

MONTHLY REVIEW

of Financial and Business Conditions

FIFTH
FEDERAL



RESERVE
DISTRICT

Federal Reserve Bank, Richmond, Va.

October 31, 1937

DISCOUNTS at the Federal Reserve Bank of Richmond rose slightly between the middle of September and the middle of October, and on the latter date were approximately four times as large as a year earlier. Federal Reserve note circulation continued a seasonal rise last month as crop marketing and the beginning of Fall trade created a demand for more money in the hands of the public, and withdrawals of currency by member banks lowered their reserves at the Reserve bank. The cash reserves of the Federal Reserve Bank of Richmond rose materially during the past month. Regularly reporting member banks in leading cities showed a seasonal expansion in loans on their statement, and there was also a considerable rise in demand deposits, but the banks reduced their holdings of securities and also lowered their reserve balances at the Reserve bank. Cash in vaults increased, as Fall needs for additional currency developed. Debits to individual accounts figures in 24 Fifth district cities rose 5.9 per cent in September in comparison with August, reflecting increased business activity in many lines, and also exceeded September 1936 debits by 8.6 per cent.

Trade in September normally shows a marked increase over the volume of business done in August, and this year developments appear to have been up to seasonal levels. There was not much net change in employment during the past month, some employers who are especially active in the Fall taking on workers while others who are adversely affected by inclement weather reduced the number of persons on their payrolls or cut down hours of work. Commercial failures were relatively more numerous and liabilities were higher in the Fifth district in September than in the United States as a whole, but the record of the month was not a bad one. Registrations of new automobiles in the district declined from August figures, due to the pending introduction of new models, but exceeded the number of cars registered in September 1936 in all sections of the district except the District of Columbia. Construction activity held up well for this season of the year, although it showed some recession from the mid-summer level. The estimated valuation of building permits issued in 31 Fifth district cities in September 1937 was 15.1

per cent higher than September 1936 valuation, and contracts actually awarded last month exceeded those awarded in the corresponding month last year by 35.3 per cent. Coal production increased sharply in September over that of August, a seasonal development, but also exceeded September 1936 production by 3.8 per cent. Textile mills in the district did not share in last month's upturn, although cotton consumption in Virginia and the Carolinas increased slightly. Mills are not receiving many forward orders at present, in the face of very weak cotton prices, and a considerable part of last month's output went into storage. Cotton prices declined between the middle of September and the middle of October, and the Department of Agriculture's forecast of 17,573,000 bales for this year's crop, released October 8, was the second largest on record. Prospects for the cotton crop in the Fifth district improved somewhat last month, but much less than the improvement for the Nation. Tobacco production in the district is considerably larger this year than last, and prices are slightly better also. The tobacco growers, therefore, occupy a very favorable economic position this Fall, but unless and until cotton farmers secure subsidy payments from the Government they are in a weaker position than a year ago. Tobacco manufacturing continued in September at a level higher than a year ago. Retail trade as reflected in department store sales increased seasonally in September over sales in August, and ran approximately 10 per cent ahead of sales in September 1936, while wholesale trade in four of five reporting lines was also in larger volume last month than a year earlier. Favorable weather for harvesting increased prospects for 1937 agricultural yields last month.

There follows a summary of conditions described above:

	September 1937	September 1936	% Change
Debits to individual accounts (24 cities)	\$1,272,240,000	\$1,171,276,000	+ 8.6
No. of business failures, 5th district	30	23	+ 7.1
Liabilities in failures, 5th district... \$	347,000	289,000	+20.1
Sales, 49 dept. stores, 5th district... \$	10,090,385	9,168,420	+10.1
Sales, 54 wholesale firms in 5 lines. \$	6,464,058	6,163,770	+ 4.9
Registrations, new passenger autos.	16,693	16,061	+ 3.9
Value bldg. permits (81 Cities).... \$	7,891,998	6,857,223	+15.1
Value of contracts awarded, 5th dist. \$	27,475,800	20,309,600	+35.3
Cotton consumption, 5th dist. (Bales)	297,279	297,042	+ .1
Soft coal mined, U. S. (Tons).....	38,620,000	37,192,000	+ 3.8

BANKING CONDITIONS

RESERVE BANK STATEMENT: Discounts for member banks registered a small increase between September 15 and October 15, and on the latter date were 316 per cent higher than discounts on October 15 last year. On the other hand, holdings of open market paper and industrial advances both declined last month, but not sufficiently to balance the increase in discounts. Total earning assets therefore showed a small net rise between September 15 and October 15. Federal Reserve note circulation increased seasonally last month, and withdrawals in currency reduced member bank reserves, but by much less than the rise in circulation. Cash reserves of the Federal Reserve Bank of Richmond rose materially during the month, and there was also a small rise in the ratio of reserves to note and deposit liabilities combined.

