

MONTHLY REVIEW

CREDIT, BUSINESS AND AGRICULTURAL CONDITIONS

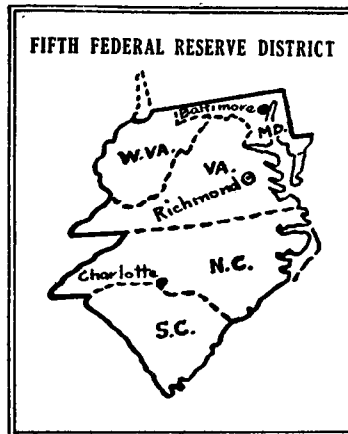


FEDERAL RESERVE BANK OF RICHMOND

RICHMOND, VIRGINIA

AUGUST 31, 1936

TRADER in the Fifth Federal reserve district in July and early August was in larger volume than usual at that season of the year, and the district's industries further increased operating time over recent months. At the Federal Reserve Bank of Richmond, discounts for member banks rose slightly during the past month, and advances to industry for working capital also increased. An unseasonal decrease in Federal Reserve notes in circulation occurred between July 15 and August 15, due probably to an abnormal rise in circulation in the preceding month in connection with Bonus payments. Member banks increased their reserves at the reserve bank, but decreased their loans and discounts. Investments in securities rose in forty-one regularly reporting member banks between the middle of July and the middle of August, and the banks also increased their cash in vaults and their deposits. Nearly all of the latter increase was in demand deposits. Debits to individual accounts figures in the banks in twenty-three trade centers of the Fifth district showed a seasonal decline in four weeks ended August 12 in comparison with debits in four weeks ended July 15, but exceeded debits in four weeks ended August 14 last year by a larger percentage than in any earlier month this year. The district made an unfavorable comparison with the United States as a whole in the bankruptcy record for July, both number of failures and aggregate liabilities involved in the district increasing in comparison with July 1935 figures, while both decreased in the Nation. However, the July record in the district was not a bad one, the adverse comparison with July 1935 being due in large part to a good record in the earlier year. Employment broadened in nearly all industries in July and the first half of August, and workers were much better employed than at any other time in several years. Production of bituminous coal in July was larger than usual for that month, and stocks of coal in consumers'



and retailers' bins on July 1 were much smaller than a year earlier. Cotton textile mills in the Fifth district increased operations in July by 6 per cent over June this year and by 56 per cent over July last year, and the district showed 51 per cent of total spindle hours of operation in the United States in June, although the district had only 44 per cent of total spindles in place. Spot cotton prices declined about three-quarters of a cent a pound between the middle of July and the middle of August, largely as a result of a larger estimate of production than was expected. Consumption of cotton by American mills in the year ended July

31, 1936, was about 1,000,000 bales above consumption in the preceding year, and exports of cotton also rose approximately 1,200,000 bales during the same period. Tobacco manufacturing in July was at a very high level, and cigarette production set a new record. Auction tobacco markets opened on August 13 in South Carolina and border markets in North Carolina, and opening prices were sufficiently high to indicate that this year's smaller crop may sell for about as much as the 1935 crop. Construction work provided for in building permits issued in July this year was more than double the volume provided for by July 1935 permits, and contracts for construction actually awarded last month exceeded those of July last year by 46 per cent. Retail trade in department stores in the Fifth district in July averaged 14.5 per cent above trade in July last year, and the increase in most stores outside of Baltimore was higher than that figure. Wholesale trade in all five lines for which figures are available also showed materially larger sales in July than in July 1935. As was pointed out last month in the *Review*, the poor condition of crops is the only outstanding unfavorable factor in the present situation, but crops improved in July to a considerable extent and the outlook is better in agriculture than it was a month or two earlier. All crop forecasts of production are below 1935 yields, and

some early crops were virtual failures, but price trends indicate that farm incomes will probably be nearer normal in the Fall than crop yields.

Reserve Bank Statement

ITEMS	000 omitted		
	Aug. 15 1936	July 15 1936	Aug. 15 1935
Discounts held	\$ 166	\$ 66	\$ 106
Open market paper	121	120	173
Industrial advances	4,064	3,556	4,585
Government securities	128,011	128,011	116,716
Total earning assets	132,362	131,753	121,580
Circulation of Fed. Res. notes..	183,779	188,577	154,095
Members' reserve deposits.....	202,129	188,135	155,379
Cash reserves	289,536	282,031	205,195
Reserve ratio	69.86	69.47	64.65

The accompanying table shows the principal items of condition of the Federal Reserve Bank of Richmond for three mid-month dates, August 15 and July 15 this year and August 15 last year. During the past month, discounts for member banks rose by \$100,000, holdings of open market paper increased by \$1,000, and industrial advances to private industry for working capital advanced by \$508,000. There was no change in holdings of Government securities. Total earnings assets increased by \$609,000 during the month. Between July 15 and August 15 an unseasonal decline of \$4,798,000 in the actual circulation of Federal Reserve notes occurred. There is usually a rise in note circulation between the middle of July and the middle of August, to provide South Carolina and border North Carolina tobacco markets with cash for handling the tobacco warehouse sales, but this year return of notes put in circulation during the preceding month for use in paying the Bonus more than offset the seasonal increase in circulation. Member bank reserve deposits rose by \$13,994,000 between July 15 and August 15. The several changes mentioned in the statement raised the cash reserves of the Federal Reserve Bank of Richmond by \$7,505,000 last month, and increased the ratio of cash reserves to note and deposit liabilities combined by 39/100th of 1 point.

