

# MONTHLY BUSINESS REVIEW

Covering financial, industrial  
and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

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Although trade and industry in this section continued at quite depressed levels in late May and early June, and additional weakness in most fields developed from the previous month, there were one or two developments in the third week which had some favorable implications, at least they seemed responsible for the slightly improved sentiment which prevailed. Prices for heavy melting steel scrap at Pittsburgh turned upward by \$1.50 a ton, the first advance this year, and for three weeks the steel operating rate rose slightly. Conditions within the industry, however, are irregular, and the reason for the upturn is not definitely ascertained; buying generally has been reported in very limited volume by most consuming industries in recent weeks. The 28 percent rate, however, represents a gain of approximately seven percent in three weeks from the recent low point. The effect of reduced steel prices, so far as new buying is concerned, is not yet clear.

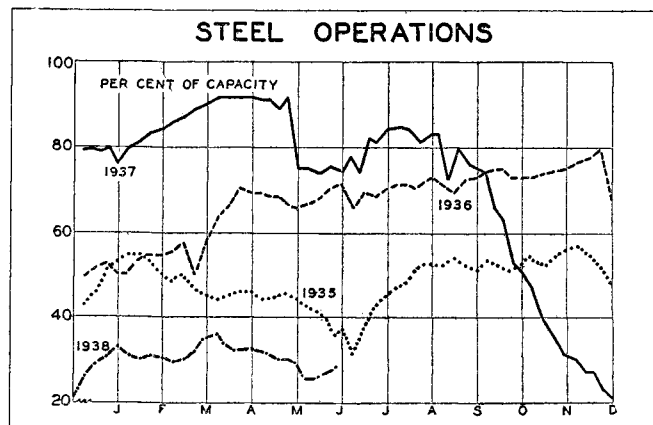
Retail trade in mid-June in this district, judging by department store sales, showed a smaller decline from last year than for some time previous. In the latest week, dollar sales in this district were 16 percent below 1937, but in the two preceding weeks the declines were 21 and 26 percent, and in the month of May sales were down 25 percent from last year. These reductions, while substantial, have not been as great as the contraction in many lines of production. The seasonally adjusted index of department store sales was at the level of mid-1935, while production indexes were at 1934 levels or lower. Stocks continue to be liquidated, although the contraction was at a slower rate than sales. Department store inventories at their peak last year were only 80 percent of the 1923-25 average; they have dropped about nine percent from that level. Goods held by wholesalers in this area were 17.5 percent smaller than a year ago.

Employment in principal industries and all industrial areas of the district was less in May than in April. In both Ohio and Pennsylvania the drop was three percent, and declines from last year ranged between 21 and 46 percent. Payrolls have shown even larger reductions, despite the fact that hourly wage rates remain as high or higher than a year ago. In centers where greater diversification of industry prevails and there is less dependence on durable goods, such as in Columbus and Cincinnati, the con-

traction was much smaller than in cities like Canton, Toledo, or Cleveland, where heavy industry is an important factor. Payrolls in the Pittsburgh industrial area were 51 percent smaller in May than a year ago.

In a few lines, May and early June sales were reported to have shown some improvement over preceding periods, but in most cases little change from recent low levels was apparent. Foundry equipment, glass containers, pig lead, chemicals, and food products were the lines showing gains over April, some of which were seasonal. Cement production also was up and the construction industry experienced a further gain, although in comparison with last year both still showed reductions. Residential building in this section has experienced a greater-than-seasonal increase so far this year. Conditions are irregular throughout the district, however, and total volume was not up to 1937, but contemplated construction reported in May was over three times what it was a year ago. Building activity outside the residential field was limited.

Lake traffic has been very light so far this year. Coal shipments from Lake Erie ports in May were 47 percent smaller than last year, and for the season to date the decline was 51.5 percent. Prior to June 1, iron ore shipments from upper lake ports constituted only slightly more than ten percent of what they were in the comparable period of 1937. This not only reflects the limited operations at blast furnaces, but also the fact that large supplies of ore remain at furnaces and on lower lake



docks. These ore inventories were reduced about two percent in May, but at the month end they were still 75 percent larger than at this time last year.

Life insurance sales in Ohio and Pennsylvania were 28 percent smaller in May than a year ago, and the decrease for the first five months was 25.5 percent. Fewer commercial failures were reported in May than in April, but they were 50 percent larger than last year, both in number and liabilities involved.

Conditions in agricultural areas, so far as principal crops were concerned, were very good, in some cases the best since 1929. Fruit was rather severely damaged by late frosts, but other crops have responded to favorable growing conditions. Wool prices have dropped around 20 cents a pound, slightly more than half what they were last year, and this has had a depressing effect on conditions in wool-raising areas. In the smaller communities, general manufacturing has held up somewhat better than in large industrial areas, although the declines from last year were substantial.

### FINANCIAL

Reports from member banks in leading cities of the district in the four weeks ended June 22 revealed that they had reduced their earning assets slightly from the level of the third week in May. Repayment of loans at a faster rate than new ones were made continued in the four-week period, the reduction in total loans between May 25 and June 22 to \$679,000,000, being \$13,000,000, or two percent. A year ago these banks reported loans of \$697,000,000, and the drop from the peak last fall has been approximately seven percent. In the entire country the drop in loans from the high point in September 1937 has been nearly 17 percent. The reduction in loans at fourth district banks was offset in part by purchases of other than Government securities in June, following reduction of such holdings in April and May.

Commercial and industrial loan repayments accounted for the bulk of reduction in loans at local banks in the four latest weeks, although a slight contraction in loans on real estate, loans to brokers, and holdings of open market paper was evident. Loans for the purpose of purchasing or carrying securities remained at recent levels.

