

# MONTHLY BUSINESS REVIEW

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and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

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No. 1

While a few reports of expanding operations have come to light since the beginning of 1938, in most cases they were chiefly seasonal and in some instances not on a par with what has occurred in the fourth district at this time in other years. In the important lines, such as iron and steel, automobiles, most other metal products, and those lines allied with automobile production such as rubber and glass, operations were on very reduced schedules and chiefly a day-to-day basis.

The contrast with last year at this time was marked. Strikes were then quite prevalent, and floods were affecting activity in some parts of the district, but unfilled orders were increasing, inventories were rising, plants were having difficulty obtaining some supplies, prices were advancing, and output expanding. As has been evident recently, but was not at that time, this situation was abnormal, and present conditions are partly attributed to the excesses that were being indulged a year ago.

The downward movement, which was sharper in the fourth quarter than in any three-month period on record, apparently was at a more moderate rate in the first three weeks of January. Some lines experienced a slight gain in orders around the middle of the month, but a low level of operations, compared with the past two years, continued generally. Employment has receded sharply and payrolls are down considerably; notwithstanding the rise in wage rates, which to the present have held up quite well. December employment figures are the latest available. The index covering manufacturing industries for the entire country showed the sharpest decline from November since 1920, and was down ten percent from a year previous and 13 percent from the August peak. Payrolls were down 23 percent from the peak last spring and were 15 percent below last year in December. In this district the employment index for over 2,300 firms in Ohio compiled by the *O. S. U. Bureau of Business Research* receded six percent in December and was eleven percent under December 1936. It was 94 percent of the 1926 average at the year end. In principal cities, employment indexes in December were lower than a year ago, although Erie, Sharon and New Castle, Pa. still showed slight gains. At Cincinnati, a reduction of two percent was evident; other decreases were, Akron and Canton 15 percent, Cleveland 9 percent, Dayton 2 percent, Springfield 3 percent,

Toledo 24 percent, Youngstown 11 percent, Greater Pittsburgh 8 percent, and Oil City 9 percent. Employment in other than manufacturing and construction fields increased in December, chiefly seasonal, and in the latest month was two percent greater than in December 1936. The gain was chiefly in the retail and wholesale fields. The number on relief and applying for aid increased sharply in December, in areas where figures are available, and a further rise in number was evident in the first half of January.

While construction work was at low levels in December, and employment in Ohio in that field was down 32 percent from November and eight percent under the previous year, contracts awarded were up 30 percent over last year in this district in December, but in the first half of January awards were lagging behind last year by about 22 percent.

Despite the contraction in employment and payrolls in December, and their continuing at low levels in the first half of January, retail trade, as reflected in department store sales, held up quite well in both periods. Special efforts were made to stimulate sales in order to reduce inventories acquired last year, and these apparently were quite successful. Sales of reporting stores in the first three weeks of January were 3.4 percent larger than in the comparable period of early 1937. December sales were five percent smaller than in December 1936, but they were up more than seasonally from November.



Commercial failures in this section in December were up 55 percent over the previous year, and a similar increase was shown in the amount of liabilities involved. In 1937 as a whole, however, the number of failures reported was at a low level, being three percent smaller than in 1936.

Life insurance sales in Ohio and Pennsylvania in December were ten percent smaller than in the corresponding month of 1936, but in the entire year, however, an increase of 4.8 percent was reported. In these two States sales exceeded a billion dollars last year.

### FINANCIAL

Reflecting the general contraction in trade and industry, the volume of debits to individual accounts at banks in leading cities of the fourth district was 12 percent smaller in the four weeks ended January 19 than in the corresponding interval a year ago. Applications to the reserve bank for industrial loans increased in number, Federal reserve note circulation declined more after Christmas than it increased in the month preceding the holiday, and a contraction in loans and deposits at banks in leading cities of the district also was evident.

**Reserve Bank Credit** On January 19 borrowings of member banks in the fourth district from the reserve bank were \$808,000, down somewhat from the level prior to Christmas, but the largest amount for this season since 1934. During the year 1937 this bank's loans to member banks totaled \$21,945,307, compared with \$2,323,155 in 1936, but only 43 of the 627 banks in this district borrowed in the period. In 1936 borrowing was limited to 18 banks. The discount rate on these loans was 1½ percent throughout the year.

Total earning assets of the bank averaged \$248,890,000 in 1937, of which over 99 per cent consisted of U. S. Government securities. The average rate of earnings on these securities and loans during the year was 1.57 percent, compared with 1.49 percent in 1936. Net income available for reserves and dividends during the past year was \$1,237,830.33, compared with \$1,050,230.14 in 1936. Of this total \$773,117 was paid as dividends to member banks during the year; depreciation was \$156,770, and \$13,476 was paid to the United States as earnings under Section 13b of the Federal Reserve Act; the remainder, \$294,467, was set up as a reserve for contingencies.

The first increase in several months in this bank's direct loans to industry to provide working capital occurred early in 1938, the total of such loans rising to \$867,000, higher than since last July. This bank's holdings of U. S. Government securities were increased over \$4,000,000 at the beginning of 1938 as the System's total holdings were reallocated among the various banks, now a semi-annual procedure. Acceptance holdings dropped from \$261,000 to \$50,000 over the year end.

Note circulation of this bank declined \$24,000,000 from the December high point to January 19, somewhat more than the pre-holiday increase, which was not as great as in other recent years. Declining needs for currency in the closing months of 1937 as a result of reduced payrolls and general business activity lessened the seasonal holiday requirements, but failure of much improvement to set in following New Year caused banks to return currency to the reserve bank in rather large volume. As a result of this, and the drop in deposits at member banks in leading cities over the year end, excess reserves of

member banks in this district rose to above \$90,000,000, or approximately 25 percent. This is somewhat greater than excess reserves have been since the higher requirements became effective last May. The excess of country banks was 33 percent, while those of reserve city banks was 22 percent.