In comparison with condition figures for August 15, 1935, those for the corresponding date this year show material increases in all items except loans. Discounts held on the 1936 date showed an increase of \$60,000 during the year, but open market paper held declined by \$52,000 and industrial advances dropped by \$521,000 during the same period. Holdings of Government securities rose by \$11,295,000 between the middle of August last year and this. These changes in assets resulted in a net increase of \$10,782,000 in total earning assets. Federal Reserve notes in actual circulation increased by \$29,684,000 during the year, and member bank reserve deposits rose by \$46,750,000. Cash reserves of the Richmond Bank on August 15, 1936, registered an increase of \$84,331,000 over total reserves on August 15, 1935, and the ratio of cash reserves to note and deposit liabilities combined rose by 5.21 points. Effective after the close of business August 15, 1936, reserve requirements for member banks at the Federal

Reserve Bank were increased 50 per cent, which greatly reduced excess reserve figures at Reserve Banks.

Statement of 41 Member Banks

ITEMS	000 omitted		
	Aug. 12 1936	July 15 1936	Aug. 14 1935
Loans on stocks and bonds (in- cluding Governments)	\$ 67,989	\$ 68,025	\$ 65,521
All other loans.....	131,246	132,620	125,338
Total loans and discounts.....	199,235	200,645	190,859
Investments in securities.....	438,705	424,081	380,106
Reserve bal. with F. R. Bank...	138,975	121,706	102,578
Cash in vaults.....	18,005	16,927	16,347
Demand deposits	436,265	426,662	390,788
Time deposits	196,435	196,273	192,271
Money borrowed	0	0	0

Forty-one member banks in leading cities of the Fifth Federal reserve district make weekly condition reports to the Federal Reserve Bank of Richmond, and the accompanying table shows total figures for some important items as of three dates, August 12 and July 15, 1936, and August 14, 1935. The figures reflect conditions on the report dates, but are not necessarily the highest or lowest figures which occurred during the past month or the past year.

Most of the items in the composite statement increased last month, loans and discounts showing the only declines. Loans on securities dropped by \$36,000 and all other loans declined by \$1,374,000, a total decrease in loans and discounts of \$1,410,000 between July 15 and August 12. On the other hand, the reporting banks increased their investments in securities, chiefly Government issues, by \$14,624,000, and added \$17,269,000 to their reserve balances at the Federal Reserve bank. Cash in vaults rose by \$1,078,000. Deposits increased by \$9,765,000, demand deposits gaining \$9,603,000 and time deposits rising by \$162,000.

During the year between August 14, 1935, and August 12, 1936, all of the items on the statement increased. Total loans and discounts rose by \$8,376,000, of which \$2,468,000 was in loans on securities and \$5,908,000 represented additions to all other loans. Investments in securities increased by \$58,599,000 during the year, and reserve balances of the reporting banks at the Federal Reserve bank rose by \$36,397,000. Cash in vaults on the 1936 date totaled \$1,658,000 above the 1935 figure. Demand deposits showed an increase of \$45,477,000 between the middle of August last year and this, and time deposits also gained \$4,164,000. None of the forty-one reporting banks borrowed from the Reserve bank or any other bank at any time during the past year.

Time and Savings Deposits

Time deposits in forty-one regularly reporting member banks and aggregate deposits in eleven mutual savings banks in Baltimore totaled \$406,753,420 at the end of July 1936, a higher figure than either \$406,520,345 in time and savings deposits at the end of June this year or \$394,016,382 at the end of July last year. Both the reporting member banks and the mutual savings

banks gained deposits during the past month and the past year.

Debits to Individual Accounts

CITIES	000 omitted		
	Total debits, four weeks ended		
	Aug. 12 1936	July 15 1936	Aug. 14 1935
Asheville, N. C.....	\$ 10,900	\$ 10,638	\$ 8,418
Baltimore, Md.....	310,263	318,478	259,106
Charleston, S. C.....	11,591	14,512	9,809
Charleston, W. Va.....	41,258	53,369	40,136
Charlotte, N. C.....	46,595	48,635	41,315
Columbia, S. C.....	20,570	22,520	19,522
Cumberland, Md.....	8,243	9,286	7,081
Danville, Va.....	6,536	6,863	5,407
Durham, N. C.....	22,908	22,684	21,984
Greensboro, N. C.....	17,064	15,565	10,622
Greenville, S. C.....	18,257	18,698	11,357
Hagerstown, Md.....	7,587	9,234	6,058
Huntington, W. Va....	15,212	15,129	10,134
Lynchburg, Va.....	13,266	14,951	11,477
Newport News, Va....	8,215	8,479	6,303
Norfolk, Va.....	42,374	44,640	39,464
Portsmouth, Va.....	3,301	3,844	2,942
Raleigh, N. C.....	33,698	38,501	25,676
Richmond, Va.....	121,183	134,755	112,140
Roanoke, Va.....	23,928	26,375	15,386
Spartanburg, S. C.*...	*7,015	*7,351
Washington, D. C.....	212,140	250,664	179,525
Wilmington, N. C.....	8,445	9,794	7,217
Winston-Salem, N. C.	31,980	39,176	28,176
District Totals.....	\$1,035,514	\$1,136,790	\$ 879,255

* Spartanburg, S. C., not included in totals.