So far as investments were concerned, holdings of Government securities by these banks fluctuated somewhat, increasing in early June to the highest level since April, declining in the following week, and then expanding again, at the time of the June 15 financing, to slightly above the levels of late May. Reduction in the supply of Government securities, which has resulted from the weekly retirement of \$50,000,000 in Treasury bills since late April, apparently has not affected materially investments of banks in this district. They purchase relatively few of these short-term securities.

Despite the fact that total loans and investments of reporting member banks in leading cities were \$79,000,000 smaller than at the beginning of the year and off \$140,000,000, or seven percent, from last year at this time, total deposits (including interbank deposits) on the latest date were approximately the same as in June 1937, and larger than at the beginning of the year. Deposits of other banks with these banks account for most of the increase, for adjusted demand deposits were lower than in January, and time deposits in June were approximately the same as at the beginning of the year. Since April, however, demand deposits at these banks have increased

five percent, or \$40,000,000, partly the result of Government expenditures in this area which have risen quite rapidly.

Excess reserves of member banks increased somewhat in early June, but declined around the middle of the month to \$174,000,000, or 58 percent above requirements. This was a drop of approximately \$20,000,000 from the corresponding date in May. Reserve city banks still had an excess of 57 percent, while at country banks it was 60 percent.

**Reserve Bank Credit** At the reserve bank, the only change in the four latest weeks was an insignificant increase in bills discounted for member banks. With the large volume of excess reserves and limited demand for credit generally, member banks are borrowing only nominal amounts, despite the low rates charged for such loans. Direct loans to industry continue to be paid off at a faster rate than new loans are made.

A further slight reduction in note circulation was evident in the four latest weeks, the total outstanding, \$405,000,000, being smaller than since late 1936. The decline in note circulation, however, has not been proportionate to the falling-off in business. Cash in vaults of weekly reporting member banks in leading cities was slightly less than a year ago, which is assumed to reflect in part the decline in production and in commodity prices, since there is no incentive for the banks to deposit surplus funds with the reserve bank, because of already existing excess reserves.

### MANUFACTURING, MINING

#### Iron and Steel

Fairly stable conditions prevailed in the steel and iron markets in June. Operations were at 25 to 28 percent of capacity, and there was a slight improvement after the middle of the month in sentiment, orders, and actual operations.

Production in the Cleveland-Lorain district has been at about 31 percent, compared with 23 percent in May; in the Wheeling district operations ranged between 41 and 35 percent in the four latest weeks, and the Pittsburgh district operated between 18 and 24 percent. Southwestern Ohio mills showed some weakness in recent weeks, but Detroit increased operations in mid-June, the first time since March.

Steel prices for third quarter, announced unchanged a month ago, were reduced \$3 to \$5 a ton on June 24. Prior to that time consumers were taking only small lots for immediate delivery, the steel going at once into production. Inventories seem to have been worked down to a minimum, but there was little incentive to build up stocks before the price drop.

Considerable tonnages for shipbuilding are accumulating, both for naval vessels and cargo ships awarded by the Maritime Commission. Placing of this material with mills, however, is delayed until needed as construction progresses. Railroads are taking nothing, their financial situation precluding expenditures. With wage adjustments pending, the carriers are expected to remain out of the market until that is settled.

Automotive activity is low, although the past two weeks has brought a slight increase as the last of the 1938 models are being assembled. Steel for the 1939 models is beginning to move in small lots, according to reports, but the heavy buying for this purpose is still several weeks away.

Steel ingot production in May was 1,806,805 gross tons,

six percent less than the 1,925,166 tons made in April, and 65 percent less than the 5,151,909 tons produced in May 1937. Percentage of capacity engaged was 30.39 in May, 33.44 in April, and 88.79 in May 1937. Average weekly production was 407,857 tons in May, 448,757 tons in April, and 1,162,959 in May 1937.

Pig iron production in May declined 12 percent in daily rate, and 9.2 percent in total tonnage from April. These figures represent the smallest month in total output and daily rate since December 1934, and the smallest May since 1933. Active blast furnaces at the end of May numbered 73, compared with 79 at the end of April and with 170 in May 1937. The daily rate of production in May was 40,675 gross tons, compared with 46,267 tons in April, a loss of 5,592 tons, but total production in May at 1,260,937 tons was only slightly below the preceding month. Total production in May 1937 was 3,545,180 tons. Five months' production this year aggregated 6,870,351 tons, compared with 16,656,033 in the corresponding period of 1937.

Exports of steel in May, excluding scrap, were 166,319 gross tons, seven percent lower than in April, and down 50 percent from May 1937. For five months this year they were 967,411 tons, compared with 1,063,675 tons in the same period of 1937. Scrap steel exports in May were 374,320 tons, a new high monthly volume. Imports totaled 21,237 tons in April, compared with 11,827 tons in March. For four months this year imports were 82,284 tons; in the same period of 1937 they were 203,793 tons.

Purchase of scrap tonnage by European consumers, as high as 350,000 tons of No. 1 and No. 2 heavy melting steel being involved recently, at a reported price of \$10 and \$8.50, respectively, f.a.s., shows how far scrap has receded. This is about half the figure paid for large tonnages the middle of last summer, and about \$5 under the second purchase last fall. Heavy melting scrap steel at Pittsburgh rose \$1.50 a ton in the third week of June, the first upward movement in several months. In other areas advances of 50 cents to \$1 were recorded and supplies seem limited.

