

# MONTHLY REVIEW

## *of Financial and Business Conditions*

FIFTH  
FEDERAL



RESERVE  
DISTRICT

*Federal Reserve Bank, Richmond, Va.*

*August 31, 1937*

**D**ISCOUNTS at the Federal Reserve Bank of Richmond continued to increase moderately between the middle of July and the middle of August, and there was a seasonal increase in the circulation of Federal Reserve notes, caused chiefly by the opening of auction tobacco markets in South Carolina and border markets in North Carolina. Member banks increased their reserve deposits slightly last month, and the Reserve bank's cash reserves also rose. Reporting member banks increased their loans and discounts between July 14 and August 11, and investments in securities also increased slightly. Demand deposits increased last month, but there was a small decrease in time and savings deposits, as frequently occurs at vacation time. Debits to individual accounts figures in 24 cities decreased by 2.6 per cent in July in comparison with debits in June, but exceeded those of July 1936 by 8.1 per cent.

Business and industry in July was in reduced volume in comparison with other recent months, part of which was seasonal, but the decline was somewhat more marked than seasonal influences account for. In comparing July 1937 figures on trade with those for July 1936, it should be borne in mind that the payment of the Bonus last year furnished a stimulant to business last summer. Employment in July showed comparatively little change in either direction, but the trend in most industries was downward for the vacation season. The bankruptcy record last month was good, and both the number of insolvencies and aggregate liabilities involved declined materially from July 1936 figures. Registrations of new passenger automobiles in the Fifth district declined 10.2 per cent in July 1937 below registrations in July 1936, but many buyers continued to purchase slightly higher priced cars this year. Construction plans lagged last month behind those made in July last year, building permit valuation figures in 31 leading cities falling by 15.9 per cent. However, contracts actually awarded in the district exceeded the value of awards in July 1936 by 28.6 per cent. Production of bituminous coal declined 1.2 per cent in July in comparison with production in July last year. Textile mills restricted operations materially last month, and for the first

month in two years consumed less cotton than in the corresponding month of the preceding year. Cotton mills frequently close for a few days in July to allow operatives a rest and to enable the mills to clean and overhaul machinery, but the recession in working time this July was greater than usual. Cotton prices continued to fall between the middle of July and the middle of August, the Government's first forecast of probable cotton production on August 9 confirming earlier unofficial forecasts of a greatly increased cotton yield this year. Tobacco manufacture in July was larger than in July last year insofar as cigarettes were concerned, but production of cigars, smoking and chewing tobacco, and snuff fell below last year's output. Retail trade as reflected in department store sales was in approximately the same volume in July as in the corresponding month last year, about half of the reporting stores showing larger and half showing smaller sales last month. South Carolina stores showed the best record for the month. Wholesale trade in July 1937 was moderately above trade in July last year in all lines except dry goods for which data are available.

Prospects for crop yields improved further in July and early August with continued favorable weather, and most estimates of production were raised on August 1 above the forecasts made on July 1. Tobacco sales began early in August in South Carolina and a few towns in North Carolina, and large sales have been reported at prices probably averaging better than 25 cents per pound. No official figures on sales or average prices will be available until September.

There follows a statistical summary of conditions described above:

	July 1937	July 1936	% Change
Debits to individual accounts (24 cities) .....	\$1,323,424,000	\$1,224,374,000	+ 8.1
No. of business failures, 5th district .....	27	40	-32.5
Liabilities in failures, 5th district... \$	180,000	708,000	-74.4
Sales, 52 dept. stores, 5th district... \$	6,745,592	6,977,375	- 3.3
Sales, 57 wholesale firms in 5 lines \$	4,944,799	4,742,641	+ 4.3
Registrations, new passenger autos. ....	24,180	26,882	-10.2
Value bldg. permits (31 cities)..... \$	7,866,938	9,355,783	-15.9
Value of contracts awarded, 5th dist. \$	27,635,600	21,492,100	+28.6
Cotton consumption, 5th dist. (Bales) .....	276,415	285,140	- 3.1
Soft coal mined, U. S. (Tons).....	31,610,000	32,005,000	- 1.2

## BANKING CONDITIONS

RESERVE BANK STATEMENTS: Discounts for member banks rose further between the middle of July and the middle of August, but open market paper and industrial advances for working capital declined slightly. A seasonal increase occurred in Federal Reserve notes in actual circulation, chiefly due to opening of tobacco markets in South Carolina and border North Carolina towns early in August. Member bank reserve deposits and the Bank's cash reserves both advanced last month.

