Rubber, Tires

Labor conditions in the rubber industry continued fairly stable in July and more of a tendency toward harmony was evident than for some time. Considerable variation was apparent in current operating rates of principal plants in early July; some were closed for annual vacations, others were operating 24 hours per week and in addition had furloughed a large number of workers. So far as Akron is concerned this slowing down was further accentuated by the fact that plants in other sections of the country were reported to be expanding operations.

Continuation of original equipment demand at a high rate for this season has in part offset the lag in replacement tire sales. The dollar comparison with last year is improved because retail tire prices have been increased. Higher quotations on original equipment tires, amounting to from 10 to 15 per cent, also were announced recently. Despite the curtailment in tire plant operations which started a month ago, inventories, both in hands of manufacturers and dealers, were still excessive. They were reported to be 50 to 60 per cent above what they have been at this season of past years.

Production of rubber goods other than tires has held up quite well recently and crude rubber consumption in June by United States' manufacturers, at 51,778 long tons, was approximately the same as in May, but was two per cent less than June 1936. Crude rubber used in the first six months of this year set a new high record and exceeded the corresponding period of 1936 by approximately six per cent. Consumption continued to exceed imports in June despite the fact the latter were 17 per cent in excess of June 1936. As a result, domestic stocks of crude rubber on hand were further reduced during the month and were 22.5 per cent smaller than a year ago at that time. In June and the first three weeks of July rubber prices were weak, fluctuating between 18 and 20 cents a pound. While this is approximately seven cents below the peak of April, it was still three cents above last year at that time. Increased shipments from producing countries, chiefly

the Malay States, prompted by the fact that an advance in shipping rates was announced, had a tendency to depress markets slightly.

Production figures for May are the latest available. In that period, according to the *Rubber Manufacturers' Association*, output was 7.6 per cent in excess of May 1936, but down from April. Shipments in the same period were slightly in excess of production, but were nearly eight per cent below last year. In the first five months output exceeded shipments by 1,600,000 tires, but the gain in production over the first five months of 1936 was 5,600,000 tires, or 26 per cent.

Other Manufacturing

With few exceptions, operations in other manufacturing lines in the fourth district continued in early July at higher levels than a year ago. Some seasonal contraction in both operations and sales was evident in June. In a few lines more of a decline than could be accounted for in this way developed, but in most cases where this occurred it was attributed to labor conditions either directly or indirectly. In some lines a slight contra-seasonal increase was reported in the first half of July.

Production of auto parts was a little better than expected in June and early July. Assembly plants affected by labor troubles earlier in the year in most cases maintained operations at a high rate in July for the season. Some specifications for 1938 parts have been received, and plants are making necessary changes in machinery and dies so that when releases are received production can go forward. Hardware demand, particularly from makers of agricultural equipment, has continued excellent.

Machine tools orders from domestic sources were down in June from May, but continued well in excess of last year and some improvement was reported in the first half of July. The falling-off has not been reflected in plant operations which remain at or close to capacity generally, because of the large volume of unfilled orders at most plants. Foreign buying was greater in June than in May and represented 28 per cent of total orders received by members of the *National Machine Tool Builders' Association*, compared with 17 per cent in June 1936. The index of new orders in the first six months of 1937 averaged 210 per cent of 1926 shipments compared with 156 per cent in 1929. Foundry equipment orders were down slightly in June, but they were still 60 per cent above last year and no cancellations were reported in the month compared with nearly five per cent in May. Small tool demand held up well in late June and the first half of July.

Although down seasonally from earlier in the year demand for electrical equipment in June was still considerably greater than a year ago. In the first six months, local manufacturers reported gains up to 60 per cent in orders received, compared with 1936, and a large volume of unfilled orders on hand. This has permitted a continuation of operations at a high rate for the summer season. Employment is over 20 per cent above a year ago.

Production of window glass in June was up 10.5 per cent from May and the industry operated at 88 per cent of capacity. Demand in the first half of July was down more than seasonally. In the first six months, shipments of

single strength glass were 2,500,000 boxes larger than in the same period of 1936, while manufacturers' stocks were reduced 1,100,000 boxes. Plate glass factories were operating at near capacity in July, although incoming orders were down seasonally. Auto manufacturers were largely supplied with 1937 model requirements and there has been a decrease in demand from jobbers and other manufacturers. Production is being maintained because of the low inventories.