#### Coal

Daily average coal production, both in this district and the entire country, declined further in May from the low level of April. Total output at local mines in the month was 8,205,000 tons, a reduction of 37.7 percent from last year, which made the decline for 1938 to date 38.3 percent from 1937, and the smallest five-month output since 1933. This low level of production has permitted coal supplies above

ground to be reduced, a further contraction of four percent being evident in April, the latest month for which stock figures are available. Compared with a year ago, industrial coal stocks have declined 27 percent, but consumption of bituminous coal has receded at a faster rate. In April, 32 percent less coal was used by industry than in the corresponding month of 1937, and at the current rate of consumption there was sufficient coal on hand to last 42 days.

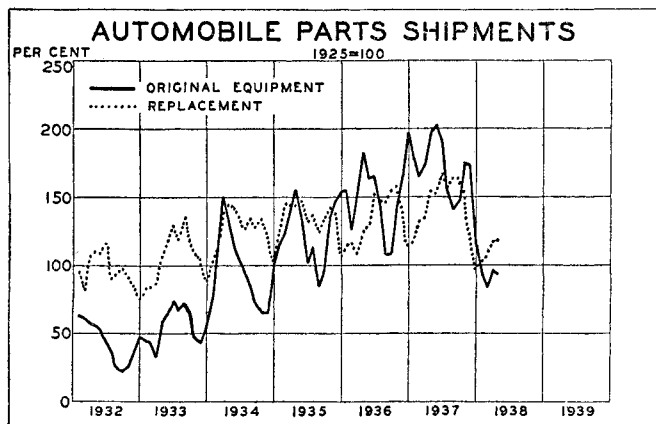
The reduction in this district from 1937 was greater than the average for the country because beehive coke ovens last year were using large quantities of coal, and they are practically shut down this year. The steel industry's requirements are limited, and movement to lake ports for shipment has been less than half what it was in 1937. Most mines are working only two or three days a week. Large inventories of industrial sizes are a depressing factor.

#### Automobiles Auto Parts

Following the sharp drop in weekly automobile assemblies in the Memorial Day week, plants increased schedules to slightly higher rates, although output was still at low levels in comparison with any of the three preceding years. In the week ended June 25 *Ward's* reported 40,918 cars and trucks turned out, a slight reduction from the preceding week, but this compared with 121,032 units in the comparable period of 1937, approximately 100,000 in 1936, 90,000 in 1935, and 77,000 in 1934. The present level of factory operations, maintained as a result of reported better-than-expected demand in retail fields, is partly credited to the reduction in retail inventories this spring. The *Automobile Manufacturers' Association* reports that in March and April dealers actually sold 77,000 more new cars than were turned out. Factory operations now seem to be more responsive to current dealer sales reports which indicate that demand has been holding up practically to spring levels in rural areas, though in industrial centers it is quite limited. New passenger car registrations in principal counties of this district were about 68 percent smaller in May than a year ago, and new truck sales were off 56 percent.

Current plant operations apparently are being maintained by taking supplies from inventories, for parts plants in this district reported early June operations down from May when they were sharply lower than in April. A moderate rise in steel production in centers supplying the auto industry was evident in mid-June, supposedly to furnish materials for completing runs of 1938 models, and in a few cases for 1939 cars. The accompanying chart shows the indexes of monthly auto accessory and parts shipments to makers of original equipment, and for replacement use. April figures are the latest available. While all indexes were sharply lower than in 1937, the sale of parts for original equipment receded much further than in other lines. The drop from March to April was contra-seasonal and has not occurred since 1932. Shipments of original equipment parts were less than half as large in April as in 1937. Local parts makers report May employment 12 percent lower than in April, and down 32 percent from last year, with a further falling-off in early June. Wage rates have been maintained generally, but salaries have been reduced in several instances.

May auto assemblies, according to the *Department of Commerce*, totaled 192,068 cars and trucks, a more-than-seasonal decline (12.4 percent) from April and a drop



of 62.8 percent from last year. Output was only slightly above the recent all-time low May of 1932, when 184,000 cars were made. Passenger car production was down 64 percent from last year and truck output 59 percent. Until recently, truck production has held up somewhat better than passenger car output, the drop in the former being 45 percent in the five months from last year, compared with 57 percent in passenger cars.

#### **Rubber, Tires**

For the first time since last July, rubber consumption by domestic manufacturers in May exceeded imports by a moderate amount. Rather than reflecting much improvement in the domestic demand, it shows the sharp contraction that has taken place in rubber shipments in the last year, chiefly as a result of efforts of the International Rubber Regulation Committee to control exports from principal producing countries, and prevent them from exceeding, for any extended period, industrial consumption of crude rubber. Although second quarter export quotas were based on 60 percent of the basic figure, following 70 percent in the first quarter, domestic stocks of rubber continued to increase to above 300,000 long tons on April 30 from a 1937 low last July of 171,561 tons. The all-time record for domestic rubber stocks was 395,987 long tons in March 1933, but the latest rubber control efforts did not begin until mid-1934. All through the latter half of 1937 and the first four months of 1938, despite reduced export quotas, imports to this country exceeded consumption. In May a balance was achieved, but the Committee has further reduced third quarter export allowances to 45 percent of the basic figure or by 25 percent from the second quarter rate at which exports were permitted. Since the reduction was announced, crude rubber prices have fluctuated in rather a narrow range, slightly above last month, but compared with a year ago they were still down nearly 40 percent.

Daily average consumption of crude rubber in May was about the same as in April, although the total taken by domestic users, at 28,947 long tons, was down 44 percent from last May, and prior to June 1 the industry used 45 percent less rubber than in 1937 and only five percent more than in the comparable period of 1933. World rubber consumption figures indicate that, outside United States, the average for the first four months was 40,034 tons, compared with a monthly average of 45,000 tons in 1937. Last year American rubber consumption, at 543,000 tons, was slightly in excess of that consumed by all other countries combined, but this year monthly domestic consumption has averaged approximately 28,000 tons.