ITEMS	000 omitted		
	Aug. 15 1937	July 15 1937	Aug. 15 1936
Discounts held .....	\$ 1,266	\$ 869	\$ 166
Open market paper .....	120	146	121
Industrial advances .....	2,539	2,566	4,064
Government securities .....	133,035	133,035	128,011
Total earning assets .....	136,960	136,616	132,362
Circulation of Fed. Res. notes .....	195,382	191,320	183,779
Members' reserve deposits .....	213,736	211,189	202,129
Cash reserves .....	306,547	290,579	289,536
Reserve ratio .....	70.12	69.09	69.86

STATEMENT OF 41 REPORTING MEMBER BANKS: Reporting member banks in twelve Fifth district cities increased loans and discounts by \$5,618,000 between July 14 and August 11 this year, and on the latter date loans and discounts exceeded those on August 12, 1936, by \$42,787,000. Investments in securities also rose by \$4,213,000 last month, but declined by \$40,369,000 during the year. Demand deposits rose by \$4,828,000 during the month and \$26,386,000 during the year, while time deposits fell by \$838,000 between July 14 and August 11, but rose by \$1,783,000 since August 12, 1936

ITEMS	000 omitted		
	Aug. 11 1937	July 14 1937	Aug. 12 1936
Loans & discounts .....	\$242,022	\$236,404	\$199,235
Investments in securities .....	398,336	394,123	438,706
Reserve bal. with F. R. Bank .....	128,683	126,786	138,975
Cash in vaults .....	18,223	18,747	18,005
Demand deposits .....	462,651	457,823	436,265
Time deposits .....	198,218	199,056	196,435
Money borrowed .....	0	1,500	0

DEBITS TO INDIVIDUAL ACCOUNTS: Reflecting the volume of business passing through banks, debits to individual, firm and corporation accounts in 24 Fifth district cit-

CITIES	000 omitted			% of Month	Change Year
	July 1937	June 1937	July 1936		
<b>Maryland</b>					
Baltimore .....	\$ 380,479	\$ 379,827	\$ 351,367	+ 3.6	+ 8.3
Cumberland .....	11,082	10,700	9,623	+ 3.2	+15.2
Hagerstown .....	11,020	9,215	9,562	+19.6	+15.2
<b>Dist. of Col.</b>					
Washington .....	266,015	317,445	254,079	-16.2	+ 4.7
<b>Virginia</b>					
Danville .....	9,509	8,666	7,831	+ 9.7	+21.4
Lynchburg .....	17,497	15,816	16,861	+10.6	+ 3.8
Newport News .....	11,161	9,511	9,606	+17.3	+16.2
Norfolk .....	54,397	52,314	49,146	+ 4.0	+10.7
Portsmouth .....	4,246	4,597	4,205	- 7.0	+ 1.0
Richmond .....	160,072	147,108	146,163	+ 8.8	+ 9.5
Roanoke .....	30,761	32,318	28,869	- 4.8	+ 6.6
<b>West Virginia</b>					
Charleston .....	60,078	59,830	55,045	+ 4	+ 9.1
Huntington .....	19,493	20,632	16,621	- 5.7	+17.3
<b>North Carolina</b>					
Asheville .....	14,306	13,832	12,534	+ 3.1	+14.1
Charlotte .....	57,824	58,631	52,489	- 1.5	+10.2
Durham .....	27,752	26,121	24,801	+ 6.2	+11.9
Greensboro .....	20,170	18,978	17,681	+ 6.3	+14.1
Raleigh .....	40,144	37,833	39,432	+ 6.0	+ 1.8
Wilmington .....	10,834	11,346	10,048	- 4.5	+ 7.8
Winston-Salem .....	40,498	43,211	41,059	- 6.3	- 1.4
<b>South Carolina</b>					
Charleston .....	19,160	20,837	14,412	- 8.0	+32.9
Columbia .....	26,397	31,910	24,494	-15.7	+ 9.8
Greenville .....	20,541	19,153	20,276	+ 7.2	+ 1.3
Spartanburg .....	9,488	8,797	8,170	+ 7.9	+16.1
District, 24 Cities	\$1,323,424	\$1,358,798	\$1,224,374	- 2.6	+ 8.1

ies declined by 2.6 per cent in July in comparison with debits in June this year, but exceeded July 1936 debits by 8.1 per cent. Fifteen of the 24 cities reported larger figures for July than for June this year, but a decline of \$51,000,000 in Washington and smaller decreases in 8 other cities pulled the district total below the earlier month. In comparison with debits in July 1936, every city except Winston-Salem reported higher figures for July this year.