The pottery industry in June and early July was operating at low levels — approximately 40 per cent of capacity, according to reports. This was more than a seasonal decline from the spring peak when operations were stimulated by the fact that most large buyers ordered in excess of current needs prior to the time higher prices became effective on May 1. Orders taken at the New York Houseware Show in early July were smaller than expected, due in part, it was thought, to the heavy buying this spring.

Paper and boxboard manufacturers reported a seasonal decline in orders in early July, but production at paper plants held up well because of the large volume of unfilled orders on hand. At boxboard plants the falling-off, which was evident last month, continued, but inventories were declining and prices have advanced slightly since May.

While retail sales of summer footwear have been affected by rainy weather, gains were still evident in June over last year at reporting stores in this district, but they were smaller than in earlier months of 1937. Factory operations continued at a high level, however, fourth district plants reporting a gain of 15 per cent over last year in June. Output for the first six months was 12.5 per cent in excess of the same period of 1936 and a new high six-month record was attained. Plants were working on fall and winter lines in mid-July and most of them report sufficient orders on hand to keep operations at present levels for some time. Leather prices are firm; wholesale shoe prices have advanced about ten per cent this year, but are still approximately 30 per cent under 1929.

Operations of several knitting and textile plants have been affected by strikes in recent weeks. Some clothing plants were closed for vacation while others were working on fall and winter models which were ordered earlier in the year. So far as retail buying is concerned this is a dull period, but June sales of women's clothing at reporting fourth district department stores were 14 per cent larger than a year ago. Sales of men's clothing were up 6.7 per cent and boys' wear 8.7 per cent. In the same period retail prices, according to *Fairchild's* report, were approximately five per cent higher than a year ago at this time.

TRADE

Retail June department store sales in cities of the fourth district where strikes were most prevalent showed somewhat smaller increases over last year than in other centers of the district. Despite this fact, total sales at 51 reporting stores were 12.2 per cent larger than in June 1936 and the decline from May was little more than seasonal. The adjusted index of daily average sales continued at 98 per cent of the 1923-25 average compared with 86 per cent in June 1936. Smaller cities throughout the district, as

a group, experienced an increase of 21 per cent in June sales and 23 per cent in the first six months over corresponding periods of last year. At Cincinnati, the June increase was 16 per cent, Pittsburgh 14 per cent and Akron 11 per cent. All other cities experienced gains ranging from seven to eight per cent.

Basement stores continued to show smaller increases over last year than total store sales, the gain at reporting stores in the month being six per cent. Increases in June over last year were reported in all principal departments except women's coats and suits, furs, art needlework and art goods, and woolen dress goods.

Little change was apparent in the volume of credit sales in June compared with May, but both installment and regular thirty-day credit sales represented a larger percentage of total sales in the month than in June 1936. The former were ten per cent of total store volume as against 8.8 per cent in June 1936, while regular credit sales amounted to 51.9 per cent of total sales as against less than 50 per cent a year ago.

A further contraction in department store inventories was evident in June, the falling-off being more than seasonal. The adjusted index of dollar value of stocks was 78 per cent of 1923-25 average compared with 80.6 per cent at the end of May. Despite this reduction, inventories continued 25 per cent above last year, and because of that fact the stock turnover rate, or the ratio of sales to average stocks, was somewhat smaller than last year. Although collections continued better than a year ago the ratio of total collections during the month to accounts receivable at the beginning of June was smaller than in the previous month or in June 1936. Collections on both installment and regular thirty-day accounts shared in the decline.

Wholesale

All reporting lines of wholesale trade in this district showed increases in June sales over last year, but, excluding groceries, the percentage gains were smaller than the average increases in the first six months. Wholesale grocery sales were up 18 per cent in June and 12 per cent in the first half of the year over the corresponding periods of 1936. Higher food prices accounted for part of the increase, but, according to the *Department of Labor*, the rise in food prices over 1936 was about six per cent. June hardware sales were up 12 per cent and the gain in the first six months was 22 per cent. Wholesale dry goods firms reported increases of 6 and 12 per cent in similar periods while drug sales were up 14 and 15 per cent, respectively, in June and the first six months of last year.