Limited domestic crude rubber consumption and low employment figures at normally the busiest season of the year indicate that the tire industry reduced inventories further in May. While sales of original equipment tires were down nearly 60 percent from last year, replacement tire sales held up considerably better; in fact some manufacturers doing only a replacement business reported May sales above last year. Actual production for the industry in May was reported at 2,842,000 casings, compared with 5,352,000 tires in May 1937. The reduction for the five-month period was 51.3 percent.

#### **Clothing**

Retail sales of clothing departments at reporting department stores and of wearing apparel stores in this district in May showed larger declines from last year than did total

store sales. Wearing apparel stores reported May sales 25 percent smaller than last year, and at department stores, women's apparel sales were off 28 percent, while men's clothing and boys' wear sales were down 31 percent. Retail clothing prices, according to *Fairchild's*, continued downward at a moderate rate in May, but men's clothing prices were less than one percent lower than a year ago, while women's wear prices were down four percent—only moderate factors in the smaller dollar sales. Prices of textile products (wholesale) were 16 percent lower than at this time last year, with raw wool off approximately 35 percent and lower than since early 1935.

Consumption of wool by textile and clothing manufacturers in the first four months of 1938 was 55 percent less than in 1937. Operations at local plants in May were at low levels, partly seasonal. Employment at 72 factories was down 12 percent from April, and 32 percent below last year. Reductions in number of hours worked also were general. In early June, men's clothing factories started production on fall and winter wear, and textile plant activity increased. Although advance ordering was 13 to 20 percent below last year, sufficient orders are reported on hand to permit operations at fair rates until early fall. Inventories among clothing manufacturers are large, but since they are chiefly fall and winter merchandise, liquidation of them cannot be brought about until the close of the fall season.

#### **Other Manufacturing**

Operations in nearly all fields of the district except chemicals, foods, and clay products industries declined in May from April, and the increases in the three lines were less than one percent, judging by employment figures and reports from representative firms. In the first half of June conditions were little changed in most lines, and a period of more than usual summer dullness was being experienced.

Employment in the clay products industry, though 25-30 percent less in May than a year ago, was up slightly from April. One branch of the industry, molded glassware, has been operating at or close to capacity, partly seasonal, but also because of wider use of glass containers. May sales were reported five percent greater than a year ago, but down seasonally from April. For the first five months of this year an increase of 15 percent was experienced. Inventories are 16 percent smaller than on January 1, and employment at present is higher than at any time in three years. In the plate and window glass divisions operations continue at very low levels. Makers of china and dinnerware experienced a seasonal drop in orders and production in May, despite recent low levels of both.

Makers of electrical equipment, able to continue operations on unfilled orders somewhat longer than most industries, have now curtailed production quite sharply. Unfilled orders are 40 to 50 percent smaller than a year ago, and employment was down approximately 30 percent. While inventories have been reduced, further curtailment is under way, to bring them more in line with current demand. Makers of engineering specialties, hardware, and screw machine products report operations still showed a downward trend in May and early June.

Foundry equipment orders increased in May from April by about 12 percent, partly attributable to the Cleveland Trade Convention, but they were 62 percent below last year. Unfilled orders were about 40 percent of what they were a year ago. Domestic buying of machine tools in

May dropped to the lowest level since 1934, and, while foreign purchases were off from April and last year, they still constituted 47 percent of all orders received in the month, compared with 22 percent in May 1937. Dollar value of domestic machine tool orders in May was 78 percent less than a year ago. Small tool sales have held up somewhat better, but payrolls at these plants are about half what they were last year at this time.

Paint sales for household use, while below last year by a considerable amount, have held up much better than demand for industrial paints, except that used for maintenance purposes. May sales of industrial paints were reported 40 percent smaller than last year. All paint sales in the latest month were approximately 25 percent less than a year ago. Buying of pig lead improved somewhat in early June, although it continued below last year.

The paper and boxboard industry is in its seasonally dull period with operations currently between 50 and 55 percent of capacity. Fine papers have held up slightly better than other branches, but inventories are still being reduced and orders received in the first five months were around 35 percent smaller than in 1937. Employment has held up fairly well, wages are unchanged, but payrolls are down considerably, because of fewer hours.

Shoe production at factories in this district in May was 29 percent less than a year ago, and the smallest output since 1932. In the first five months output was 15 percent under 1937. Within the industry conditions are irregular, some firms reporting larger sales so far this year than in 1937, although the recent falling-off was quite general. Plants are now producing fall and winter lines, but advance buying has been limited. Shoe sales at department stores in this district were off 20 to 30 percent from last year in May, but inventories were still larger than at this time in 1937.

### TRADE

**Retail** May sales at department stores in this district were very unfavorable, dollar volume being 24 percent less than a year ago. In the various cities the falling-off ranged between 15 and 33 percent, the former drop being at Columbus where there is more diversification of business than elsewhere, and the latter at Akron where industrial conditions are depressed and the labor situation added further to curtailment. The seasonally adjusted index dropped five points to 74 percent of the 1923-25 average, the lowest level since mid-1935. While the drop in sales has been

substantial, distribution of goods through retail channels has held up somewhat better than production. In the first five months of this year dollar sales were 14.6 percent below 1937, while production is estimated to have declined around 30-35 percent. In mid-June, judging by weekly reports, a slightly better situation was apparent, dollar sales in the week ended June 18 being 16 percent smaller than last year, compared with reductions of 21 and 26 percent in the two preceding weeks.

Considerable variation was apparent in the declines shown in the separate departments, with home furnishings, as a group, experiencing the greatest falling-off. Furniture sales were down 35 percent in May, electrical appliances 50 percent, and floor coverings 37 percent. Toilet articles, jewelry, hosiery, and similar departments showed the smallest contractions.