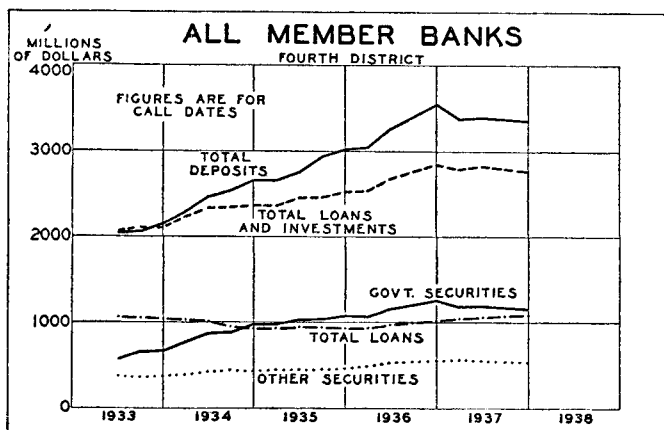
**Member Bank Credit** Changes in condition figures of weekly reporting member banks in leading cities of the fourth district of necessity (since they are the only figures available) are taken as trend indicators of principal assets and liabilities of the district's banking system between times when figures for all member banks are available, which is not oftener than four times a year. Loans and investments of the 40 weekly reporting banks constitute approximately two-thirds of loans and investments of all member banks, numbering more than 600 in this district. Generally the trends of loans, investments and deposits of the two groups are similar. In the year just closed, however, year-end condition figures for all banks indicate that such was not the case in 1937. The accompanying table shows principal assets and total deposits of all member banks in the fourth district on recent call dates.

**ALL MEMBER BANKS FOURTH DISTRICT**  
(000 omitted)

	Dec. 31, 1937	June 30, 1937	Dec. 30, 1936	% change Dec. 1937 from 1936
Loans and discounts...	\$1,089,612	\$1,068,103	\$1,010,313	+ 7.8
Investments:				
U. S. Government securities	1,015,669	1,072,407	1,132,378	-10.3
Securities guaranteed by U. S. Government	129,750	120,307	111,261	+16.6
All other securities...	532,608	558,818	568,151	- 6.3
Total loans and investments	2,767,639	2,819,635	2,822,103	- 1.9
Total deposits	3,351,619	3,387,643	3,517,299	- 4.7
Number of banks	622	623	627	
†Preliminary.				

In the year ended December 31 loans of all member banks increased 7.8 per cent and between June and December they rose 2 per cent. The increase in loans by other than weekly reporting banks was 9.2 per cent in the year. Weekly bank figures indicate that loans have declined considerably since last October, the falling-off continuing in the first three weeks of January.

All member banks reduced their investments in U. S. Government securities by \$116,000,000 in 1937, or ten per cent. It is interesting to note that weekly reporting member banks in large cities reduced their holdings by \$144,000,000, or 15 per cent in the year, while at the same time all other banks (generally called country banks) in-



creased their holdings by 15 per cent in the period. Holdings of other securities declined between six and seven per cent in both groups of banks during 1937.

Total credit extended by all member banks was reduced approximately two per cent in 1937, but the reduction was entirely at the city banks, for country banks showed an increase of 6.2 per cent between the year-end call reports of the two preceding years. In the last half of 1937 credit extended by country banks showed only a very slight reduction, while at banks in leading cities the falling-off was quite sharp and it continued in early 1938, judging by the weekly figures.

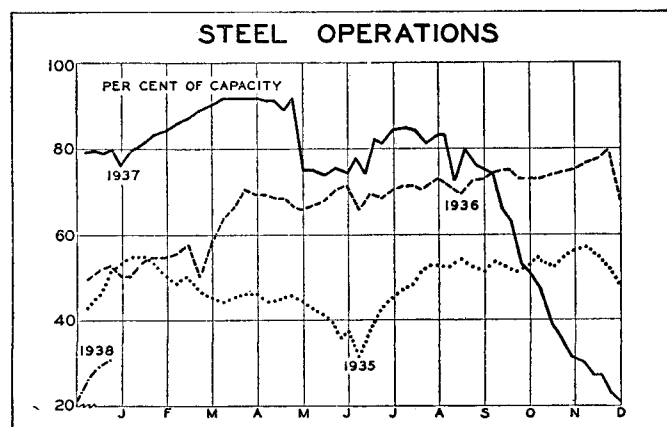
Total deposits of all member banks in the district declined 4.7 per cent in the year just ended, but at the banks reporting figures only quarterly, deposits were down only 0.7 per cent and they actually increased in the first half year, while at weekly reporting banks they declined \$130,000,000. Over the year end and in the first three weeks of January both demand and time deposits at weekly reporting banks receded further.

### MANUFACTURING, MINING

#### Iron and Steel

Expansion in the steel industry from the year-end low has been slow and hampered by general hesitation on the part of consumers. The national rate in late December was about 23 percent of capacity; in the final week of January it had reached 33 percent. In the Cleveland district the year closed with a rate of 24 percent, recovered to 27 percent late in January, and compared with 78 percent a year ago. The current rate at Pittsburgh was 30 percent against 81 in early 1937; Youngstown operations rose from a low of 14 to 27 percent, but they were approximately one-third of last year, while mills in the Wheeling and Cincinnati territories were working at 46 and 40 percent, respectively, in late January; in the latter center a drop occurred during the latest month and Wheeling mills last year were operating at 93 percent.

Consumers have placed orders in much smaller volume than is expected at this season, partially because of unliquidated inventories of raw materials and finished products. Railroads delay putting their programs into effect, awaiting the outcome of the rate increase request before the Interstate Commerce Commission. The automobile industry is consuming steel at much less than its usual rate, and the agricultural implement industry is entering its slack season and is shortening its steel requirements after having been a strong support to steel producers for some time.