ITEMS	000 omitted		
	Oct. 15 1937	Sept. 15 1937	Oct. 15 1936
Discounts held	\$ 769	\$ 677	\$ 185
Open market paper	109	120	121
Industrial advances	2,435	2,481	3,418
Government securities	133,035	133,035	125,510
Total earning assets	\$136,348	\$136,313	\$129,234
Circulation of Fed. Res. notes	212,734	203,779	201,480
Members' reserve deposits	220,486	221,413	210,150
Cash reserves	334,486	322,600	303,788
Reserve ratio	72.02	71.20	70.98

STATEMENT OF 41 REPORTING MEMBER BANKS: Regularly reporting member banks in 12 leading cities of the Fifth Reserve district increased loans and discounts by \$3,276,000 between September 15 and October 13 this year, and also built up cash in vaults by \$3,442,000, but their investments in securities dropped by \$8,009,000 and their reserve balances were drawn down by \$7,975,000. Demand deposits registered a gain of \$16,344,000 during the month, while time deposits declined by \$248,000.

ITEMS	000 omitted		
	Oct. 13 1937	Sept. 15 1937	Oct. 14 1936
Loans & discounts	\$250,207	\$246,931	\$213,267
Investments in securities	366,845	374,854	448,054
Reserve bal. with F. R. Bank	127,976	135,951	138,366
Cash in vaults	20,499	17,057	19,403
Demand deposits	478,746	462,402	452,492
Time deposits	197,312	197,560	197,587
Money borrowed	0	0	0

DEBITS TO INDIVIDUAL ACCOUNTS: September trade is normally larger in volume than trade in August, and this rise in business activity was reflected in debits to individual accounts in 24 Fifth district cities last month, September debits increasing \$70,717,000, or 5.9 per cent, over those of August. Last month also made a better record than September 1936 by \$100,964,000, or 8.6 per cent. All cities reported higher figures for September than for August except Newport News, Roanoke and Huntington, and all except Newport News reported higher figures for September 1937 than for September 1936. Debits in Newport News are influenced materially by activity in ship building.

CITIES	000 omitted			% of Month	Change Year
	Sept. 1937	Aug. 1937	Sept. 1936		
Maryland					
Baltimore	\$ 346,830	\$ 344,857	\$ 325,579	+ .6	+ 6.5
Cumberland	9,546	9,533	8,677	+ .1	+ 10.1
Hagerstown	8,934	8,700	8,394	+ 2.7	+ 6.4
Dist. of Col.					
Washington	231,540	228,398	231,097	+ 1.4	+ .2
Virginia					
Danville	9,453	8,518	6,860	+ 11.0	+ 37.8
Lynchburg	15,271	13,939	14,572	+ 9.6	+ 4.8
Newport News ..	8,241	8,638	8,890	- 4.6	- 7.3
Norfolk	47,833	47,073	42,757	+ 1.6	+ 11.9
Portsmouth	3,919	3,701	3,815	+ 5.9	+ 2.7
Richmond	185,495	159,849	166,339	+ 16.0	+ 11.5
Roanoke	26,692	27,286	25,709	- 2.2	+ 3.8
West Virginia					
Charleston	51,346	50,858	41,952	+ 1.0	+ 22.4
Huntington	17,427	17,788	17,080	- 2.0	+ 2.0
North Carolina					
Asheville	13,946	13,897	12,133	+ .4	+ 14.9
Charlotte	60,432	55,715	54,305	+ 8.5	+ 11.3
Durham	43,176	37,106	38,099	+ 16.4	+ 13.3
Greensboro	17,957	16,948	15,894	+ 6.0	+ 13.0
Raleigh	35,471	31,174	27,901	+ 13.8	+ 27.1
Wilmington	12,505	11,496	10,702	+ 8.8	+ 16.8
Winston-Salem ..	42,728	39,584	36,712	+ 7.9	+ 16.4
South Carolina					
Charleston	20,147	16,259	19,463	+ 23.9	+ 3.5
Columbia	32,372	23,718	26,054	+ 36.5	+ 24.2
Greenville	21,335	18,042	20,287	+ 18.3	+ 5.2
Spartanburg	9,644	8,446	8,005	+ 14.2	+ 20.5
District, 24 Cities	\$1,272,240	\$1,201,523	\$1,171,276	+ 5.9	+ 8.6

MUTUAL SAVING BANK DEPOSITS: Ten mutual savings banks in Baltimore had deposits totaling \$217,676,535 on September 30, 1937, an increase of two-tenths of 1 per cent over \$217,294,470 on deposit on August 31, 1937, and 3.6 per cent above \$210,180,830 on September 30, 1936. Aggregate deposits in the ten reporting banks on September 30, 1937, reached a new record level.