Debits to individual, firm and corporation accounts in the banks in twenty-three trade centers in the Fifth Federal reserve district are shown in the accompanying table for three equal periods of four weeks ended August 12 and July 15 this year and August 14 last year. These figures reflect the volume of business which passed through the banks in the several cities during the periods under review.

During the four weeks ended August 14 this year, aggregate debits to individual, firm and corporation accounts in the reporting cities totaled \$1,035,514,000, a decrease of \$101,276,000, or 8.9 per cent, under aggregate debits in the preceding four weeks, ended July 15, 1936. A decline at this time is seasonal, due chiefly to large quarterly and semi-annual payments occurring in the earlier period around July 1, and this year the decline was about the same as last year. Nineteen of the twenty-three cities reported lower figures for the later period, the exceptions being Asheville, Durham, Greensboro and Huntington.

A comparison of the figures reported for the four weeks ended August 12 this year with the figures for the corresponding period ended August 14, 1935, shows an increase of \$156,259,000, or 17.8 per cent, a higher percentage than was shown for any earlier month this year in comparison with figures for the corresponding month of the preceding year. All of the twenty-three cities reported higher debits figures for the 1936 four weeks.

Commercial Failures

The Fifth district made a worse record in commercial failures in July than was recorded for the Nation as a whole. The number of failures and aggregate liabilities involved in the district both increased in comparison with July 1935 figures, while National figures both declined. Statistics for the district and the Nation for several periods are shown in the accompanying table.

Period	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
July 1936.....	40	639	\$ 703,000	\$ 9,904,000
July 1935.....	30	902	602,000	16,523,000
July 1934.....	60	870	1,471,000	16,555,000
7 Months, 1936.....	298	5,953	\$5,247,000	\$ 97,077,000
7 Months, 1935.....	301	6,975	3,951,000	101,287,000
7 Months, 1934.....	439	7,447	6,439,471	168,349,000

The district showed an increase of 33.3 per cent in number of bankruptcies in July 1936 in comparison with July 1935, and liabilities last month were 16.8 per cent above July 1935 liabilities, while the National totals showed a decrease of 29.2 per cent in number of failures and a drop of 40.1 per cent in aggregate liabilities involved.

Employment

Conditions in employment in the Fifth Federal reserve district appear to have improved further during July and early August. Opening of tobacco markets in South Carolina and border markets in North Carolina on August 13 gave work to many tobacco handlers at warehouses, and tobacco manufacturing plants in the district set new records for output in July. Textile mills increased operating time, thereby adding to their employees or to payrolls of those already at work. Construction work provided for by permits issued in July was double the amount of work provided for in July last year, and contracts actually awarded in July were also very much above those awarded at the same time last year. Coal production in July was in larger amount than in most years at this season. On the whole, practically every activity in the district which employs labor has recently increased operations.

Coal Production

Production of bituminous coal in the United States in July 1936 totaled 32,113,000 net tons, a materially larger output than 29,300,000 tons mined in June this year and also much above 22,339,000 tons mined in July 1935. Last year production in July was relatively small, heavy stocks having been built up in June in anticipation of possible labor troubles in bituminous fields after July 1. This uncertainty caused stocks to be built up by July 1, 1935, to the highest point since January 1930. On July 1, 1936, stocks in industrial and retail yards totaled 28,753,000 tons, estimated to be sufficient to last 31 days, while a year earlier stocks totaled 41,127,000 tons, sufficient to last 52 days. Total production of soft coal during the present calendar

year to August 8 amounted to 240,215,000 net tons, a higher figure than 216,803,000 tons mined to the same date last year. The weekly coal report issued by the Bureau of Mines on August 1 gave coal production figures by states for June 1936. West Virginia was first in production with 8,793,000 tons, Pennsylvania ranking second with 8,010,000 tons. In the first seven months of 1936, Hampton Roads ports shipped 11,259,956 net tons of bituminous coal compared with 11,072,078 tons shipped in the same months of 1935.

Cotton Textiles

Cotton textile mills in both the Fifth district and the United States increased operations in July over June, the district increasing 6 per cent and the Nation 8.4 per cent. In comparison with operations in July 1935, those in the Fifth district this year rose 56.0 per cent and those in the Nation gained 54.4 per cent. Fifth district mills consumed 285,140 bales of cotton in July this year, compared with 268,978 bales used in June 1936 and 182,821 bales consumed in July 1935. Of the 285,140 bales used last month, North Carolina mills accounted for 154,289 bales, South Carolina mills for 117,391 bales, and Virginia mills for 13,460 bales, all materially higher figures than those for July last year. July 1936 consumption of cotton in the Fifth district was 47.27 per cent of National consumption, a lower percentage than 48.35 registered in June this year but a higher figure than 46.79 per cent for the district in July 1935.