Various activities promise considerable steel over the long view, shipbuilding being the most important. The steel aggregates a large tonnage, but it will be placed as construction proceeds and therefore will be spread over many months. Orders have been placed for 12 tankers, the Maritime Commission paying for such additional equipment as will be necessary to convert them to naval auxiliaries of high speed. The Commission also is about to take bids on 12 cargo vessels and subsidy arrangements have been made with a number of steamship companies to build from 12 to 60 vessels.

After a precipitate price decline through the latter part of 1937, steelmaking scrap has started a slow rise and at the end of January the average stood \$1.15 higher than the low point at the end of November. Export demand supports the price in the East and relative scarcity is apparent generally. Railroads and other producers are holding back their tonnages because of low prices.

European steel producers through the European steel cartel have reduced export prices to meet competition by American makers in world markets. Conversations with representatives of important American exporters on world prices have not resulted in an agreement covering the entire industry and the cartel action is the result.

Steel ingot production in December was 1,472,241 gross tons, the smallest in 39 months and 32 percent lower than in November. Despite the shrinkage in the closing months of 1937 total ingot production for the year was 49,507,766 tons, the third highest year in history. Only 1928 and 1929 production exceeded last year.

Although pig iron production in December, at 1,503,474 tons, was 25.1 percent less than in November and was down 52 percent from the previous year, total output for 1937 was the highest for any year since 1929. The December figures were the lowest for any month since January 1935, but for the first time in many years pig iron production exceeded steel ingot production in the month. In comparison with the total of 30,682,704 tons made in 1936, the 1937 gain was 19.6 percent.

November iron and steel exports of 301,280 gross tons were 10.6 percent less than the October total, smaller pig iron shipments accounting for most of the decline. For 11 months, exports continued to exceed the similar period in 1936 and also in 1929. Tin plate exports through November were larger than for all of 1929 and the November total was the largest month in history. Imports for November were somewhat less than in October.

Iron ore stocks on Lake Erie docks and at furnaces in this district were 40,775,000 tons on January 1, the largest amount on hand on that date in any year at least back to 1920. Allowing for seasonal changes, ore supplies were somewhat larger in years 1931 to 1935 than at present.

#### Coal

Despite declining requirements, large consumers continued to add to their coal inventories in the first half of December, but after prices established by the *National Coal Commission* became effective in mid-December, the usual year-end decline in mine output was accentuated and production dropped to the low level of 1932. In January some recovery occurred, but it was only moderate and most mines in this section were working two or three days a week. In the latest mid-January week production was 25 per cent under last year.

In addition to the decline in requirements because of

the drop in business and the unusually moderate winter weather, large stocks remain to be liquidated. On December 1 coal in hands of industrial consumers totaled 40,016,000 tons, an increase of 26 per cent over a year previous. At the current rate of consumption, which was 7.6 per cent less in November than in October, this constituted 44 days' supply, but electric power producers had 78 days' supply on hand. A month's supply in the past has been considered adequate.

December production in this district was 12,406,000 tons, a drop of 9.5 per cent from December 1936, although an increase for the entire year of 3.2 per cent was reported. Coal production in 1937 was larger than since 1930, but with such a large share going to stock piles, now that the *Coal Commission's* prices have been announced, these stocks will be worked down before orders are placed in any quantity.

#### Automobiles

The automobile industry, which was responsible for a good share of the favorable volume of business done in the fourth district in 1937, showed an unusually sharp contraction late in the year and up to the third week of January the expansion from the year-end low has been very moderate. The contraction has been confined to the passenger car field. December output, according to the *Department of Commerce*, was 326,234 cars and trucks, a drop of 9.4 per cent from November, whereas since the fall introduction of new models, December output has been somewhat greater than in the preceding month. As a result the Board's seasonally adjusted index declined sharply to 78 percent of the 1923-25 average, contrasted with 122 per cent a year ago. Compared with the previous year, total output was down 35 per cent.

The drop, both from November and also last year, was entirely in passenger car output. Truck production in December was 81,849 units, a gain of 11.6 per cent over the previous December. For the entire year truck production was 14 per cent above 1936 and a new high record was established. Passenger car production was down 42.5 per cent in December from the previous year, but the gain for the twelve months was 6.7 per cent.

Failure of retail car sales to maintain the expected level in December caused an accumulation of cars, both new and used, in dealers' hands. December new car registrations in principal counties of this district were 60 per cent below a year ago and down 30 per cent from November. Used car sales were reported to have declined even more sharply. Although sales were said to have improved slightly in January in some areas, they are still quite limited and, while weekly production schedules have expanded from a low in late December of under 50,000 cars to 65,000 in the week ended January 22, according to *Ward's* reports, the following week's figure was under 60,000 units. In the four weeks ended January 22 assemblies were estimated at 235,000 units, compared with 342,000 in the corresponding period of 1937, when output was being retarded by strikes in the auto and parts industries. Labor trouble has practically vanished with the contraction in assemblies, but the recent drop in employment and payrolls has been unusually sharp in this industry.

#### Rubber, Tires

The rubber industry showed a further contraction in December and continued to operate at low levels in January, ac-

cording to reports. Irregularity in operating rates of tire manufacturers is quite noticeable. Replacement tire sales are reported to be holding up quite well and those plants doing chiefly a replacement business have been operating at much better rates than factories whose output is partly original equipment tires.