CONSTRUCTION

Improvement in all types of construction in the fourth district raised June building, valued at \$34,922,800, to the highest point since May 1931 when a little better than 36 million dollars of new building was reported. The high point of recent years in January 1934, when C. W. A. activity was at its peak, was exceeded by almost seven per cent.

Compared with June of last year, this month showed an increase of 72.2 per cent in total construction while residential building increased 21.5 per cent. However, when

compared with May, the June figures for residential building showed no improvement, though total construction rose 32.8 per cent.

This steady gain in building activity for the first half of 1937 surpassed corresponding periods of previous years back to 1930 when January through June figures reached better than 278 million dollars as compared with 160 million dollars for the first six months of 1936. The increase in the second quarter over last year, however, was somewhat smaller than in the first three months.

Factory construction in this section showed an improvement in the first six months of this year of 71.5 per cent over the corresponding interval of 1936, and exceeded any similar period since 1929. Commercial building showed a slightly smaller gain over last year, while public works and utilities contracts awarded in the first six months were 33 per cent larger than in 1936.

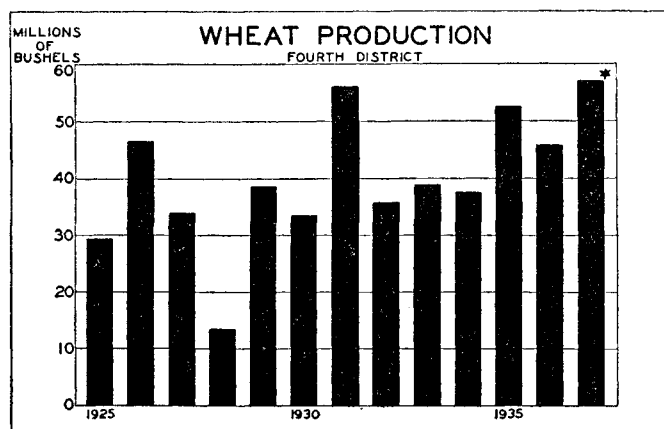
According to the *F. W. Dodge Corporation*, cumulative increases were quite general in all classes of construction in the 37 states east of the Rocky Mountains with the exception of public works which has fallen off since the first of the year. Total construction, to the extent of \$1,494,314,300, was reported to July 1 of this year as against \$1,237,340,800 for 1936, an increase of 20.8 per cent. The gains over last year in fourth district construction exceeded the national average considerably.

Some wholesalers of lumber reported a continued slowing down of buying, in their opinion, due to large inventories of retailers and a continued resistance to high prices. Reduction of these inventories was proceeding in an orderly manner with little change in prices of the better grades of lumber. Prices of some of the cheaper grades have declined recently, but not to any marked extent.

AGRICULTURE

With rain continuing in much more than normal quantities in June and the first three weeks of July throughout most of this district (the cumulative excess in the vicinity of Cleveland for the year to July 20 being 7.8 inches) farm work generally has progressed under difficulties this summer. Despite this condition, however, prospects improved in June in most sections of this district as well as in the country as a whole.

In the fourth district the July 1 estimate of principal crop prospects, as shown in the accompanying table, was



*Estimate based on July 1 condition.

much better than the 1936 harvest, and in comparison with the ten-year average harvest 1926-35, prospects for 1937 corn, wheat, and potatoes were better than average while other principal crops were down.

Principal Crops—Fourth District
(000 omitted)

	July 1, 1937 estimate	1936 harvest	% change 1937 from 1936	10-year average harvest (1926-35)	1936 from 10-year average
Corn, bu.....	183,167	155,673	+17.7	162,316	+12.8
Wheat, bu.....	57,029	45,798	+24.5	38,605	+47.7
Oats, bu.....	55,772	50,268	+10.9	68,327	-18.4
Timothy hay, tons	5,048	3,816	+32.3	5,236	-3.6
Tobacco, lbs...	126,223	80,888	+56.0	130,156	-3.0
Potatoes, bu...	21,071	21,222	-0.8	20,055	+5.1