MUTUAL SAVINGS BANK DEPOSITS: Ten mutual savings banks in Baltimore had deposits totaling \$216,704,389 on July 31, 1937, a decline of 2/10ths of 1 per cent under \$217,192,727 on deposit on June 30, 1937, but an increase of 3.5 per cent over deposits totaling \$209,444,513 on July 31, 1936. Savings deposits frequently show moderate declines at vacation season.

## BUSINESS CONDITIONS

EMPLOYMENT: Midsummer dullness in many lines tended to lower employment and reduce payroll totals during the past month, but otherwise there was little change in the labor situation in the Fifth Reserve district. Auction tobacco warehouses took on several hundred employees in the Carolinas, and other markets to open later in August, September and October will employ additional workers. Apple growers express some concern over the supply of pickers and packers to handle the large apple crop when it is ready for harvest.

The following figures, compiled for the most part by the Bureau of Labor Statistics from reports submitted by a large number of identical industries, show the trends of employment and payrolls in the Fifth district from May to June 1937, the latest available figures:

STATES	Percentage change from May to June 1937	
	In number on payroll	In amount of payroll
Maryland .....	- .1	- .9
D. of Columbia .....	+ 1.7	+ 1.8
Virginia .....	- 1.2	+ 1.2
West Virginia .....	+ 1.1	+ 2.1
North Carolina .....	- 1.1	- 3.2
South Carolina .....	- 1.8	- 2.8

COMMERCIAL FAILURES: The bankruptcy record in the Fifth Reserve district in July was better than the record for the United States as a whole. Failures last month in the district showed a decrease in number of 32.5 per cent in comparison with figures for July last year, while the National total declined only 3.3 per cent. In aggregate liabilities involved in July 1937 insolvencies, the district showed a decline of 74.4 per cent and the United States a drop of 21.6 per cent below July 1936 liabilities. The following detailed figures were reported by *Dun & Bradstreet*:

PERIOD	Number of failures		Total Liabilities	
	District	U. S.	District	U. S.
July 1937 .....	27	618	\$ 180,000	\$ 7,766,000
June 1937 .....	37	670	442,000	8,191,000
July 1936 .....	40	639	703,000	9,904,000
7 Months, 1937 .....	300	5,260	\$2,564,000	\$62,581,000
7 Months, 1936 .....	298	5,953	5,247,000	97,077,000

AUTOMOBILE NEW CAR REGISTRATIONS: All states except South Carolina in the Fifth Reserve district reported fewer new passenger automobile registrations in July this year than in July 1936, total sales in the district declining 10.2 per cent. Registrations of the three most popular

makes made up 64.3 per cent of all registrations in July this year, compared with 71.8 per cent in July last year. The following figures, collected by *R. L. Polk & Company* of Detroit, show registration figures for the Fifth district by states for July 1937 and 1936, and the first 7 months of both years:

STATES	July		% Change	7 Months		% Change
	1937	1936		1937	1936	
Maryland .....	4,809	4,945	- 2.8	30,793	27,924	+ 10.3
D. of Col. ....	2,880	3,275	-12.1	19,599	21,657	- 9.5
Virginia .....	4,679	5,423	-13.7	32,955	31,302	+ 5.3
West Va. ....	3,597	4,817	-25.3	24,473	24,979	- 2.0
No. Carolina ...	5,455	6,036	- 9.6	34,164	28,067	+21.7
So. Carolina ....	2,710	2,886	+13.6	17,959	14,105	+27.3
District .....	24,130	26,882	-10.2	159,943	148,034	+ 8.0

**CONSTRUCTION:** For the second month in succession, permits issued by building inspectors in 31 Fifth district cities totaled less last month than in the corresponding month of the preceding year. The estimated value of permits issued in July 1937 was \$7,866,938, a decrease of 15.9 per cent in comparison with the July 1936 total of \$9,355,783. Only 12 of the 31 cities reported higher figures for the current month.