Manufacturers' inventories of finished tires, which reached an all-time high of 13,000,000 tires in 1937, were reduced in the fourth quarter by the sharp curtailment in plant operations. Annual production figures are not yet available, but output in the first 11 months was reported by the *Rubber Manufacturers' Association* to have been 52,313,000 casings, about 500,000 casings less than in the comparable period of 1936. In the first nine months production was 2,500,000 casings greater than in the same period of the preceding year. Factories have been operating rather erratically in recent weeks, production being confined to sizes which were needed to balance inventories. As a result some plants were down entirely, while others operated 2½-3 days a week. Employment in the rubber industry in Ohio in December was reported to be 19 per cent under a year previous and 76 per cent of the 1926 average. The peak for this index last year was about 95 per cent. Payrolls have been sharply curtailed because of short hours.

Crude rubber consumption in December was under 30,000 tons for the first time since 1933 and, at 29,160 tons, was 41 per cent under the previous year. The recent peak of rubber consumption was 54,000 tons last March. Imports of crude rubber attained a new high record of 68,305 tons in December, a gain of 20 per cent over December 1937 and nearly 40,000 tons in excess of consumption. The rubber export quota for the first quarter has been reduced 20 per cent, but large receipts prior to the year end caused rubber inventories to rise to 257,000 tons on December 31. This was 17 per cent above last year and 92,000 tons above the low point in July. At the rate of rubber consumption in the last quarter of 1937, rubber stocks on hand constitute over 7½ months' supply, compared with 4.4 months' supply a year ago. Crude rubber consumption in 1937 was 543,000 tons, a drop of five per cent from the all-time record of 1936.

Rubber prices have been fairly steady in recent weeks, just under 15 cents a pound, compared with about 21 cents a year ago and a recent high of 27 cents. Tire prices remain firm at 32 per cent above the depression low point. Gains in raw material prices and wages have far exceeded this amount in the same period.

#### Clothing

Showing of textiles for next fall and winter clothing, which ordinarily takes place about this time, has been indefinitely postponed. According to reports, most mills have booked only about 40 per cent of their usual spring volume and efforts are being directed to working down these inventories of spring and summer textiles before showing fall lines. Mill production has been kept at low levels, although a number of plants has reopened following the holiday shutdowns. Raw wool markets did not share in the improvement reported in other textiles in January. Wool tops were quoted at 86 cents a pound in the third week at New York, compared with \$1.31 a year ago. Prices remained firm, but buyers have purchased only in small quantities.

Clothing plants in this district report that advance spring orders received prior to mid-January were from 8 to 15

per cent smaller than a year ago. The season was late opening and production records are somewhat under last year. Employment at Ohio factories in December was up two per cent from November, but was 19 per cent under the previous year. Men's clothing factories showed a drop of eight per cent, while other plants were off 29 per cent.

In the retail field, year-end clearance sales are reported to have been fairly successful, but December clothing sales at fourth district department stores were in somewhat smaller volume than a year previous. Women's and misses' ready-to-wear sales were 12 per cent smaller than in December 1936, and men's wear sales were down 14 per cent.

Retail prices of clothing, according to *Fairchild's* index, continued to decline moderately in December, but on January 1 prices of both men's and women's apparel were still slightly higher than a year previous.

**Other Manufacturing** Conditions in the smaller industries of the district in mid-January were irregular. In some, reports of a slight pick-up

since the New Year was reported, but generally the contraction which started in the fourth quarter of 1937 was still evident. Comparison with last year was quite unfavorable in most lines, even though some industries then were confronted by strikes which reduced operations. Labor trouble at present has practically ceased. Rather wide fluctuations are apparent in operating rates which are dependent entirely on orders being received and the latter are only for immediate needs in most cases.

**Auto Parts** While some releases for auto parts and accessories continued to be received by local plants and a slight improvement since the beginning of the year has been apparent, orders were only for limited quantities. Delivery schedules have been held up as the number of assemblies was much smaller than even last year's schedules which were reduced by strikes. Employment at Ohio factories in December was 20 per cent less than a year ago, and in mid-January factories reported production on a 10 to 50 per cent basis, though employment compared better than that. The year 1937 was the best since 1929.

**China, Pottery** A slight improvement in orders was reported since the beginning of the year so far as china-ware was concerned and volume of sales in first week of the annual Pittsburgh show of glass and ceramic manufacturers compared favorably with last year. Operations, however, were still only 50 per cent of capacity in mid-January. December's employment index was seven per cent under last year, the curtailment being chiefly in hours worked.

**Electrical Supplies** Incoming orders continued to decline in December and the first half of January, although inquiries were holding up well. Continuation of operations at a relatively high rate at most plants on orders previously received reduced backlogs considerably. Employment showed a moderate contraction in December and was eight per cent under the previous year at Ohio plants. Inventories are larger than a year ago.

**Glass** Plate glass production in early January was at about 25 per cent of capacity and also was down from December, though an increase is seasonal. Auto demand, the sustaining factor to the glass industry at this season, is of little importance. Employment was 11 per cent less than a year ago in December.

**Hardware** Metal specialty and heavy hardware demand

was extremely limited, although a slightly better situation was reported since January 1. Employment was from 10 to 25 per cent under last year.

**Machine Tools** Small tool orders being received in January were about 30 per cent smaller than a year previous, though seasonal improvement over December was reported. Payrolls were running about the same as a year ago, despite a drop in employment and manhours worked. December's domestic new machine tool orders were down to the level of early 1935, and about one-fourth what they were a year previous. Foreign purchases of new machine tools held up very well, being larger than a year ago. They constituted 63 per cent of all orders received in December by members of the *National Machine Tool Builders' Association*, and the combined total of domestic and foreign buying was greater than in November. The year 1937 was the best in the history of the industry from an order standpoint, volume being 20 per cent greater than in 1929.

Foundry equipment buying fell off quite sharply in December and there was an increase in cancellations. New orders were down 60 per cent from last year. Unfilled orders declined, but they were still relatively large.

**Paint** Slightly advancing raw material prices have created some interest in paints since the holidays. Industrial demand is quite limited and much below last year, but dealers again are ordering in fairly satisfactory volume. Plant operations are on a three-to-four-day week basis.