Wheat Estimated wheat production in the fourth district this year surpasses all records since 1919 and at 57,000,000 bushels it was 48 per cent above the ten-year average. This increase in part results from the larger acreage remaining for harvest in 1937. Cool, wet weather this spring and summer was very beneficial to wheat and many fields that in ordinary years would have been abandoned were left for harvest. Storms caused considerable damage in many sections; rust was reported in western Ohio and Hessian fly was reported in Pennsylvania, and while harvest generally was accomplished under difficulties, preliminary reports where threshing has been completed indicate that better than average yields have been obtained. In northern Ohio, yields of thirty bushels per acre were quite common. This compares with the ten-year average for the State of 19 bushels. Only two States in the entire country where winter wheat is raised report larger wheat crops than in Ohio. Being principally a cash crop, farmers in this district stand to benefit not only from the large yields but also from the fact that current wheat prices are higher than in several years. In the third week of July farmers were receiving about \$1.20 a bushel for the new crop compared with 95 cents a year ago. The recent price drop was a result chiefly of the transition from a year in which the crop was below average to one in which it was better than average.

Total wheat production for United States in 1937 was estimated, on July 1, to be 882,287,000 bushels. This compared with 626,461,000 bushels in 1936 and exceeded slightly the average production in the five-years 1928-32.

Corn Condition of corn on July 1 in all States of the district, except Ohio, was above the ten-year average. In Ohio it just equalled it, but present indications point to a much larger than average crop in this section because of the increased acreage planted. In Ohio the increase over last year was six per cent. Wide variation in the condition of the crop was evident throughout the district; in some sections it was planted late and in others rains prevented cultivation, but in mid-July many fields of good-colored corn were evident. The July 1 estimate for this district, at 183,167,000 bushels, was 12.8 per cent in excess of the ten-year average harvest, while for the entire country the current crop was only slightly larger than average.

Oats The prospective oat crop in this section, although 11 per cent larger than the harvest of 1936, was 18 per cent below the ten-year average and conditions throughout the district were irregular. There was only a slight increase in acreage planted to this crop over the small acre-

age of 1936. While uneven stands were common, the crop generally has made quite satisfactory progress, considering the weather.

Hay and Pasture Harvesting of hay and clover has been accomplished under difficulty and while prospects indicated a marked increase over 1936, the quality of much hay was lowered by adverse weather conditions. Pastures are in excellent shape for this season of the year, having largely recovered from the effects of recent drought years.

Potatoes Not all of the late potato crop in this district had been planted by July 1 and even where planted some of the seed rotted. Based on the July 1 report, 1937 crop prospects are less favorable than a year ago, but for the country as a whole the 1937 crop was estimated to be larger than a year ago or the five-year average harvest.

Tobacco An increase of about 40 per cent in acreage planted to Burley tobacco was reported over last year, but with the July 1 condition much better than average, estimated production was expected to be 65 per cent in excess of last year's small crop and seven per cent greater than the five-year average 1928-32. This was still 15 per cent less than the record crop produced in 1931. Conditions were ideal for transplanting and re-setting and according to reports, the crop looked good generally in mid-July.

Fruits Fruit crop prospects declined slightly in June although on July 1 they still were very favorable in most sections. Rains damaged the cherry crop and the June drop of apples was heavy, but this year's crop is still indicated to be more than three times as large as a year ago in this district. The peach crop is so heavy in some sections that thinning has been necessary. Grape prospects in the northern part of the district were fair.

Wholesale and Retail Trade

(1937 compared with 1936)