Liquidation of inventories continued in May to 72 percent of the 1923-25 average, and at the month end dollar value of stocks was nine percent less than in April or last year at that time. Sales, in relation to value of stocks, are still somewhat behind last year. There was a slight increase in credit sales in May over April, and accounts receivable were only 7.5 percent smaller than a year ago. Collections held up fairly well, at about the level of April, and nine percent behind last year.

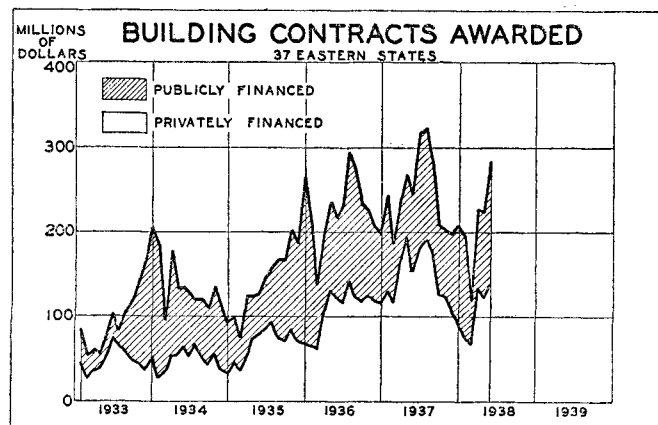
### Wholesale

Sales of 151 wholesale firms in this district in May were little changed from April, but in four cities increases were shown. The gains were slight, and with the exception of Dayton, all cities showed sizable declines from last year. Total sales of all lines were down nearly 27 percent, but in April the decline was 30 percent from the preceding year. In the various lines, shown in detail on page seven, the falling-off ranged between 8 and 52 percent, with an increase of five percent being reported in tobacco sales. Non-durable goods, such as drugs, groceries, and leather goods, experienced the smaller declines, while wholesale sales of hardware were off from 30 to 50 percent and jewelry sales were down 46 percent.

Inventories in all lines but plumbing supplies were further reduced in May from April, and in all but the miscellaneous group declines were evident from last year. At the month end composite inventories in the wholesale field were 17.5 percent smaller than on May 31 last year. Collections have held up rather well, being 29 percent smaller in the month than a year ago, about the same reduction as in total sales. Accounts receivable at the end of May were 20 percent smaller than on the comparable date in 1937.

### CONSTRUCTION

Building operations in the fourth district in the first five months showed considerable variation in principal areas. Being predominantly a "heavy industry" territory, with these lines very depressed, building operations were down likewise. Up to the first of June total contracts awarded in this section were 21.8 percent smaller than in the comparable period of 1937. All sections of the district, however, did not experience declines. In western Pennsylvania contracts awarded so far this year were 16 percent larger than in 1937, chiefly as a result of large contracts let for public and institutional building and public works and utilities. Privately-financed work was off 42



percent from last year, but public construction was up 193 percent in the first five months.

In southern Ohio and Kentucky total awards were 18 percent smaller than a year ago, with private construction off 26 percent and public work behind last year by five percent. In northern Ohio total building in the first five months was 37 percent behind last year, with private construction down 52 percent and public work up 20 percent.

Breaking the district figures down into residential and non-residential building, it is evident that, despite the fact May home construction contracts awarded were 11 percent under a year ago, the declines have grown smaller each month this year. A greater-than-seasonal increase in residential building has been evident in this territory since the beginning of the year. May contracts awarded were  $1\frac{1}{4}$  times as large as in January. Last year they were smaller in May than in January, while in 1936 and 1935 the gains were 81 and 55 percent, respectively. According to the *F. W. Dodge Corporation*, contracts were let for only \$575,000 of publicly-financed residential building in this district in the first five months out of a total of \$30,378,000, and the bulk of that was in western Pennsylvania. There were 5,354 new residential units provided for in the contracts awarded in the five months, compared with 7,168 in 1937, but in May the number was only slightly under last year. In southern Ohio and western Pennsylvania more speculative residential building contracts were awarded in the first five months of 1938 than last year, but the reverse was true in northern Ohio where some difficulty in selling new homes has been encountered, particularly in the higher price brackets. A rather large volume of contemplated residential building was reported by the *F. W. Dodge Corporation* in this area in May; total construction reported as contemplated was valued at \$176,000,000, compared with \$54,000,000 a year ago. The bulk of contemplated work reported was in western Pennsylvania.

Outside the residential and public works' field, building activity continues dull. Total contracts awarded in this district in May were valued at \$20,887,000, a decline of 21 percent from last year, approximately the same as the reduction computed for the first five months. Public works and utility contracts awarded prior to June 1 in this section were 26.6 percent larger than in the comparable period of 1937, but in May they were 38 percent smaller than last year. More than 60 percent of all construction work for which contracts were let in the five-month period represented expenditure of public funds, such building being up 194 percent from last year. Privately-financed work in this area was down 42 percent in the five months from last year.

Regarding building costs, they have declined slightly from last year, chiefly in the materials field. There have been no changes in wage scales, so far as can be determined. The *Department of Labor's* index of building material prices was about six percent lower in mid-June than a year ago, with lumber accounting for the bulk of the decline. Retail lumber sales so far this year have been off up to 35 percent, depending on the location of the yard. Inventories were reported as "well under control", but buying is expected to continue at a conservative pace.

## AGRICULTURE

The June 1 reports of the *Department of Agriculture* indicate that crop prospects were better generally than on any comparable date since 1929. Further weakness in farm prices in May, in contrast with stability of prices for goods farmers buy, placed them in a less favorable competitive position so far as price relationships alone were concerned. Other factors, such as Government payments to farmers and larger crops, tend partly to offset this condition, although the former so far this year have been less than in 1937; for the entire country Government payments in the first four months were 38 percent smaller than last year. In Ohio they were off 46 percent, while in Kentucky they were down only 21 percent.