**Paper** December production of paperboard was the lowest since 1932 and, while a slight pickup was reported for the first half of January, it was less than has occurred at this season of other years. Prices were reduced \$2.50 to \$5.00 a ton in December. Paper plant operations were on a 50 per cent basis, but employment and payrolls were at a higher level. Manufacturers' inventories are large, but this is partly offset by the low level of dealers' stocks.

**Shoes** Fourth district factories produced 19 per cent fewer shoes in December than in the corresponding period of 1936 and the recent low level of operations counteracted the gains shown earlier in the year so that for the entire period output was 0.9 per cent less than in 1936. Retail shoe sales at fourth district stores were approximately four per cent smaller in December than in the corresponding month of 1936. Advance spring buying is lagging generally, though a few exceptions are reported.

## TRADE

**Retail** Efforts on the part of retail stores to reduce inventories in December were reasonably successful, for the index of dollar value of stocks at the year end, adjusted for seasonal variations, was 77 per cent of the 1923-25 average, down four points from November and eight points from the recent high in August. Indications of a further contraction were present in January as clearance sales (prior to the stores' year end on January 31) exceeded last year in leading cities of the district. Value of stocks (at retail) was 8.9 per cent greater on December 31 than a year previous at all reporting stores, but the increases ranged from less than one per cent at Cleveland and Wheeling stores, to 14 per cent at Pittsburgh and 18 per cent at Cincinnati.

Dollar sales of all reporting stores in December were five per cent smaller than in the corresponding month of 1936. Compared with November, sales were up more than

seasonally; special advertising and early clearance sales apparently stimulated buying. The index of daily average sales, adjusted for seasonal variation, was 92 per cent of the 1923-25 average, up one point from November, but down ten points from last spring, the high of the recovery. For the entire year total sales were 9.6 per cent larger than in 1936.

Practically all departments showed smaller sales in December than a year previous. Exceptions were silverware and jewelry, books and stationery, handkerchiefs, hosiery, negligees, aprons and house dresses, and sports' wear. The largest gain, eight per cent, was shown by the last-named department. All of these are departments in which holiday sales are important factors. Changing prices, of course, affect dollar sales and *Fairchild's* index has declined four consecutive months. During December it dropped 1.4 per cent and at the beginning of 1938 department store prices were lower than since February of last year. This index does not take into account special or clearance sale prices.

Furniture store sales in December were 30 per cent smaller than a year previous, but a gain of 5.5 per cent was evident in 1937 over 1936. Wearing apparel stores reported a drop of 11 per cent in December, but an increase of seven per cent for the entire year over 1936.

Basement departments of reporting department stores showed a smaller decline in dollar volume in December than did total store sales, but proportionately less merchandise was purchased in the basement store in relation to total store sales in 1937 than in 1936. Credit sales represented 56.3 per cent of total store sales in December, a slight increase over last year. Installment sales, as a per cent of total sales, were smaller than a year ago, but regular charge sales increased. Collections in December held at the November level, and while dollar volume was greater than in December 1936, in relation to accounts receivable at the beginning of the month, they were under last year. Collection ratios on both regular and installment accounts receivable were smaller than a year ago.

**Wholesale** All reporting lines of wholesale trade in the fourth district experienced much smaller dollar sales in December than a year ago, but gains were reported for the year 1937 over 1936 in all lines. Retailers were striving to reduce inventories prior to the year end and purchased only minimum quantities from wholesalers. Comparison of sales and stocks for reporting wholesale lines will be found on page seven.

### CONSTRUCTION

December contracts awarded, amounting to \$26,991,500 for all types of construction in the fourth district, exceeded December 1936 by 30.8 percent and were six percent greater than in November 1937, despite the fact that residential building was 49.4 percent below December a year ago, and 68 percent under November. This decline in residential building was more than offset by the large increase in non-residential construction. Public works and utilities contracts both showed increases over a year ago, but were below the November totals.

The value of total contracts awarded in this district during 1937, amounting to almost \$340 million, was the highest since 1930, exceeding 1936 by 37.5 percent. Residential building also reached a peak for the past seven years with an increase of 34 percent over 1936.

In the 37 Eastern States, according to the *F. W. Dodge*

*Corporation*, total contracts awarded in December 1937, totaling over \$209 million, were 4.9 percent greater than in December of last year, despite a 33 percent decrease in residential construction. As in the fourth district, this drop was offset by increased activity in the non-residential class.

Privately-financed construction in 37 States for the year 1937 was 31 percent greater than for 1936, while volume of publicly-financed projects declined 13.7 percent. Total construction for the year exceeded 1936 by nine percent. This increase in privately-financed building was the culmination of a series of yearly increases since 1932 with the single exception of 1934. The ratio of privately-financed building to total construction likewise increased, with the same exception, from 43 percent in 1932 to over 60 percent in 1937, though the ratio during the last two months of the year dropped below 60 percent.

Lumber wholesalers were more optimistic last month. While buying by retailers was slow because of inventory taking at the year end, inquiries and moderate replacement orders were received. The industry, however, expected no immediate increase in buying volume. Material costs were below the peak of last spring.

### AGRICULTURE

From the high point in April 1937, prices of farm products declined approximately 25 percent to the beginning of 1938, compared with a reduction in the same period of 13 percent in food prices and three percent in prices of all other products combined. The index of farm prices was 104 percent of the five-year pre-war average in December, the lowest in twenty months, but the contraction in 1937 represented in large part the adjustment of farm prices from a year of crop shortages to one of plentiful supply, and in part, toward the year end, reduced consumer demand, particularly for meat products. The trend of farm prices continued downward in January, but at a more moderate rate than in the closing months of 1937.