Contract award figures for June, now available by States in *F. W. Dodge Corporation* reports, show an increase in the Fifth district of 81.7 per cent over awards in June 1936, largely due to a large volume of work in Washington. Contract award figures include rural as well as urban projects, and are a better measure of construction activity than building permit figures.

STATES	June		% Change
	1937	1936	
Maryland .....	\$ 7,133,500	\$ 4,479,700	+ 59.2
D. of Col. ....	16,264,900	7,218,400	+125.3
Virginia .....	7,170,000	3,623,800	+ 97.9
West Virginia .....	3,930,000	743,700	+294.0
North Carolina .....	5,578,900	3,875,200	+ 44.0
South Carolina .....	1,243,700	2,246,300	- 44.6
District .....	\$40,321,000	\$22,187,100	+ 81.7

**COAL MINING:** Bituminous coal production in the United States in July this year totaled 31,610,000 net tons, a decrease of 1.2 per cent from 32,005,000 tons mined in July 1936, but total production in the seven elapsed months of 1937 totaling 253,721,000 tons exceeded production of 232,836,000 tons in the first seven months of 1936 by 9.0 per cent. Shipments of coal through Hampton Roads totaled 13,159,955 tons between January 1 and August 7, 1937, an increase of 15.6 per cent over 11,381,655 tons shipped in the corresponding period last year. Official figures by States for June production in tons this year and last are now available from reports of the *National Bituminous Coal Commission*:

STATES	Production		Percentage Change
	June 1937	June 1936	
West Virginia .....	9,440,000	8,697,000	+ 8.5
Virginia .....	1,012,000	777,000	+30.2
Maryland .....	105,000	116,000	- 9.5
5th District .....	10,557,000	9,590,000	+10.1
United States .....	31,726,000	29,217,000	+ 8.6

**COTTON TEXTILES:** Cotton mills in both the Fifth district and the United States reduced operating time in July, partly due to seasonal influences and partly to uncertainty as to the future until information on this year's probable cotton crop became available. Cotton consumption in the Fifth district in July 1937 was 3.1 per cent below consumption in July last year, last month being the

first month since May 1935 to fall below the corresponding month of the preceding year. Consumption of cotton by States in the district in July 1937, June 1937, and July 1936, in bales, is shown below:

MONTHS	No. Carolina So. Carolina Virginia District			
	July 1937.....	143,568	118,014	14,833
June 1937.....	164,919	133,672	16,008	314,599
July 1936.....	154,289	117,391	13,460	285,140
7 Months, 1937.....	1,205,460	907,700	104,617	2,217,777
7 Months, 1936.....	1,016,101	769,686	96,485	1,882,272

Figures on spindle activity in June were released by the Bureau of the Census on July 20. There were 26,-936,610 spindles in place in American mills on June 30, of which Fifth district mills had 12,382,214 spindles. Actual spindle hours of operation in June totaled 8,595,-344,360 hours in the United States, South Carolina ranking first with 2,232,643,688 hours and North Carolina second with 1,898,766,311 hours. South Carolina also led in actual hours of operation per spindle in place with 394, compared with the National average of 319, and Virginia with 335 hours was also above the average, but North Carolina with 313 hours was below the average.

**COTTON:** Spot cotton prices have steadily declined on Southern markets since the first of April, dropping from an average for middling grade of 14.62 cents per pound on April 2 to 10.56 cents on August 13, the latest date for which official averages are available. The decline was due to several adverse influences, chief among them being favorable prospects for a large crop this year and decreased demand for American cotton in foreign markets. On August 9, the Department of Agriculture issued a forecast of 15,593,000 bales for this year's crop, an increase of 3,194,000 bales, or 26 per cent, above 1936 production of 12,399,000 bales. In the Fifth district, Virginia with prospects for 42,000 bales showed a 27 per cent increase over last year, North Carolina with 727,000 bales was up 22 per cent, and South Carolina with 863,000 bales increased 6 per cent. Every cotton state showed prospects for larger yields this year.