On July 21, the Department of Commerce issued a report on spindles in place, spindles active in June, total spindle hours of operations in June, and average hours of operation per spindle in place in June. On June 30, 1936, there were 28,311,834 spindles in place in the United States, North Carolina leading all states with 6,079,622, or 21.5 per cent of the total, South Carolina ranking second with 5,762,274 spindles, or 20.4 per cent, and Massachusetts third with 4,389,804 spindles, or 15.5 per cent. The Carolinas gained in percentage of total spindles during the past year, but Massachusetts lost ground. The Fifth district as a whole had 44.1 per cent of total spindles in place in the United States at the end of June 1936. In actual spindle hours of operation, South Carolina led all states for June with 1,876,427,701 hours, or 25.6 per cent of the National total of 7,319,892,450 hours, and North Carolina ranked second with 1,675,296,291 hours, or 22.9 per cent. The Fifth district, with 44.1 per cent of total spindles in place in the United States in June, showed 51.1 per cent of total hours of operation. In actual hours of operation per spindle in place, South Carolina ranked second with 326 hours, Virginia with an average of 288 hours ranked fifth, and North Carolina with 276 hours ranked sixth, all of these being above the National average of 259 hours. Tennessee was first with 329 hours.

Cotton Statistics

Spot cotton prices declined during the past month, the largest drop occurring since the publication of the first condition report on August 8. The *Review* last

month quoted the average price paid on ten Southern markets for middling grade upland cotton as 12.94 cents per pound on July 17. On July 24 the average rose to 12.98 cents per pound, but then declined to 12.55 cents on August 7. After the condition report was issued, the price fluctuated considerably for several days, and on August 14 averaged 12.15 cents. On August 16 last year the average price was 11.60 cents per pound.

Condition figures on this year's crop were shown in the Department of Agriculture's first report, issued on August 8. Probable production was estimated at 12,481,000 equivalent 500-pound bales, a higher figure than was expected and 1,843,000 bales above the 1935 crop of 10,638,000 bales. Texas, Arkansas and Mississippi accounted for most of the increase, although all cotton states increased more or less except Oklahoma and those on the Atlantic Coast. August 1 condition figures in all cotton states except Oklahoma, Virginia, Georgia and the Carolinas were above the ten-year average. The average condition of the crop on August 1 was 72.3 per cent of a theoretical normal, and the prospective yield per acre was given as 199.7 pounds, both considerably higher figures than the ten-year averages.

In the Fifth district, all three cotton growing states—Virginia and the two Carolinas—are expected to pick materially smaller yields than in 1935. South Carolina's crop this year is forecast at 586,000 bales, a decrease of 21.2 per cent under 744,000 bales ginned last year. North Carolina is expected to raise 501,000 bales, a decrease of 12.4 per cent from 572,000 bales grown last year. The Virginia cotton crop this year of 25,000 bales shows a drop of 16.7 per cent under 30,000 bales grown in 1935. Total figures for the district are 1,112,000 bales this year, compared with 1,346,000 bales picked last year. The poor prospects in the Fifth district are largely due to very uneven stands of cotton in the fields, caused by drought at sprouting time.

Consumption of cotton in the United States in July 1936 totaled 603,203 bales, compared with 556,323 bales used in June this year and 390,712 bales in July 1935. Total consumption for the cotton year ended July 31, 1936, amounted to 6,348,423 bales, compared with 5,360,867 bales consumed in the corresponding period of the 1934-1935 season. Manufacturing establishments held 898,084 bales on July 31, compared with 987,112 bales held on June 30 and 788,989 bales on July 31, 1935. Public warehouses and compresses held 3,924,101 bales in storage at the end of July this year, compared with 4,525,711 bales so held a month earlier and 5,739,488 bales on July 31 last year. July exports totaled 156,262 bales, compared with 287,336 bales sent abroad in June 1936 and 279,822 bales exported in July 1935. Exports during the cotton year ended July 31 totaled 5,972,566 bales, compared with only 4,798,539 bales shipped over seas during the corresponding year ended July 31, 1935. Five nations took more cotton last year, but the increase in shipments to Great Britain accounted for more than half the total gain. Spindles active at some time in July numbered 23,249,572, compared with 22,957,322 in June this year and 22,311,970 in July 1935.

Cotton consumption in the cotton growing states totaled 504,321 bales in July, compared with 469,617 bales used in June and 321,470 bales in July 1935. Last month's consumption in the cotton growing states amounted to 83.6 per cent of National consumption, a lower percentage than 84.4 per cent in June this year but higher than 82.3 per cent in July last year. Of the 504,321 bales of cotton consumed in the cotton growing states in July, Fifth district mills used 285,140 bales, or 56.5 per cent, compared with 56.9 per cent of Southern consumption attained by Fifth district mills in July last year.

Tobacco Manufacturing

The Commissioner of Internal Revenue issued a report on August 20 on taxes collected in July 1936 on manufactured tobacco products. July output of cigarettes numbering 14,801,028,247 set a new production record, and compared with 13,138,287,463 cigarettes manufactured in July 1935. Smoking and chewing tobacco increased from 26,458,810 pounds in July last year to 28,129,898 pounds in July this year. Cigars manufactured rose from 432,158,753 in July 1935 to 482,447,774 in July 1936. Snuff production increased from 2,607,211 pounds to 3,196,557 pounds during the year. In July 1936 taxes collected on cigarettes totaled \$44,404,651, compared with \$39,416,582 collected in the corresponding month last year. Taxes on smoking and chewing tobacco rose during the same period from \$4,763,878 to \$5,063,382. Total receipts by the Federal Treasury on tobacco products rose from \$45,738,420 in July last year to \$51,229,330 in July this year.