Preliminary reports on December farm income indicate that a greater-than-seasonal decrease from November was experienced as prices receded and marketings of livestock were limited and considerably below last year's volume, according to the *Department of Agriculture*. Farm income in December, as a result, was less than a year ago. November was the first month in two years to show a smaller income than in the corresponding month of the previous year. For the year 1937, the revised estimate of cash farm income for the entire country, at \$8,500,000,000, was seven percent more than in 1936, and the largest in seven years. Much of the increase in farm income over 1936 was offset by higher farm costs, according to the *Bureau of Agricultural Economics*. The index of prices paid by farmers for goods purchased was 128 percent of the pre-war average in December, the same as a year ago. A decline of six points in this index has occurred since last spring, but with the index of prices received down over 25 points in the same period, the ratio of prices received by farmers to prices paid dropped twenty points in 1937 to 81 percent of the five-year pre-war average. This price relationship was offset in part by the larger crops farmers had to market this year. Government payments to farmers also aided in increasing total 1937 farm income over 1936. They were approximately \$380,000,000 in 1937, compared with \$287,000,000 in 1936.

**Livestock** On January 1, the number of cattle on feed for

market in the Corn Belt States was 15 percent larger than the number on feed a year earlier, when the corn crop was small, but it apparently was not large in comparison with numbers fed in years of large corn production prior to the drought years. In the eastern States of the Belt, the number on feed was probably the largest in 15 years. In Ohio the number was eight percent greater than a year ago.

Feeding of sheep for market also was being done more extensively than a year ago. In the entire country 11 percent more sheep were in feed lots on January 1 than a year previous, and the number almost equaled the all-time record of 1932. In Ohio the increase was 15 percent and in only three States were more sheep being fed for market than in this section.

**Tobacco** Resumption of tobacco sales in January, following the holiday period, was accompanied by price weakness on all markets in the district. The selling season opened in December with a daily average price of about 21 cents a pound, but it rose sharply so that when selling ceased in late December the average for the season had been raised to nearly 27 cents. By the third week of January, the price had dropped to around 18 cents a pound, average sales on some markets for the latest week being under that figure.

Quality is an important factor in the decline, the best tobacco being marketed first, if possible, but the drop was greater than could be accounted for in this way. Last year the season's average price on ten markets was 35 cents and the crop brought nearly \$45,000,000. To mid-January, sales on ten markets were 153,000,000 pounds, exceeding all complete crops for years since 1933, and \$42,872,000 was paid for tobacco purchased, approximately the amount paid in the corresponding period of 1936-37 selling season.

Marketings in January of poor quality tobacco were in somewhat larger volume than was indicated by the crop estimates.

### Wholesale and Retail Trade

(1937 compared with 1936)

	Percentage Increase or Decrease		
	SALES December 1937	SALES Year 1937	STOCKS December 1937
<b>DEPARTMENT STORES (50)</b>			
Akron.....	-16.2	+ 3.7	+ 4.5
Cincinnati.....	- 2.0	+10.6	+17.9
Cleveland.....	- 6.8	+ 7.6	+ 0.2
Columbus.....	- 4.0	+ 6.9	+ 3.7
Pittsburgh.....	- 2.1	+12.7	+15.5
Toledo.....	- 8.8	+ 4.3	+ 1.2
Wheeling.....	- 4.4	+ 5.6	+ 0.3
Other Cities.....	- 6.0	+13.8	+ 9.2
District.....	- 5.1	+ 9.6	+ 8.9
<b>WEARING APPAREL (13)</b>			
Cincinnati.....	-21.9	+ 1.7	+11.9
Cleveland.....	- 6.7	+ 7.0	- 4.3
Pittsburgh.....	-11.8	+10.8	+16.1
Other Cities.....	- 4.0	+10.2	- 2.0
District.....	-10.8	+ 7.0	+ 5.2
<b>FURNITURE (41)</b>			
Cincinnati.....	-24.3	+12.2	
Cleveland.....	-29.7	+ 3.6	
Columbus.....	-11.2	+ 9.4	
Dayton.....	-41.3	+ 2.6	
Toledo.....	-44.0	- 8.2	
Other Cities.....	-33.6	+20.3	
District.....	-30.4	+ 5.5	
<b>CHAIN STORES*</b>			
Drugs—District (4).....	- 6.5	+ 5.3	
Groceries—District (4).....	+ 7.5	+ 5.7	
<b>WHOLESALE GROCERIES (28)</b>			
Akron.....	-14.9	- 0.9	
Cleveland.....	-26.9	+ 0.6	
Erie.....	+ 5.7	+15.1	
Pittsburgh.....	+ 3.6	+ 5.9	
Toledo.....	+ 0.5	+ 9.2	
Other Cities.....	- 3.1	+ 8.6	
District.....	- 8.7	+ 5.9	+ 1.8
<b>WHOLESALE DRY GOODS (9)</b>	-29.3	+ 1.8	+ 6.4
<b>WHOLESALE DRUGS (10)</b>	- 5.4	+ 9.9	+ 5.9
<b>WHOLESALE HARDWARE (10)</b>	-23.9	+10.5	

\*Per individual unit operated.