BUSINESS CONDITIONS

EMPLOYMENT: Changes in employment in September and early October were seasonal in character, and probably offset each other. Construction work declined moderately, as is usually the case as winter approaches, but opening of additional tobacco markets called for more helpers, coal production increased and swelled pay envelopes of miners, and certain harvesting jobs, especially apple and cotton picking, created a need for qualified workers. The textile industry has begun to curtail operations, but not enough yet to affect labor in the mills very seriously. The following figures, compiled by the Bureau of Labor Statistics from records submitted by a large number of identical industries, show the trends of employment and payrolls in the Fifth district from July to August 1937, the latest available figures:

STATES	Percentage change from July to Aug. 1937	
	In number on payroll	In amount of payroll
Maryland	+ .6	+ 2.7
D. of Columbia	- 1.7	- .8
Virginia	+ .5	+ 3.3
West Virginia	+ .3	+ 6.9
North Carolina	+ 1.2	+ 2.4
South Carolina	+ .3	+ .2

COMMERCIAL FAILURES: The record of business failures in the Fifth district in September was poorer than the record in the United States as a whole. According to *Dun & Bradstreet* figures, failures in the district last month increased 7.1 per cent in comparison with insolvencies in September last year, while the Nation showed a decline of 3.8 per cent. In aggregate liabilities involved in bankruptcies, September 1937 increased 20.1 per cent

in the district but decreased 14.5 per cent in the United States.

PERIOD	Number of failures		Total Liabilities	
	District	U. S.	District	U. S.
September 1937.....	30	564	\$ 347,000	\$ 8,893,000
August 1937.....	26	707	182,000	11,916,000
September 1936.....	28	586	289,000	9,819,000
9 Months, 1937.....	356	6,531	\$3,098,000	\$ 82,890,000
9 Months, 1936.....	364	7,194	5,830,000	115,167,000

AUTOMOBILE NEW CAR REGISTRATIONS: Automobile factories shifted over to new models during September, and buyers began waiting for the 1938 cars to come out. Registrations of new cars consequently declined seasonally from August figures, but in all geographical divisions of the Fifth district except the District of Columbia registrations last month exceeded those of September 1936. Registrations in the district of the three most popular makes made up 68.1 per cent of all registrations in September this year, compared with 74.3 per cent in September last year. The following figures were collected by *R. L. Polk & Company*, of Detroit:

STATES	Registration of New Passenger Cars					
	Sept. 1937	Sept. 1936	% Change	9 Months 1937	9 Months 1936	% Change
	Maryland	2,879	2,743	+ 5.0	37,917	34,250	+10.7
D. of Col.	1,549	1,857	-16.6	23,583	26,039	- 9.4
Virginia	3,921	3,675	+ 6.7	41,366	39,559	+ 4.6
West Va.	2,340	2,318	+ .9	30,183	30,329	- .5
No. Carolina ...	4,038	3,576	+12.9	42,943	36,172	+18.7
So. Carolina	1,966	1,892	+ 3.9	22,499	18,212	+23.5
District	16,693	16,061	+ 3.9	198,491	184,561	+ 7.5

CONSTRUCTION: There were 2,996 building permits issued in 31 Fifth district cities in September, an increase of 5.5 per cent over 2,840 permits issued in September 1936, and in the more important matter of estimated valuation the September 1937 total of \$7,891,998 exceeded the September 1936 total of \$6,857,223 by 15.1 per cent. Twenty-one of the 31 cities reported higher valuation figures last month.

Contract award figures for August, now available by States in *F. W. Dodge Corporation* reports, show an increase in the Fifth district of 3.9 per cent over awards in August 1936. Contract awards, which include rural as well as urban projects, are a better measure of construction activity than building permits:

STATES	Construction Contracts Awarded		
	August 1937	August 1936	% Change
Maryland	\$ 8,922,200	\$ 4,491,800	+ 98.6
D. of Col.	4,230,200	3,340,700	+ 26.6
Virginia	8,624,300	3,382,700	+155.0
West Virginia	1,649,200	1,874,700	- 12.0
North Carolina	4,166,400	8,096,500	- 48.5
South Carolina	2,018,500	7,300,500	- 72.4
District	\$29,610,800	\$28,486,900	+ 3.9