	Percentage Increase or decrease		
	SALES June 1937	SALES first 6 months	STOCKS June 1937
DEPARTMENT STORES (51)			
Akron.....	+11.4	+17.7	+19.7
Cincinnati.....	+16.3	+14.4	+28.7
Cleveland.....	+ 8.4	+13.3	+23.3
Columbus.....	+11.5	+12.5	+20.7
Pittsburgh.....	+13.6	+22.8	+29.4
Toledo.....	+ 7.1	+10.1	+18.3
Wheeling.....	+ 7.6	+13.0	+12.7
Youngstown.....	+ 7.2	+20.2	+28.4
Other Cities.....	+20.7	+22.5	+22.8
District.....	+12.2	+17.3	+25.2
WEARING APPAREL (13)			
Cincinnati.....	+15.3	+ 8.4	+10.5
Cleveland.....	+ 8.0	+14.3	+ 9.3
Pittsburgh.....	+ 9.0	+21.8	+30.5
Other Cities.....	+17.3	+18.2	+ 4.6
District.....	+12.4	+14.9	+12.9
FURNITURE (43)			
Cincinnati.....	- 0.2	+33.3	
Cleveland.....	+ 5.0	+17.4	
Columbus.....	+11.9	+23.2	
Dayton.....	- 6.7	+20.5	
Toledo.....	-12.5	- 0.9	
Other Cities.....	+31.3	+30.9	
District.....	+ 5.9	+19.8	
CHAIN STORES*			
Drugs—District (4).....	+ 5.8	+ 9.4	
Groceries—District (4).....	+ 5.4	+ 8.8	
WHOLESALE GROCERIES (29)			
Akron.....	+ 3.6	+ 6.3	
Cleveland.....	+21.5	+10.9	
Erie.....	+15.2	+13.2	
Pittsburgh.....	+ 3.6	+ 0.3	
Toledo.....	+11.9	+11.2	
Other Cities.....	+23.0	+15.6	
District.....	+18.0	+12.0	+12.5
WHOLESALE DRY GOODS (10)			
District.....	+ 6.3	+12.1	+40.8
WHOLESALE DRUGS (11)			
District.....	+14.1	+15.4	
WHOLESALE HARDWARE (11)			
District.....	+12.1	+21.9	

*Per individual unit operated

Fourth District Business Statistics

(000 omitted)

Fourth District unless Otherwise Specified	June 1937	% change from 1936	Jan.-June 1937	% change from 1936
Bank Debits—24 cities.....	\$2,649,000	+ 8.8	\$15,292,000	+17.3
Savings Deposits—End of month:				
40 banks, O. and W. Pa.....	\$ 757,762	+ 5.7		1
Life Insurance Sales:				
Ohio and Pa.....	\$ 94,934	+ 6.0	565,007	+11.1
Retail Sales:				
Dept. Stores—51 firms.....	\$ 21,821	+12.2	123,052	+17.3
Wearing Apparel—13 firms.....	\$ 958	+12.3	5,568	+14.9
Furniture—43 firms.....	\$ 1,257	+ 5.8	7,053	+19.8
Wholesale Sales:				
Drugs—12 firms.....	\$ 1,730	+14.1	10,392	+15.4
Dry Goods—10 firms.....	\$ 1,241	+ 6.3	7,617	+12.1
Groceries—29 firms.....	\$ 4,679	+18.0	24,993	+12.0
Hardware—11 firms.....	\$ 1,860	+12.1	10,016	+21.9
Building Contracts—Total.....	\$ 34,923	+22.2	159,911	+39.1
—Residential.....	\$ 9,421	+21.5	54,698	+67.4
Commercial Failures—Liabilities.....	\$ 731	+ 7.2	4,450	-34.7
—Number.....	492	- 9.3	3262	-17.9
Production:				
Pig Iron—U. S..... tons	3,115	+19.9	19,771	+45.6
Steel Ingot—U. S..... tons	4,184	+ 5.2	28,765	+35.2
Auto—Passenger Car—U. S.....	411,394	+ 9.6	2,286,958	+12.0
—Trucks—U. S.....	85,904	+10.6	501,891	+12.3
Bituminous Coal, O., W. Pa., E. Ky..... tons	13,535	+ 9.4	89,614	+16.3
Cement—O., W. Pa., W. Va. Bbls.	1,112	- 8.0	4,574	+32.6
Elec. Power, O., Pa., Ky. thous. k.w.h.	1,594	+11.7	8,182	+17.0
Petroleum—O., Pa., Ky. Bbls.	2,380	+ 7.8	11,307	+ 7.7
Shoes..... pairs	5	+15.4	5	+12.5
Tires—U. S..... casings	5,352	+ 7.6	27,223	+25.9
Bituminous Coal Shipments:				
L. E. Ports..... tons	6,360	+ 4.1	17,955	+27.9
Iron Ore Receipts:				
L. E. Ports..... tons	7,562	+61.2	16,086	+119.1

1 not available
2 actual number
3 May

4 Jan.-May.
5 confidential

Debts to Individual Accounts

(Thousands of Dollars)