In the twelve months ending mid-May, prices of farm products dropped 28 percent, and a further decline in early June lowered the index to the level of mid-1934, and to 92 percent of the five-year pre-war average. In the same period prices of goods farmers buy declined about six percent and remained at 125 percent of the same pre-war average. As a result, the ratio of prices received to prices paid dropped 23 percent from last year at this time. Larger crops partly offset this drop, but in the first five months farm income, including Government payments, was 13 percent smaller than in the comparable period of 1937, and in May alone the decrease was 12 percent, with income derived from crops down 23 percent, and from livestock products, 5 percent. In Ohio, income so far this year derived from crops was off nearly one-third from last year, while that derived from livestock was down approximately ten percent.

Farm labor was in less demand in early June by about seven percent than a year ago, and the increase over April was less than seasonal, but some difficulty is still encountered obtaining competent farm help in several areas, according to reports.

**Wheat** While the crop estimate for the entire country was increased slightly in the June report, to 760,623,000 bushels, or 40 percent in excess of the ten-year (1927-36) average harvest, in Ohio the wheat estimate was reduced nearly ten percent to 45,353,000 bushels. This was slightly less than the 1937 crop, but far exceeded the ten-year average crop of 34,585,000 bushels. In Kentucky, Pennsylvania and West Virginia, this year's wheat crop is expected to be slightly smaller than last year's large harvest, but yield per acre was expected to be equal to or in excess of the average of recent years. The reduction in the estimate last month was due in part to the severe freezes in mid-May. Some fields are not as thick as they appeared to be previously, and heavy rains interfered with pollination in some areas. Despite the smaller crop locally, wheat at farms in this district in May was quoted at 74 cents a bushel compared with \$1.25 in May 1937. Harvesting is expected to get under way somewhat earlier than usual.

**Rye** Rye has made excellent growth and promises slightly larger than average yields on smaller than usual acreages in this territory. For the entire country the crop is very much larger than the ten-year average.

**Spring Grains** The oat crop, both in the district and the entire country, was in better than average condition on June 1. In Ohio it was 79 percent of estimated normal, compared with a ten-year average of 73 percent, and in Pennsylvania it was 87 as against an average of 82 percent. No total crop estimate is yet available, but

weather conditions have been rather favorable for this crop, and the early outlook is for the highest yields in eight years. Barley in some sections was better than average, but in other areas it was not equal to previous years. Corn planting started earlier than usual, although considerable acreage had to be redrilled because of poor germination. Since June 1 the crop has made good progress. More acreage of soy beans seems to have been planted this year than usual.

**Hay and Pasture** Pastures and meadows were in better conditions on June 1 than in recent years, attributable to the rainy weather in late May and partly to the soil improvement program. Clover stands are very heavy in most areas and some alfalfa was cut prior to June 1. New seedlings for next year's crop were reported good.

**Fruits** Fruit prospects are very irregular in this district, the freeze in mid-May having destroyed crops almost completely in some sections, while doing less damage in others. Peaches promise a crop about a third as large as last year, and about half as large as the ten-year average. Pears are slightly below average, and apples look like about half a crop. Cherries are about 50 percent of normal, and grapes were severely damaged by late frosts.

**Tobacco** Official estimates are not yet available on the Burley tobacco crop, but a representative of the Kentucky Experiment Station reports that, despite efforts to keep down acreage, a very large one appears to have been set in the Blue-grass region of Kentucky. Most transplant-

ing was completed by mid-June and early-set fields were in good condition. Plants were larger than usual for this time of year, indicating an early crop, which in the past has meant a good one.

### Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	May 1938	% change from 1937	Jan.-May 1938	% change from 1937
Bank Debits—24 cities.....	\$1,954,000	-22.2	\$9,928,000	-21.5
Savings Deposits—end of month:				
40 Banks, O. and W. Pa.....	\$ 771,604	+ 2.7	1	
Life Insurance Sales:				
Ohio and Pa.....	\$ 66,302	-27.9	350,147	-25.5
Retail Sales:				
Dept. Stores—53 firms.....	\$ 18,709	-23.9	91,964	-14.6
Wearing Apparel—12 firms....	731	-25.0	3,759	-18.2
Furniture—40 firms.....	820	-46.5	3,275	-41.1
Building Contracts—Total.....	\$ 20,887	-20.6	97,785	-21.8
—Residential.....	8,332	-11.3	30,378	-32.9
Commercial Failures—Liabilities..	\$ 997	+70.7	5,079	+36.6
—Number.....	72 <sup>2</sup>	+53.2	426 <sup>2</sup>	+53.8
Production:				
Pig Iron—U. S..... tons	1,261	-64.4	6,870	-58.8
Steel Ingot—U. S..... tons	1,807	-64.9	8,181	-66.7
Auto—Passenger Car—U. S.....	154,958	-63.6	799,986	-57.3
Auto—Trucks—U. S.....	37,110	-59.4	229,221	-44.8
Bituminous Coal—O., W. Pa., E. Ky..... tons	8,205	-37.7	46,938	-38.3
Cement—O. W. Pa., W. Va. bbls.	865	-21.9	2,428	-29.9
Elec. Power, O., Pa., Ky. thous. k.w.h.	1,415 <sup>3</sup>	-13.9	4,872 <sup>4</sup>	-26.0
Petroleum—O., Pa., Ky..... bbls.	2,203 <sup>5</sup>	-5.2	8,969 <sup>4</sup>	+ 0.5
Shoes..... pairs	6	-29.2	6	-15.1
Tires, U. S..... casings	2,842	-46.9	13,262	-51.3
Bituminous Coal Shipments:				
L. E. Ports..... tons	3,578	-47.0	5,636	-51.5

<sup>1</sup> not available  
<sup>2</sup> actual number.  
<sup>3</sup> April.