Tobacco Crop and Marketing

The tobacco crop in the Fifth reserve district this year is estimated at 634,637,000 pounds on the basis of the August 1 condition, a decrease of 20.7 per cent under 1935 production of 800,376,000 pounds. The August 1 condition of tobacco was much lower in all Fifth district states than a year earlier, West Virginia showing the poorest condition with 39 per cent of normal compared with 66 per cent on August 1, 1935. Maryland's prospective yield this year is 25,200,000 pounds, compared with 26,820,000 pounds in 1935 and a five-year average of 24,318,000 pounds. Virginia growers expect to harvest 91,834,000 pounds, against 104,765,000 pounds last year and a five-year average of 98,409,000 pounds. West Virginia, an unimportant tobacco state, will grow about 1,080,000 pounds, while last year the state produced 1,596,000 pounds. North Carolina, the leading tobacco growing state in the United States, has a crop forecast at 450,548,000 pounds, against 577,435,000 pounds grown in 1935 and a five-year average production of 469,135,000 pounds. South Carolina's 1936 crop of 65,975,000 pounds compares with last year's yield of 89,760,000 pounds and a five-year average of 75,918,000 pounds. Tobacco auction markets in South Carolina and border markets in North Carolina opened on August 13, and farmers were reported as pleased with opening prices. Low grades appear to be selling about the same as last year, but

medium and the higher grades are in stronger demand and materially higher prices are being paid for quality tobacco. Official prices paid will not be available until next month, but unofficial figures made up by sales managers indicate that average prices this year are around 5 cents per pound higher than at the 1935 opening.

Agricultural Notes

Crop conditions in the Fifth Federal reserve district are much worse than they were a year ago, and also below the ten-year average. With average August 1 conditions for 32 leading crops during the ten years 1921-1930 as a base, or 100, average condition figures on August 1, 1936, were as follows in Fifth district states: South Carolina 99, North Carolina 97, Maryland 96, Virginia 85, and West Virginia 76. Last year's August 1 composite condition figures were South Carolina 125.9, the highest average for any state in the United States, West Virginia 112.4, North Carolina 111.6, Virginia 110.5, and Maryland 107.5. The poor condition figures this year are due to excessive rainfall during the late winter, which delayed preparation of soil and planting of crops, followed by a drought which began in April and lasted three months or more, retarding germination of seed and growth of the plants which came up.

Maryland crop prospects improved during July for wheat, corn, oats, potatoes, tobacco, and apples, and remained unchanged for all other crops except hay, which declined. Rainfall in July was about normal, and was sufficient to meet the needs of nearly all sections, although a few areas were still dry on August 1. The wheat yield turned out considerably better than had been forecast earlier, and production of 8,900,000 bushels this year exceeded production of 8,774,000 bushels in 1935 and also the 5-year average yield of 8,630,000 bushels. Yields were highly variable from different fields, but the quality was excellent and favorable weather prevailed during harvesting and threshing time. The oat crop is short, due to both poor condition and reduced acreage, and this year's crop of 984,000 bushels is less than either 1,288,000 bushels last year or 1,560,000 bushels the 5-year average production. The corn condition improved materially during the past month, and on August 1 was above average. A corn crop of 15,840,000 bushels is forecast for 1936, a lower yield than 17,544,000 bushels in 1935 but above the 5-year average crop of 14,431,000 bushels. Weather conditions were favorable during the critical tasseling period, and so far there has been little or no storm damage to growing corn. The barley crop, estimated at 943,000 bushels, is much less than that of last year but considerably above the 5-year average. Hay yield this year is estimated at 355,000 tons, a lower figure than either 532,000 tons cut in 1935 or the 5-year average yield of 454,000 tons. Pastures are much poorer in condition now than a year ago, and are furnishing much less feed. Potato prospects improved slightly during July, but this year's forecast of 2,660,000 bushels is less than 3,135,000 bushels dug in 1935 and the 5-year average crop of 3,339,000 bushels. Sweet

potatoes remained unchanged last month, and on August 1 indicated production of 1,120,000 bushels was higher than the 1935 yield of 1,024,000 bushels, but was less than the 5-year average crop of 1,299,000 bushels. Maryland tobacco promises a yield of 25,200,000 pounds this year, less than 26,820,000 pounds cured last year but more than the 5-year average yield of 24,318,000 pounds. A peach crop of 370,000 bushels was gathered this year, compared with 382,000 bushels last year and a 5-year average crop of 509,000 bushels. Prospects for apples indicate a crop of 1,740,000 bushels, less than either last year's crop of 2,412,000 bushels or the 5-year average of 2,053,000 bushels.