	(Bales)			
	July 1937	July 1936	Aug. 1 to July 31 This Year	Aug. 1 to July 31 Last Year
<b>Fifth district states:</b>				
Cotton consumed .....	276,415	285,140	3,703,834	3,042,676
<b>Cotton growing states:</b>				
Cotton consumed .....	484,747	507,580	6,622,305	5,335,801
Cotton on hand July 31 in				
Consuming establishments ...	1,010,488	706,506	.....	.....
Storage & compresses .....	2,725,560	3,893,720	.....	.....
<b>United States:</b>				
Cotton consumed .....	583,066	607,056	7,944,803	6,851,160
Cotton on hand July 31 in				
Consuming establishments ..	1,289,707	896,724	.....	.....
Storage & compresses .....	2,807,798	3,937,665	.....	.....
Exports of cotton .....	124,312	156,262	5,440,044	5,972,566

Cotton seed received at United States mills during the year ended July 31, 1937, totaled 4,516,464 tons, compared with 3,750,102 tons received in the year ended July 31, 1936. Of the receipts mentioned, North Carolina mills took 232,943 tons this year and 224,000 tons last year, and South Carolina mills took 221,673 tons and 208,757 tons in the two periods, respectively.

**TOBACCO MANUFACTURING:** The Bureau of Internal Revenue reports tobacco products manufactured in July 1937 and 1936 as follows:

	July 1937	July 1936	% Change
Smoking & Chewing			
Tobacco, Pounds .....	26,702,350	28,129,898	- 5.1
Cigarettes, Number .....	15,290,072,227	14,801,028,247	+ 3.3
Cigars, Number .....	476,489,266	482,447,774	- 1.2
Snuff, Pounds .....	2,816,456	3,196,557	-11.9

## RETAIL TRADE IN DEPARTMENT STORES:

	Net Sales July 1937 comp. with July 1936	Net Sales Jan. 1 to date compared with same period last year	Stocks July 31, 1937 compared with July 31 June 30 1936 1937	Ratio July collections to accounts outstanding July 1
Baltimore (8) ..	+ 3.6	+ 8.1	+ 7.2 -9.7	31.1
Washington (6)	-11.5	+ .9	+16.1 -6.1	25.5
Other Cities (14)	- .7	+ 8.4	+13.2 -4.1	29.6
District (28) .	- 4.2	+ 4.7	+12.1 -7.2	28.1
Same stores by States, with 24 stores added:				
Virginia (11)...	+ 1.0	+ 8.4		
West Va. (9)...	+ 3.0	+10.2		
No. Carolina (7)	- 1.0	+11.7		
So. Carolina (10)	+ 8.6	+14.0		
District (52)..	- 3.3	+ 5.4		

## WHOLESALE TRADE, 57 FIRMS:

LINES	Net Sales July 1937 comp. with July 1936	Net Sales Jan. 1 to date compared with same period last year	Stocks July 31, 1937 compared with July 31 June 30 1936 1937	Ratio July collections to accounts outstanding July 1
Groceries (21) .	+ 1.5	+ 3.2	+ 8.2 - 6.3	123.1
Dry Goods (7) .	- 9.7	- 4.7	+85.6 +62.6	36.3
Shoes (6) ....	+ 9.3	+55.1	+32.3 +28.2	52.8
Hardware (12)	+19.6	- .8	+25.5 +15.2 + 9.0	44.2
Drugs (11)...	+ 4.0	- 2.8	+14.0 +10.7 - 2.4	70.0

Note: All figures in Retail & Wholesale tables represent percentage changes except the collection ratios. Number of reporting firms shown in parentheses.

## AGRICULTURAL CONDITIONS

CROP CONDITIONS AND ESTIMATES: Weather continued favorable for crop development during July and early August, and the estimates of probable production based on August 1 conditions were higher for many crops than the estimates made a month earlier. Few estimates were reduced during the month. Tobacco markets in South Carolina and in North Carolina cities adjoining South Carolina opened early in August, and, while no official

sales or average price figures are yet available, unofficial reports indicate that a large volume of tobacco has been sold at prices running somewhat above 25 cents.