### Debits to Individual Accounts

(Thousands of Dollars)

	4 weeks ended Jan. 19,	% change from 1937	Year Dec. 31, 1936 to Dec. 29, 1937	Year Jan. 2, 1936 to Dec. 30, 1936	% change from 1936
Akron.....	\$ 58,135	- 8.5	\$ 836,097	\$ 734,786	+13.8
Butler.....	10,082	+ 1.1	126,918	106,803	+18.8
Canton.....	31,813	-11.6	479,007	411,790	+16.3
Cincinnati.....	307,567	-12.6	4,265,854	3,996,621	+ 6.7
Cleveland.....	531,223	-10.8	7,543,463	6,832,391	+10.4
Columbus.....	156,765	-16.2	2,247,471	2,120,788	+ 6.0
Dayton.....	64,959	- 7.1	907,128	760,973	+19.2
Erie.....	27,817	- 7.8	395,635	319,197	+23.9
Franklin.....	2,823	-14.3	42,965	41,907	+ 2.5
Greensburg.....	6,851	- 8.0	92,346	80,559	+14.6
Hamilton.....	9,865	-14.2	153,829	134,654	+14.2
Homestead.....	2,887	- 9.5	41,510	32,639	+27.2
Lexington.....	44,877	-17.7	300,578	246,883	+21.7
Lima.....	14,028	+ 7.3	173,132	143,651	+20.5
Lorain.....	4,383	- 5.7	65,834	50,458	+30.5
Middletown.....	7,870	-18.2	132,315	110,334	+19.9
Oil City.....	10,365	- 2.8	137,844	121,201	+13.7
Pittsburgh.....	721,219	-11.2	9,421,182	8,625,332	+ 9.2
Sharon.....	7,923	- 5.4	113,970	93,871	+21.4
Springfield.....	17,376	- 1.1	229,248	191,933	+19.4
Steubenville.....	8,419	-13.6	136,097	106,591	+27.7
Toledo.....	120,455	-21.3	1,669,170	1,475,269	+13.1
Warren.....	8,092	-14.4	127,107	103,748	+22.5
Wheeling.....	30,790	-16.4	415,588	393,530	+ 5.6
Youngstown.....	40,241	-20.4	634,287	549,123	+15.5
Zanesville.....	7,257	-11.5	101,097	89,141	+13.4
Total.....	\$2,254,082	-12.2	\$30,789,672	\$27,874,173	+10.5

### Fourth District Business Statistics

(000 omitted)

	December 1937	% change from 1936	Year 1937	% change from 1936
Fourth District Unless Otherwise Specified.....				
Bank Debits—24 cities.....	\$2,765,000	- 9.5	\$30,700,000	+10.3
Savings Deposits—End of month:				
40 banks, O. and W. Pa.....	\$ 777,818	+ 5.0	1	
Life Insurance Sales:				
Ohio and Pa.....	\$ 83,727	- 9.5	1,050,234	+ 4.8
Retail Sales:				
Dept. Stores—51 firms.....	\$ 34,830	- 5.1	260,614	+ 9.6
Wearing Apparel—13 firms.....	\$ 1,307	-10.8	11,580	+ 7.0
Furniture—41 firms.....	\$ 895	-30.4	12,417	+ 5.5
Wholesale Sales:				
Drugs—10 firms.....	\$ 1,530	- 5.4	18,192	+ 9.9
Dry Goods—9 firms.....	\$ 978	-29.3	14,401	+ 1.8
Groceries—28 firms.....	\$ 3,820	- 8.7	50,636	+ 5.9
Hardware—9 firms.....	\$ 1,427	-23.9	19,638	+10.5
Building Contracts—Total.....	\$ 26,992	+30.8	339,755	+37.5
—Residential.....	\$ 3,240	-49.4	102,211	+33.7
Commercial Failures—Liabilities.....	\$ 1,176	+55.4	9,315	-17.8
—Number.....	62 <sup>2</sup>	+55.0	648 <sup>2</sup>	- 2.8
Production:				
Pig Iron—U. S..... tons	1,503	-51.9	36,709	+19.6
Steel Ingot—U. S..... tons	1,472	-66.7	49,508	+ 5.8
Auto—Passenger Car—U. S.....	244,385 <sup>2</sup>	-42.5	3,915,863 <sup>2</sup>	+ 6.7
Auto—Trucks—U. S.....	81,849 <sup>2</sup>	+11.6	893,652 <sup>2</sup>	+13.9
Bituminous Coal, O., W. Pa.,				
E. Ky..... tons	12,406	- 9.5	171,809	+ 3.2
Cement—O., W. Pa., W. Va. bbls.	714	- 7.3	10,861	+ 2.1
Elec. Power, O., Pa., Ky. thous.				
Petroleum—O., Pa., Ky. bbls.	1,612 <sup>3</sup>	+ 0.2	17,847 <sup>4</sup>	+10.2
Shoes..... pairs	2,316 <sup>3</sup>	+ 6.5	25,836 <sup>4</sup>	+18.0
Bituminous Coal Shipments:				
L. E. Ports..... tons	165	-68.2	45,246	- 0.4
Iron Ore Receipts:				
L. E. Ports..... tons			43,598	+38.7

<sup>1</sup> not available

<sup>2</sup> actual number

<sup>3</sup> November

<sup>4</sup> eleven months

<sup>5</sup> confidential

### Fourth District Business Indexes

(1923-25 = 100)

	Dec. 1937	Dec. 1936	Dec. 1935	Dec. 1934	Dec. 1933
Bank debits (24 cities).....	102	113	86	75	57
Commercial Failures (Number).....	43	27	40	41	62
“ (Liabilities).....	27	17	22	14	36
Sales—Life Insurance (O. and Pa.).....	87	96	98	110	91
“ —Department stores (49 firms).....	151	158	134	123	108
“ —Wholesale Drugs (10 firms).....	114	120	100	83	99
“ — “ Dry Goods (9 firms).....	44	62	48	43	34
“ — “ Groceries (28 firms).....	73	80	70	63	55
“ — “ Hardware (10 firms).....	89	105	76	59	56
“ — “ All (57 firms).....	74	86	70	61	57
“ —Chain Drugs (4 firms)*.....	120	129	112	93	86
Building Contracts (Total).....	57	43	45	14	63
“ (Residential).....	19	37	16	6	5
Production—Coal (O., W. Pa., E. Ky.).....	69	76	71	64	62
“ —Cement (O., W. Pa., E. Ky.).....	59	64	34	20	8
“ —Elec. Power (O., Pa., Ky.)*.....	192	191	169	143	129
“ —Petroleum (O., Pa., Ky.)*.....	125	127	116	109	99
“ —Shoes.....	83	103	98	74	51