Virginia crops all indicate lower production figures this year than either those for last year or the five years 1928-1932. A number of crops improved during July, but condition figures on August 1 were still materially below condition figures a year earlier for nearly all crops. The greatest improvement in July occurred in the Southwestern district where prospects were exceedingly poor on July 1. On August 1 the driest areas were the counties around Richmond and Roanoke, where many sections had not had good rains since April. In these areas early crops were almost failures. Best conditions are found in the Southeastern district, in which rainfall has been nearly normal for the past two months and crops have almost overcome the late start. Favorable weather during August could materially increase yields of late corn, hay and other crops. Corn declined in July throughout most of the State, and in many sections early corn was seriously damaged. Production of corn is forecast at 27,807,000 bushels this year, compared with 36,774,000 bushels in 1935 and the 5-year average production of 30,388,000 bushels. Much of this year's corn crop is late, and if weather is favorable during the balance of the growing season final returns may be considerably better than indicated on August 1. Threshing reports show that the wheat crop yielded better than was expected. Some growers reported unusually good yields, while others had very small crops. Production of 7,788,000 bushels is less than last year's yield of 8,177,000 bushels, and much below the 5-year average yield of 9,260,000 bushels. Prospects for late hay have improved considerably since July, but the harvest of early hay was exceedingly light. Total production of hay, based on the August 1 condition, is estimated at 548,000 tons, about one-half of the 1935 crop of 1,056,000 tons, and much less than the 5-year average cut of 849,000 tons. Pastures improved in all districts during July, but the average condition of 52 per cent on August 1 still compares unfavorably with the 10-year average of 72 per cent. The greatest improvement in pastures during July was in the Southwest, the condition rising from 26 per cent on July 1 to 54 per cent on August 1. Grass is very short in nearly all sections and an unusually favorable season will be needed to afford the usual fall grazing. Peanuts showed improvement in July, but the crop is still backward and many fields are grassy. The August 1 condition of 73 per cent compares with 87 per cent on August 1 last year and a 10-year average of 80 per cent. Early commercial potatoes yielded better than

was expected, June rains proving very beneficial to that part of the crop which was harvested in July. Prospects for late potatoes are very poor and the condition on August 1 was only 59 per cent of normal, compared with 84 per cent a year earlier. A yield of 7,298,000 bushels is forecast this year, compared with 11,340,000 bushels dug last year and a 5-year average of 14,328,000 bushels. Sweet potatoes improved last month, especially in the commercial sections of the Eastern Shore and in the Norfolk area. The August 1 forecast of 4,674,000 bushels compares with 4,180,000 bushels raised in 1935, and a 5-year average yield of 4,270,000 bushels. Apple prospects declined during July, largely because dry weather retarded growth of the fruit. A total production of only 7,890,000 bushels is indicated, which is less than one-half the 1935 crop of 16,695,000 bushels.

West Virginia crop condition figures are the lowest in the Fifth district, and compare very unfavorably with those of 1935. The State suffered from almost every kind of unfavorable weather during the first half of this year, from late freezes and floods to extreme drought. Wheat yields turned out slightly better than was indicated earlier in the season, and the grain was of good quality. Production of 2,025,000 bushels of wheat is forecast this year, compared with 2,384,000 bushels threshed in 1935 and the 5-year average yield of 1,747,000 bushels. Corn stood dry weather better than appeared possible, although it tasseled short in the drier sections and will produce light ears. From the condition on August 1, a yield of 12,078,000 bushels is forecast, compared with 14,872,000 bushels gathered last year and a 5-year average of 11,054,000 bushels. A considerable part of the oats crop was too short to bind and was cut for hay with mowers, but in spite of the short straw the heads were very well filled. A yield of 1,155,000 bushels of oats is indicated, compared with 1,414,000 bushels last year and a 5-year average yield of 2,883,000 bushels. The early potato yield was very short, but the late varieties appear to be much better. A crop of 2,079,000 bushels is forecast this year, compared with 3,145,000 bushels in 1935 and a 5-year average of 3,445,000 bushels. Drought conditions reduced hay yields so materially in West Virginia that farmers are cutting and curing weeds and all available wild grasses. A crop of 460,000 tons of hay is expected on the basis of August 1 condition, compared with a yield of 750,000 tons last year and a 5-year average cut of 631,000 tons. Fruit prospects improved during July, but this year's apple crop forecast at 3,740,000 bushels is much smaller than last year's yield of 5,610,000 bushels.

North Carolina crops improved notably during June and July, and fair yields are now indicated, although all crops will produce less than in 1935. The Western third of the State has the worst outlook, the mountain counties not having had general rains until late in July. Corn improved to such an extent that sections which on July 1 were expected to produce only half a crop or less are showing excellent prospects at present. Production this year of 42,490,000 bushels of corn compares with 47,082,000 bushels last year and a 5-year average of 38,415,000 bushels. Winter wheat threshed

out 5,092,000 bushels this year, compared with 5,876,000 bushels in 1935 and a 5-year average crop of 3,790,000 bushels. The oats crop this year of 3,600,000 bushels is less than last year's yield of 5,160,000 bushels but above the 5-year average yield of 3,572,000 bushels. Hay yields of 661,000 tons total less than last year's cut of 694,000 tons, but exceed the average cut of 565,000 tons in 1928-1932. This year's Irish potato crop of 5,904,000 bushels is much less than last year's yield of 9,095,000 bushels, and also less than average production of 7,540,000 bushels. The sweet potato crop of 7,920,000 bushels is also smaller than the 1935 yield of 9,300,000 bushels, but is larger than the 5-year average yield of 7,141,000 bushels. Apple prospects are relatively low, this year's forecast of 2,442,000 bushels comparing with last year's pick of 3,975,000 bushels and the 5-year average of 3,411,000 bushels. The 1936 peach crop in North Carolina of 1,728,000 bushels was lower than either last year's yield of 2,400,000 bushels or the 5-year average of 1,980,000 bushels.