The following figures show forecasts of probable production based on August 1 condition figures, compared with yields in 1936 and in the five-year period 1928-1932, for all Fifth district states:

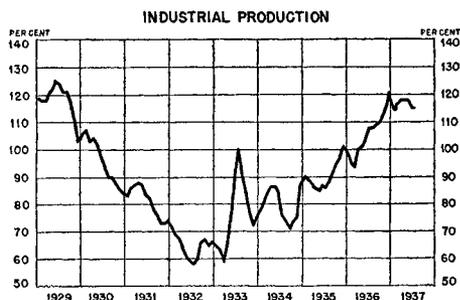
	Cotton (Bales)		
	1937	1936	1928-1932
Virginia .....	42,000	33,000	.....
North Carolina .....	727,000	597,000	.....
South Carolina .....	863,000	816,000	.....
	Corn (Bushels)		
Maryland .....	18,576,000	18,396,000	14,431,000
Virginia .....	38,097,000+	30,014,000	30,388,000
West Virginia .....	14,784,000-	11,569,000	11,054,000
North Carolina .....	44,194,000	43,475,000	38,415,000
South Carolina .....	24,210,000+	23,635,000	20,240,000
	Irish Potatoes (Bushels)		
Maryland .....	3,500,000	2,940,000	3,339,000
Virginia .....	10,810,000-	7,380,000	14,328,000
West Virginia .....	3,040,000+	1,920,000	3,445,000
North Carolina .....	9,200,000	5,986,000	7,540,000
South Carolina .....	2,576,000+	1,656,000	2,748,000
	Sweet Potatoes (Bushels)		
Maryland .....	1,520,000	1,200,000	1,299,000
Virginia .....	4,875,000+	4,366,000	4,270,000
North Carolina .....	8,500,000-	7,560,000	7,141,000
South Carolina .....	4,698,000+	4,845,000	4,648,000
	Tobacco (Pounds)		
Maryland .....	24,850,000+	29,600,000	24,318,000
Virginia .....	96,094,000+	96,734,000	98,409,000
West Virginia .....	2,516,000+	1,282,000	4,224,000
North Carolina .....	546,940,000+	457,375,000	469,135,000
South Carolina .....	101,920,000+	73,350,000	75,918,000
	Apples (Bushels)		
Maryland .....	2,613,000-	2,014,000	2,067,000
Virginia .....	18,720,000+	8,500,000	13,116,000
West Virginia .....	9,760,000+	4,395,000	6,837,000
North Carolina .....	4,240,000	1,890,000	3,199,000
	Peanut Condition, August 1		
Virginia .....	87	73	80
North Carolina .....	83	76	78
South Carolina .....	73	66	72
	Pasture Condition, August 1		
Maryland .....	85-	53	67
Virginia .....	92	52	72
West Virginia .....	88-	45	78
North Carolina .....	80-	60	77
South Carolina .....	73+	53	72

Note: Estimates marked (+) were raised and those marked (-) were lowered between July 1 and August 1.

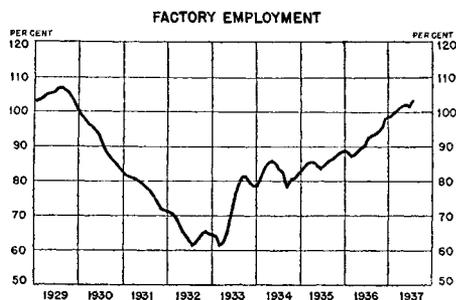
(Compiled August 21, 1937)

# SUMMARY OF NATIONAL BUSINESS CONDITIONS

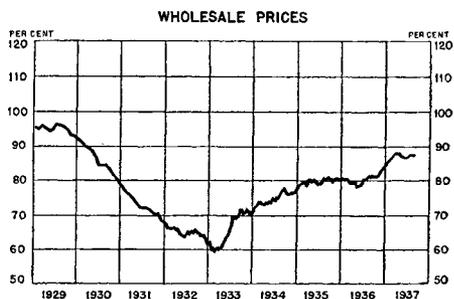
(Compiled by the Board of Governors of the Federal Reserve System)



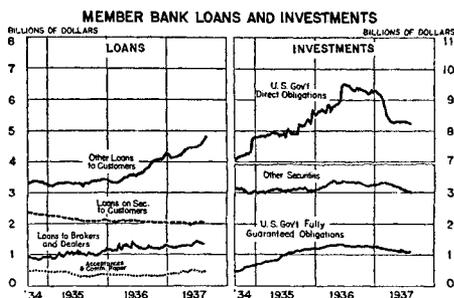
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to July 1937.