<sup>4</sup> Jan.-April.  
<sup>5</sup> confidential.

### Debts to Individual Accounts

(Thousands of Dollars)

	5 weeks ended June 22, 1938	% change from 1937	Year to Date Dec. 30, 1937 to June 22, 1938	Year to Date Dec. 31, 1936 to June 23, 1937	% change from 1937
Akron.....	\$ 61,983	-26.8	\$ 325,443	\$ 399,843	-18.6
Butler.....	9,039	-27.5	49,092	61,685	-20.4
Canton.....	32,048	-31.1	170,736	231,398	-26.2
Cincinnati.....	328,644	-19.1	1,749,212	2,087,870	-16.2
Cleveland.....	581,788	-19.9	2,837,890	3,629,853	-21.8
Columbus.....	180,389	-18.6	940,578	1,110,148	-15.3
Dayton.....	68,557	-18.8	352,987	442,059	-20.1
Eric.....	26,581	-30.8	143,001	191,064	-25.2
Franklin.....	3,472	-23.3	16,519	21,353	-22.6
Greensburg.....	6,956	-23.7	37,664	42,588	-11.6
Hamilton.....	11,405	-21.9	59,036	74,063	-20.3
Homestead.....	3,323	-24.3	16,475	19,276	-14.5
Lexington.....	21,119	-8.4	143,188	157,250	-8.9
Lima.....	14,744	-9.2	80,240	81,676	-1.8
Lorain.....	4,864	-25.3	25,928	30,808	-15.8
Middletown.....	9,518	-24.8	49,045	62,052	-21.0
Oil City.....	10,154	-24.2	55,694	66,712	-16.5
Pittsburgh.....	661,398	-27.5	3,447,592	4,547,211	-24.2
Sharon.....	7,677	-27.0	42,721	52,477	-21.4
Springfield.....	17,703	-20.9	94,987	110,781	-14.3
Steubenville.....	9,254	-28.3	47,410	64,250	-26.2
Toledo.....	120,681	-26.0	614,774	802,790	-23.4
Warren.....	9,256	-26.6	45,844	61,851	-25.9
Wheeling.....	30,171	-29.0	155,295	205,611	-24.5
Youngstown.....	41,698	-29.1	218,451	313,406	-30.3
Zanesville.....	8,779	-11.0	42,044	48,707	-13.7
Total.....	\$2,281,201	-23.2	\$11,760,346	\$14,916,782	-21.2

### Fourth District Business Indexes

(1923-25=100)

### Wholesale and Retail Trade

(1938 compared with 1937)

	SALES May 1938	Percentage Increase or Decrease SALES first 5 months May 1938	STOCKS May 1938
DEPARTMENT STORES (53)			
Akron.....	-32.5	-24.0	-13.3
Cincinnati.....	-20.5	-7.8	-6.4
Cleveland.....	-23.7	-14.1	-12.4
Columbus.....	-15.1	-9.1	-12.2
Dayton.....	-27.8	-20.7	-8.7
Pittsburgh.....	-23.9	-14.6	-6.6
Toledo.....	-24.7	-19.1	-14.7
Wheeling.....	-26.5	-13.2	-6.3
Other Cities.....	-27.9	-17.0	-7.7
District.....	-23.9	-14.6	-9.4
WEARING APPAREL (12)			
Cincinnati.....	-29.7	-21.2	+ 2.3
Cleveland.....	-19.4	-15.3	-11.6
Pittsburgh.....	-27.3	-14.9	+ 1.3
District.....	-25.0	-18.2	-5.5
FURNITURE (40)			
Cincinnati.....	-56.4	-46.8	
Cleveland.....	-45.1	-42.4	
Columbus.....	-32.5	-21.2	
Dayton.....	-49.9	-40.5	
Toledo.....	-49.9	-44.9	
Other Cities.....	-52.0	-46.6	
District.....	-46.5	-41.1	
CHAIN STORES*			
Drugs—District (4).....	-10.9	-7.9	
Groceries—District (4).....	-5.6	-5.0	
WHOLESALE TRADE**			
Automotive Supplies (7).....	-11.0		-11.1
Drugs (8).....	-8.4	-10.6	-12.5
Dry Goods (7).....	-26.9	-27.7	-24.4
Electrical Goods (19).....	-42.5	-41.1	-36.6
Groceries (44).....	-14.6	-13.4	-9.8
Total Hardware Group (32).....	-36.7	-33.3	-20.4
General Hardware (9).....	-28.5	-28.1	-23.6
Industrial Supplies (14).....	-52.5	-46.4	-12.5
Plumbing & Heating Supplies (9).....	-29.9	-29.1	-3.9
Jewelry & Optical Goods (7).....	-46.4		-9.8
Leather and Shoe Findings (3).....	-7.9	-15.2	
Paper and its Products (3).....	-27.9		
Tobacco and its Products (11).....	+ 5.2		
Miscellaneous (10).....	-48.9	-45.3	+36.6
District—All Lines (151).....	-26.7	-25.2	-17.5

\*Per individual unit operated.

\*\*Wholesale data compiled by U. S. Department of Commerce.