	4 weeks ended July 21, 1937	% change from 1936	Year to date Dec. 31, 1936 to July 21, 1937	Year to date Jan. 2, 1936 to July 22, 1936	% change from 1936
Akron.....	\$ 66,243	+15.2	\$466,086	\$ 392,903	+18.6
Butler.....	9,376	+21.5	71,060	55,592	+27.8
Canton.....	39,221	+14.3	270,619	220,549	+22.7
Cincinnati.....	340,456	+ 0.4	2,428,326	2,135,626	+13.7
Cleveland.....	610,510	+11.1	4,240,363	3,617,038	+17.2
Columbus.....	165,196	- 3.7	1,275,344	1,137,818	+12.1
Dayton.....	71,987	+10.6	514,046	409,339	+25.6
Erie.....	32,196	+27.2	223,260	165,189	+35.2
Franklin.....	3,276	+ 2.5	24,629	21,447	+14.8
Greensburg.....	7,352	+ 1.0	49,940	44,807	+11.5
Hamilton.....	12,332	+16.7	86,395	71,077	+21.6
Homestead.....	3,674	+27.2	22,950	16,994	+35.0
Lexington.....	21,699	+11.4	178,949	131,163	+36.4
Lima.....	14,893	+27.3	96,569	73,662	+31.1
Lorain.....	5,376	+36.9	36,184	25,111	+44.1
Middletown.....	11,058	+34.0	73,110	59,346	+23.2
Oil City.....	9,971	+ 0.3	76,683	65,623	+16.9
Pittsburgh.....	735,316	- 2.4	5,282,527	4,653,591	+13.5
Sharon.....	9,478	+26.9	61,955	48,639	+27.4
Springfield.....	17,893	+16.6	128,674	102,807	+25.2
Steubenville.....	10,763	+30.5	75,013	51,665	+45.2
Toledo.....	128,420	+12.1	931,210	750,360	+24.1
Warren.....	9,484	+17.7	71,335	53,773	+32.7
Wheeling.....	34,634	+14.5	240,245	209,195	+14.8
Youngstown.....	49,024	+14.9	362,430	293,140	+23.6
Zanesville.....	8,236	+10.6	56,943	48,645	+17.1
Total.....	2,428,064	+ 4.9	17,344,845	14,855,099	+16.8

Fourth District Business Indexes

(1923-25=100)

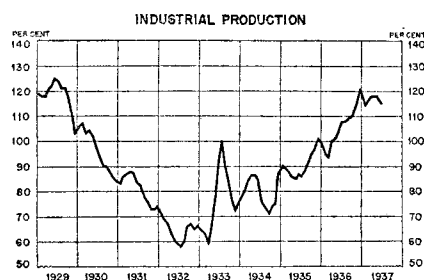
	June 1937	June 1936	June 1935	June 1934	June 1933
Bank Debits (24 cities).....	98	90	74	69	58
Commercial Failures (Number).....	34	37	47	49	93
—Liabilities.....	17	16	31	67	82
Sales—Life Insurance (O. and Pa.).....	99	93	91	100	89
—Department Stores (49 firms).....	95	84	75	70	59
—Wholesale Drugs (10 firms).....	109	96	80	81	70
—Dry Goods (10 firms).....	51	48	41	43	41
—Groceries (29 firms).....	88	75	69	68	62
—Hardware (11 firms).....	102	88	68	66	58
—All (60 firms).....	86	74	64	64	58
—Chain Drugs (4 firms)**.....	94	89	78	73	67
Building Contracts (Total).....	73	43	32	24	17
—(Residential).....	55	45	40	10	15
Production—Coal (O., W. Pa., E. Ky.).....	75	68	69	63	63
—Cement (O., W. Pa., E. Ky.).....	94	105	83	81	70
—Elec. Power (O., Pa., Ky.)*.....	190	170	147	141	120
—Petroleum (O., Pa., Ky.)*.....	129	120	121	111	95
—Shoes.....	117	102	101	87	101

*May

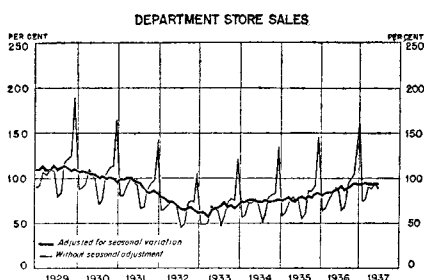
**Per individual unit operated.