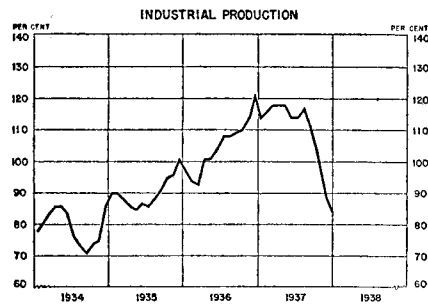
\*November

\*\*Per individual unit operated

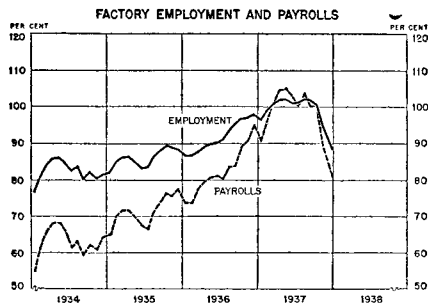


## Summary of National Business Conditions

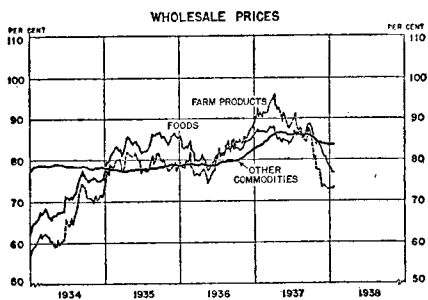
By the Board of Governors of the Federal Reserve System



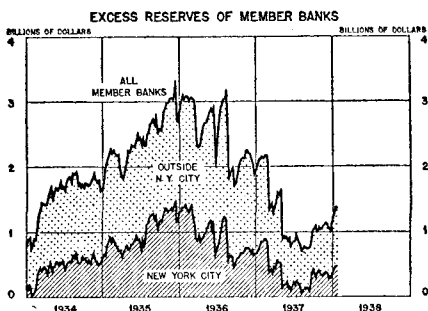
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to December 1937. Latest figure 84.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-25 average = 100. By months, January 1934 to December 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, 1934 to week ending January 15, 1938.



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required and excess reserves, January 3, 1934 to January 19, 1938.

Industrial output declined further in December and, according to preliminary reports, showed little change in the first three weeks of January. Prices of raw materials, which had declined sharply in October and November, have been maintained since that time.

### Production

Volume of industrial production declined further in December and the Board's seasonally adjusted index was at 84 per cent of the 1923-1925 average as compared with 89 in November. The decline reflected chiefly a continued sharp curtailment of activity in the durable goods industries. Steel ingot production averaged about 26 per cent of capacity, output of automobiles and plate glass was reduced considerably, and production of lumber and cement also declined. Total output of nondurable goods declined seasonally. There was a sharp decrease in output at silk mills, and cotton consumption declined further. At woolen mills and shoe factories, however, output was maintained, following a considerable period of sharp decline. Activity at sugar refineries increased further. Mineral production in December, as in other recent months, was at a high level. Output of crude petroleum and bituminous coal declined seasonally, while anthracite production increased somewhat.

In the first three weeks of January output of steel and automobiles increased somewhat from the extreme low levels reached in the latter part of December.

Value of construction contracts awarded in December continued in about the same volume as in the preceding three months. During this period there was a decline in awards for privately-financed projects, reflecting in large part further reductions in residential building, while publicly-financed work increased.

### Employment

Factory employment and payrolls showed further declines between the middle of November and the middle of December, and employment at mines, on the railroads, and in the construction industry also continued to decrease. The decline in the number employed at factories was larger than in earlier months in industries producing durable goods, and was particularly marked in the steel, machinery, and automobile industries. For the nondurable goods industries as a group, the decline in December was about the same as in each of the previous three months, after allowance for seasonal changes. There was some increase in employment at shoe factories and little change at plants producing tobacco products, while most other industries in this group showed further decreases.

### Distribution

Department store sales increased in December by about the usual seasonal amount, and the Board's adjusted index was 90 per cent of the 1923-1925 average as compared with 91 per cent in November and an average of 93 per cent in the first ten months of the year. Mail-order business and sales at variety stores showed somewhat more than the seasonal increase, while sales of automobiles declined substantially. Preliminary reports indicate that in the first half of January sales at department stores were at about the same level as a year ago.

### Commodity Prices

Wholesale prices of basic commodities, after declining sharply in the autumn, showed little change in December and the first three weeks of January. Grains, cotton, print cloths, steel scrap, and bituminous coal increased somewhat, while leather, rayon, and woodpulp prices were reduced. Prices of a wide variety of finished industrial products showed further declines, and livestock products continued to decrease sharply.

### Bank Credit

Excess reserves of member banks increased in the four weeks ending January 19 from \$1,010,000,000 to \$1,370,000,000 and were larger than at any time since May 1. The post-holiday decline in money in circulation, which accounted for this growth of excess reserves, was larger than the increase that occurred before Christmas.

The volume of loans at reporting member banks in 101 leading cities declined sharply in the five weeks ending January 19, while their holdings of investments showed little net change. Declines occurred in loans to security brokers and dealers and in commercial loans, which decreased both in New York City and in other leading cities. Interbank balances were built up during the period, while other deposits decreased somewhat, reflecting largely the repayment of bank loans, partly offset by a return flow of currency from circulation.

### Money Rates and Bond Yields

The average rate on new issues of 91-day Treasury bills continued in January at less than  $\frac{1}{8}$  of 1 per cent, and yields on Treasury notes and bonds declined to new low levels for recent months.