South Carolina crop prospects improved about 3 per cent during July. Dry weather in May and June caused slow germination of seeds, poor stands and a generally unfavorable start, and on August 1 production forecasts were about 16 per cent below 1935 production figures and 5 per cent below those for five base years 1928-

1932. However, considerable improvement has occurred since August 1, especially in feed crops. Corn prospects on August 1 indicated a yield of 20,004,000 bushels, compared with 23,150,000 bushels last year and the 5-year average of 20,240,000 bushels. A larger than usual proportion of this year's corn is late, and this late corn is making marked improvement. It is therefore likely that the final yield of corn will be larger than the August 1 forecast. South Carolina's wheat crop yielded 1,472,000 bushels this year, less than last year's yield of 1,750,000 bushels but twice as much as the 5-year average crop of 704,000 bushels. This year's oat crop of 7,807,000 bushels was also less than the 1935 yield of 10,552,000 bushels, and was below the average production of 8,076,000 bushels. Irish potatoes yielded 1,672,000 bushels in 1936, compared with 1,890,000 bushels in 1935 and an average of 2,748,000 bushels in 1928-1932. Sweet potato yield was forecast at 4,080,000 bushels on August 1, while last year the crop yielded 6,120,000 bushels and the 5-year average production was 4,648,000 bushels. Prospects for hay this year are relatively good, and the prospective yield of 223,000 tons exceeds the 1935 cut of 221,000 tons and the 5-year average crop of 179,000 tons. Peaches yielded 1,400,000 bushels in South Carolina this year, compared with 1,781,000 bushels in 1935 and a 5-year average production of 1,205,000 bushels.

Retail Trade, 30 Department Stores

Richmond	Baltimore	Washington	Other Cities	District
July 1936 sales, compared with sales in July 1935:				
+15.0	+ 8.4	+17.0	+24.9	+14.5
Jan.-July 1936 sales, compared with sales in Jan.-July 1935:				
+ 9.8	+ 6.6	+13.1	+13.1	+10.4
July 31, 1936, stocks, compared with stocks on July 31, 1935:				
+14.4	+ 2.1	+10.9	+ 1.4	+ 6.9
July 31, 1936, stocks, compared with stocks on June 30, 1936:				
- 4.6	- 9.7	- 5.5	- 6.0	- 7.0
Number of times stock was turned in July 1936:				
.283	.272	.335	.294	.301
Number of times stock was turned since January 1, 1936:				
2.189	2.188	2.597	2.199	2.358
Percentage of July 1, 1936, receivables collected in July:				
34.9	31.0	27.3	27.9	29.3

Note: Sales and stock changes are percentages.

Wholesale Trade, 57 Firms

21	7	6	12	11
Groceries	Dry Goods	Shoes	Hardware	Drugs
July 1936 sales, compared with sales in July 1935:				
+19.5	+36.0	+ 9.7	+23.8	+13.9
July 1936 sales, compared with sales in June 1936:				
+14.4	+16.9	+55.8	+ 9.9	+ 7.5
Total sales 7 mos. of 1936, compared with 7 mos. of 1935.				
+ 8.9	+15.5	+ 5.3	+ 9.2	+ 6.3
July 31, 1936, stocks, compared with July 31, 1935, stocks:				
+ .1(8*)	- 4.1(3*)	+ 5.6(4*)	+ 7.4(7*)
July 31, 1936, stocks, compared with June 30, 1936, stocks:				
+ 1.0(8*)	+38.1(3*)	+22.7(4*)	+ 6.4(7*)
Percentage of collections in July to receivables on July 1:				
118.9(12*)	43.0(4*)	57.1(5*)	47.3(11*)	71.4(7*)

* Number of reporting firms. All other figures in the table are percentages.

Construction

Building Permits Issued in July 1936 and 1935

CITIES	Permits Issued		Total Valuation	
	1936	1935	1936	1935
Baltimore, Md.	925	564	\$1,792,920	\$ 794,280
Cumberland, Md.	21	14	57,390	29,340
Frederick, Md.	12	12	15,665	7,250
Hagerstown, Md.	27	31	38,545	36,275
Salisbury, Md.	18	14	12,025	6,800
Danville, Va.	35	29	145,263	52,154
Lynchburg, Va.	56	61	194,869	52,003
Norfolk, Va.	126	103	197,877	154,400
Petersburg, Va.	7	0	29,250	0
Portsmouth, Va.	38	27	32,035	31,540
Richmond, Va.	147	113	312,892	200,762
Roanoke, Va.	43	39	27,584	58,923
Bluefield, W. Va.	13	8	19,315	7,100
Charleston, W. Va.	97	136	170,497	247,278
Clarksburg, W. Va.	85	16	54,610	4,284
Huntington, W. Va.	34	21	247,695	93,525
Asheville, N. C.	153	34	38,521	15,308
Charlotte, N. C.	89	82	239,040	73,342
Durham, N. C.	64	41	897,412	97,185
Greensboro, N. C.	79	37	112,873	64,398
High Point, N. C.	64	42	124,604	27,930
Raleigh, N. C.	22	26	198,398	88,000
Rocky Mount, N. C.	27	25	77,770	91,515
Salisbury, N. C.	8	11	21,765	32,950
Winston-Salem, N. C.	112	73	112,693	105,070
Charleston, S. C.	60	79	62,650	40,325
Columbia, S. C.	53	62	133,426	85,433
Greenville, S. C.	49	34	101,527	23,730
Rock Hill, S. C.	23	17	47,370	27,015
Spartanburg, S. C.	35	48	71,292	28,471
Washington, D. C.	636	649	3,768,010	2,019,050
District Totals.....	3,158	2,448	\$9,355,783	\$4,595,636