	May 1938	May 1937	May 1936	May 1935	May 1934
Bank debits (24 cities).....	72	93	81	72	64
Commercial Failures (Number).....	49	32	52	59	50
—Liabilities.....	23	13	24	25	80
Sales—Life Insurance (O. and Pa.).....	69	95	91	90	107
—Department Stores (48 firms).....	79	105	93	75	80
—Wholesale Drugs (8 firms).....	87	95	92	86	87
—    Dry Goods (7 firms).....	38	53	54	45	48
—    Groceries (44 firms).....	64	75	68	69	66
—    Hardware (9 firms).....	69	97	89	71	73
—Chain Drugs (4 firms)**.....	62	77	72	67	67
Building Contracts (Total).....	44	55	46	20	16
—(Residential).....	48	55	41	17	11
Production—Coal (O., W. Pa., E. Ky.).....	45	73	67	61	65
—Cement (O., W. Pa., E. Ky.).....	72	92	87	65	80
—Elec. Power (O., Pa., Ky.)*.....	169	196	169	147	134
—Petroleum (O., Pa., Ky.)*.....	119	126	119	118	101
—Shoes.....	80	113	94	101	111

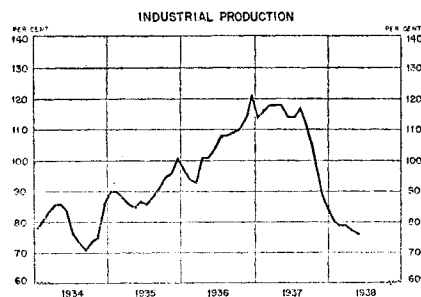
\*April.

\*\*Per individual unit operated.

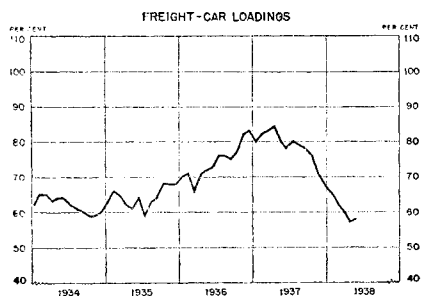


## Summary of National Business Conditions

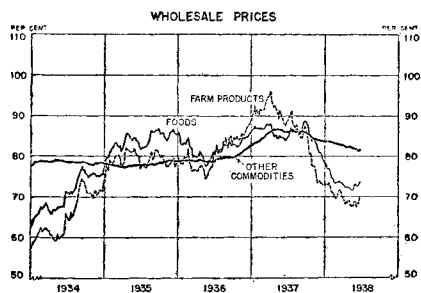
By the Board of Governors of the Federal Reserve System



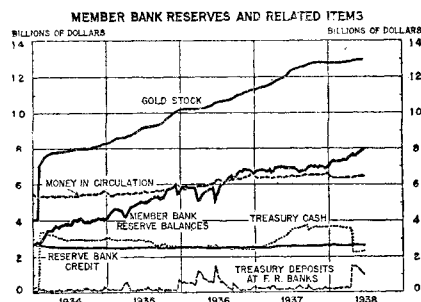
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to May 1938. Latest figure, May 76.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to May 1938. Latest figure 58.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending June 18, 1938.



Wednesday figures, January 3, 1934, to June 15, 1938.

In May and the first three weeks of June industrial activity showed little change from the April level. Wholesale commodity prices generally declined further, but in June wheat and cotton prices advanced and at the end of the period some other staple commodities showed increases.

### Production

In May the Board's seasonally adjusted index of industrial production was at 76 percent of the 1923-1925 average as compared with 77 in April and an average of 79 in the first quarter of the year. Steel ingot production, which in March and April had been at a rate of 33 percent of capacity, averaged about 31 percent in May, and automobile output also showed a decrease. Textile production increased in May. Activity at woolen mills rose sharply and there was some increase at cotton mills, while silk mills showed a decline. Changes in output in most other manufacturing industries were largely seasonal in character. Output of crude petroleum was curtailed sharply in May, and bituminous coal production declined somewhat, while anthracite production increased considerably. Lake shipments of iron ore were in very small volume, reflecting both the low rate of activity in the iron and steel industry and the large supply of ore remaining from the previous season.

In the first three weeks of June output of steel and petroleum increased somewhat, but the rate of activity in these industries remained below the average for May. Automobile production showed a further decline and continued below sales, so that stocks of new cars were further reduced.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a substantial increase in May, reflecting chiefly a marked rise in awards for publicly-financed projects. Contracts for residential building increased moderately and were in about the same amount as in May a year ago. Other privately-financed work remained in small volume.

### Employment

Factory employment and payrolls continued to decline from the middle of April to the middle of May. There were further decreases in employment in the machinery, steel, and automobile industries and a sharp decrease in the number employed in the men's clothing industry. In most other manufacturing lines changes in employment were small in amount. The number employed at mines and on the railroads continued to decline.

### Distribution

Department store sales declined considerably in May and the Board's seasonally adjusted index was at 79 percent of the 1923-1925 average as compared with 83 in April. Sales at variety stores and by mail order houses also decreased from April to May. Reports for the first half of June indicate about the usual seasonal decline in department store sales.

The volume of railroad freight traffic showed little change in May following sharp declines in previous months.

### Commodity Prices

Prices of both agricultural and industrial commodities decreased in the latter part of May. In the first three weeks of June wheat and cotton prices advanced, while prices of industrial products generally continued to decline.

### Bank Credit

Reserves of member banks continued to increase in May and June, largely as the result of Treasury disbursements from its deposits with the Reserve banks. Excess reserves increased chiefly at city banks, reflecting retirement of Treasury bills and further expansion of bankers' balances.

Demand deposits at reporting member banks in 101 leading cities increased further during the first half of June, and total loans and investments, which had declined in May, also increased, reflecting substantial purchases of United States Government obligations by New York City banks.

### Money Rates

Yields on Treasury bonds declined further in the four weeks ending June 18, and those on Treasury notes reached new low levels. Rates on open-market commercial paper declined somewhat about the middle of June.