Summary of National Business Conditions

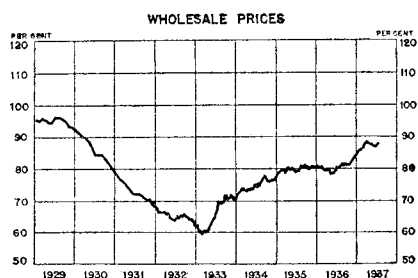
By the Board of Governors of the Federal Reserve System



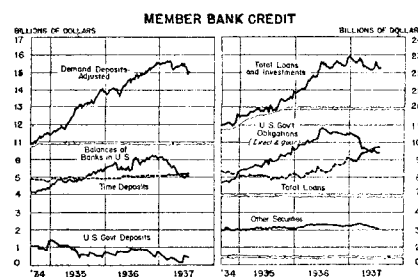
Index of physical volume of production, adjusted for seasonal variation, 1923-25 = 100. By months, January 1929 to June 1937, the latest figure being 115, preliminary.



Indexes of value of sales, 1923-25 = 100. By months, January 1929 to June 1937. Latest figure adjusted 93, unadjusted 89.



Index compiled by the United States Bureau of Labor Statistics 1926 = 100. By months 1929 to 1931; by weeks 1932 to date. Latest figure is for week ended July 17, 1937.



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934 to July 14, 1937.

Activity in most manufacturing industries and at mines continued in June at the May level, with allowance for seasonal influences, but the total output was decreased by labor difficulties in steel mills. In July, production at these mills increased.

Production and Employment

Volume of industrial output, as measured by the Board's seasonally adjusted index, was 115 per cent of the 1923-1925 average in June as compared with 118 per cent maintained in the preceding three months. The decrease was largely accounted for by the decline in steel production. Automobile production declined seasonally and lumber output showed little change. There was considerable reduction in activity at shoe factories and at sugar refineries, while textile production was close to the level of other recent months. At mines output continued in about the same volume as in May.

Value of construction contracts awarded, which had declined in May, increased considerably in June, according to figures of the F. W. Dodge Corporation. There was a marked rise in contracts for public projects, and awards for private building increased somewhat, reflecting chiefly a larger volume of contracts for factories and for apartments.

Factory employment and payrolls declined more than seasonally from the middle of May to the middle of June, largely as a result of strikes in the iron and steel industry. In most other manufacturing industries and also in non-manufacturing lines changes in employment were chiefly of a seasonal nature.

Agriculture

The July 1 cotton report of the Department of Agriculture showed an acreage of 34,192,000, which is larger than in any year since 1933, but considerably smaller than the average of 41,424,000 acres for the five years 1928-1932. Reports on other major crops indicate larger production than last season and about equal to the average for 1928-1932.

Distribution

Distribution of commodities to consumers was maintained in June at the level of other recent months, with allowance for seasonal influences. Department store sales showed a seasonal decline and there was little change in mail-order business. Sales at variety stores increased somewhat. Department store trade in the mid-western industrial area in June and in the first half of the year showed larger increases over a year ago than did sales in other parts of the country.

Freight-car loadings declined somewhat further in June, reflecting largely a decrease in shipments of miscellaneous freight.

Wholesale Commodity Prices

The general level of wholesale commodity prices, which had declined gradually from the beginning of April to the middle of June, advanced somewhat after that time. Prices of hogs and pork rose considerably and grain prices advanced during most of the period. Steel scrap prices increased sharply and prices of tin, zinc, and hides also advanced, while cotton goods and rubber continued downward. In the past week prices for grains declined and cotton prices also moved lower.

Bank Credit

In the four-week period ending July 21 the volume of excess reserves of member banks increased from \$810,000,000 to \$870,000,000, owing principally to a decline in the amount of required reserves resulting from a decrease in deposits at member banks in leading cities.

Commercial loans of reporting member banks continued to increase both in New York City and in other leading cities during the five weeks ending July 21. There was a substantial decline in adjusted demand deposits, mostly at New York City banks. This decline corresponded to decreases in holdings of United States Government obligations, following increases at the time of new Treasury note issues at the middle of June, and in holdings of other securities. Loans to brokers and dealers in securities, which increased in June, declined during the first three weeks of July.

Money Rates

Open-market rates on Treasury bills and yields on Treasury notes and bonds declined in July to the lowest levels since March.