Building permits issued in July in thirty-one leading cities of the Fifth reserve district numbered 3,158, compared with 2,448 permits issued in July 1935, an increase this year of 29 per cent, and estimated valuation figures for last month totaled \$9,355,783, an increase of 104 per cent in comparison with valuation figures totaling \$4,595,636 in July last year. All of the thirty-one cities reported higher valuation figures for the 1936 month except Roanoke, Va., Charleston, W. Va., and Rocky Mount and Salisbury, N. C.

Contracts awarded in July for construction work in the Fifth reserve district totaled \$21,492,100, compared with \$14,751,155 reported for July 1935, according to figures collected by the F. W. Dodge Corporation. Of the July 1936 awards, \$9,033,100 represented residential types of construction, compared with \$6,377,405 for this class of work in July last year. Contracts for residential work made up 42 per cent of all contracts awarded in July this year, compared with 43 per cent of July 1935 contracts.

(Compiled August 21, 1936)

BUSINESS CONDITIONS IN THE UNITED STATES

(Compiled by the Board of Governors of the Federal Reserve System)

Production, employment, and trade increased further in July, when allowance is made for the usual seasonal changes, and commodity prices continued to advance. Money rates remained at extremely low levels.

Production and Employment

Industrial production, which usually declines considerably in July, was maintained at the level of the preceding three months, and the Board's seasonally adjusted index advanced to 108 per cent of the 1923-1925 average as compared with 103 per cent in June. Output of steel continued at about the June rate, although a sharp decrease is usual, and automobile production declined by less than the usual amount. In the first three weeks of August there was little change in activity at steel mills, while at automobile factories output was curtailed as preparations were made for the production of 1937 models. Output of nondurable products was larger in July than in June, reflecting chiefly a sharp rise in activity at cotton mills and greater than seasonal increases in production at shoe factories, silk mills and flour mills. At coal mines output increased and crude petroleum continued to be produced in large volume.

Factory employment increased further in July, contrary to seasonal tendency. The number of workers was larger than in June at steel mills, foundry and machine shops, and furniture factories, while at railroad repair shops there was a decline. Among the nondurable goods industries employment increased at textile mills and meatpacking plants, and declined less than seasonally at establishments producing wearing apparel. Factory payrolls decreased by a smaller amount than is usual in July.

The value of construction contracts awarded increased considerably from June to July, according to the F. W. Dodge Corporation, with large increases reported for both publicly-financed and privately-financed work.

Agriculture

Crop prospects declined during July as a result of continued drought. On the basis of August 1 conditions, the corn crop was estimated by the Department of Agriculture at 1,439,000,000 bushels, a reduction of 37 per cent from last season, and estimates for spring wheat, oats, hay, and potatoes were also considerably under the harvests of a year ago. The cotton crop was forecast at 12,481,000 bales as compared with 10,638,000 bales last year and an average of 14,667,000 bales during the five years 1928-1932.

Distribution

Retail trade was sustained in July at a higher level than is usual in that month. The Board's adjusted index of department store sales, which allows for a considerable seasonal decline, increased from 88 per cent of the 1923-1925 average in June to 91 per cent in July and mail order and variety store sales also showed smaller decreases than are usual for the season. Freight-car loadings increased in July.

Commodity Prices

Wholesale commodity prices continued to advance between the middle of July and the middle of August. Prices of wheat, flour, feed grains, and dairy products rose considerably, owing primarily to the drought, and livestock prices also advanced while cotton declined. There was a considerable increase in the price of steel scrap.

Bank Credit

Excess reserves of member banks decreased from \$2,920,000,000 on July 15 to \$1,810,000,000 on August 19. About \$1,470,000,000 of excess reserves were absorbed by the increase of 50 per cent in reserve requirements of member banks, which went into effect August 15. This decrease was offset in part by a growth of \$360,000,000 in total reserve balances, reflecting principally large disbursements by the Treasury from its funds held on deposit with Federal Reserve banks.

After the increase in reserve requirements there remained a large amount of excess reserves widely distributed among member banks. The money market was not affected by the action, and interest rates remained at extremely low levels. In the week ending August 19 a few scattered banks borrowed at the Reserve banks, but the total amount borrowed was negligible and some banks drew upon their balances with other banks in order to meet the increase in requirements. Deposits of domestic banks with reporting member banks in leading cities declined by \$210,000,000 in the week.

Between July 15 and August 19 loans and investments of reporting member banks in leading cities declined by \$260,000,000, reflecting reductions of \$130,000,000 in loans on securities and of \$160,000,000 in holdings of United States Government direct obligations, partly offset by an increase of \$60,000,000 in other loans to customers. Adjusted demand deposits, which increased to a new high level on July 22, were slightly smaller on August 19.