Index of number employed, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to July 1937.



Index compiled by the United States Bureau of Labor Statistics, 1926=100. By months, 1929 to 1931; by weeks, 1932 to date. Latest figure is for week ending August 14, 1937.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to August 18, 1937. Loans on real estate and loans to banks excluded.

Total volume of industrial production and distribution of commodities to consumers showed little change from June to July, when allowance is made for the usual summer declines.

## PRODUCTION AND EMPLOYMENT

The Board's seasonally adjusted index of industrial production was 114 per cent of the 1923-1925 average in July, the same as in June and 4 points lower than in March, April and May. At steel mills, where output in June had been curtailed by strikes, activity increased considerably in the early part of July and was maintained at the higher level between the middle of July and the third week of August. Lumber production also increased in July, while output of plate glass showed a substantial decrease. Automobile assemblies declined seasonally. Output of non-durable manufactures decreased considerably, owing largely to a marked decline in activity at cotton and woolen textile mills. Meat packing also declined, while flour milling and sugar refining increased. At mines, output of anthracite was reduced in July, while output of most other minerals showed little change.

Construction contracts awarded, as reported by the F. W. Dodge Corporation, were maintained in July at the level reached in June. Non-residential construction expanded further, reflecting principally a large volume of awards for iron and steel plants and for railroad projects. Residential building showed a seasonal decline.

Factory employment increased somewhat from the middle of June to the middle of July, when a decline is usual, and factory payrolls decreased less than seasonally. The largest increases in employment were in the steel industry and in the food industries, particularly at canning factories. Other manufacturing industries as a group showed somewhat less than the usual seasonal decline.

## AGRICULTURE

A cotton crop of 15,593,000 bales, representing an increase of 3,200,000 bales over last season, was forecast by the Department of Agriculture on the basis of August 1 conditions. Official estimates indicate that other major crops will be considerably larger than last season and about equal to the average for 1928-1932. Preliminary estimates by the Department of Agriculture indicate that cash farm income, including Government payments, will total \$9,000,000,000 for the calendar year 1937, an increase of 14 per cent over 1936.

## DISTRIBUTION

Distribution of commodities to consumers in July continued at the level of other recent months, when allowance is made for the usual summer decline. Sales at department stores and variety stores showed slightly less than the seasonal decrease in July, while mail order sales declined somewhat more than seasonally. Freight-car loadings increased, reflecting in part larger shipments of grains and forest products.

## COMMODITY PRICES

From the middle of July to the third week of August prices of grains and cotton declined substantially, while livestock and meats showed a further increase. Automobile prices were raised by most producers, carpet prices advanced, and there were increases in several industrial raw materials, including hides, zinc, lead and steel scrap. Cotton goods and rubber declined somewhat.

## BANK CREDIT

From the middle of July to August 4, excess reserves of member banks were sharply reduced from \$960,000,000 to \$700,000,000, but subsequently they increased to \$780,000,000 on August 18. These changes in member bank reserves reflected principally fluctuations in the volume of Treasury deposits in Federal Reserve banks, together with a seasonal increase in money in circulation. Excess reserves at New York City banks declined from \$230,000,000 to about \$40,000,000 and subsequently increased to \$130,000,000.

Total loans and investments of reporting member banks increased somewhat during the four weeks ending August 18, reflecting principally an increase of \$150,000,000 in commercial loans offset in part by a further decline in holdings of United States Government obligations, principally at New York City banks. The growth in commercial loans occurred both in New York City and in other cities and included the purchase by banks of a large portion of the \$60,000,000 of 9-month notes sold by the Commodity Credit Corporation on August 2.

United States Government deposits at reporting banks increased during the period, reflecting purchases by banks of Treasury bills on a book-credit basis. Bankers' balances and other demand deposits showed further declines at New York City banks.

## MONEY RATES

Rates on Treasury bills declined slightly after the middle of July, and open-market yields on Treasury notes and bonds also declined early in August, but later there was a rise in yields. In the latter part of August discount rates were reduced from 2 per cent to 1½ per cent at the Federal Reserve Banks of Atlanta, Chicago and Minneapolis. The 2 per cent rates had been in effect since early in 1935.