COAL MINING: In September 1937, bituminous coal production in the United States totaled 38,620,000 net tons, an increase of 3.8 per cent over 37,192,000 tons mined in September 1936, and total output this calendar year to October of 326,627,000 tons was 7.8 per cent larger than 303,114,000 tons dug in the corresponding period last year. Hampton Roads ports shipped 16,659,633 tons between January 1 and October 9 this year, an increase of 13.1 per cent over 14,723,889 tons shipped to October 9 last year. Official figures by States for August production in tons this year and last are now available from reports of the *National Bituminous Coal Commission*:

STATES	Soft Coal Production in Tons		Percentage Change
	August 1937	August 1936	
West Virginia	10,033,000	9,401,000	+ 6.7
Virginia	1,160,000	930,000	+24.7
Maryland	124,000	130,000	- 4.6
5th District	11,317,000	10,461,000	+ 8.2
United States	33,984,000	33,086,000	+ 2.7

COTTON TEXTILES: The demand for cotton textile products declined sharply in the past two months. Few new orders are being booked, and a considerable number of cancellations have occurred of orders placed earlier in the season. The mills postponed reduction of operating time as long as possible and stored surplus output during September, but unless demand for goods improves materially in the near future it will become necessary to restrict operations. The dearth of orders is a result of prospects for a near record cotton yield this year, which buyers of textile products believe will bring lower prices for all cotton goods later in the season. Consumption of cotton by States in the district in September 1937, August 1937, and September 1936, in bales, is shown below:

MONTHS	No. Carolina	So. Carolina	Virginia	District
	September, 1937.....	152,295	129,095	15,889	297,279
August 1937.....	149,928	123,763	16,150	289,841
September 1936.....	163,498	119,014	14,530	297,042
9 Months, 1937.....	1,507,683	1,160,558	136,656	2,804,897
9 Months, 1936.....	1,326,032	1,000,004	124,758	2,450,794

Figures on spindle activity in August were released by the Bureau of the Census on September 21. There were 26,923,712 spindles in place in American mills on August 31, of which Fifth district mills had 12,388,324 spindles. Actual spindle hours of operation in August totaled 8,184,561,738 hours in the United States, South Carolina ranking first with 2,287,743,965 hours and North Carolina second with 1,789,716,090 hours. South Carolina also led in actual hours of operation per spindle in place with 402, compared with the National average of 304, and Virginia was in third place with 331 hours. North Carolina with an average of 296 hours per spindle was below the National average.

COTTON: Spot cotton prices on ten Southern markets continued downward from the middle of September through the first week in October, and averaged 7.68 cents per pound for middling grade on October 8. However, at this price farmers began to hold cotton off the market, and the average price rose to 8.24 cents on October 15, the latest date for which official figures are available. The Government plan to lend 9 cents per pound on middling grade cotton has probably modified the decline which would have resulted from the latest estimate of production. On October 8, the Department of Agriculture issued a forecast of 17,573,000 bales for this year's crop, an increase of 1,475,000 bales over the September 8 estimate, and an increase of 5,174,000 bales, or 41.7 per cent, over 12,399,000 bales picked in 1936. The increase between September 8 and October 8 was the largest for any single month on record. In the Fifth district, prospects remained unchanged during the past month in Virginia, but improved moderately in the Carolinas. The Virginia forecast of 40,000 bales is 21 per cent above last year's yield, North Carolina with 695,000 bales is up 16.4 per cent, and South Carolina with 875,000 bales is 7.2 per cent higher than in 1936. The district total production of 1,610,000 bales is 11.3 per cent above the 1936 crop, compared with the National increase of 41.7 per cent.

Cotton Consumed and On Hand
(Bales)

	Sept. 1937	Sept. 1936	Aug. 1 to Sept. 30 This Year Last Year	
Fifth district states:				
Cotton consumed	297,279	297,042	587,120	568,522
Cotton growing states:				
Cotton consumed	511,838	526,319	1,017,287	1,007,187
Cotton on hand Sept. 30 in				
Consuming establishments .	803,787	702,132	.....	.....
Storage & compresses	6,864,291	6,615,806	.....	.....
United States:				
Cotton consumed	601,837	629,767	1,206,217	1,204,781
Cotton on hand Sept. 30 in				
Consuming establishments .	991,224	848,431	.....	.....
Storage & compresses	6,926,365	6,652,334	.....	.....
Exports of cotton	617,444	569,624	837,859	752,111

TOBACCO MARKETING: Markets in the Carolinas were open during September, and Virginia Old Belt markets were open one day at the end of the month. All September sales were of flue-cured tobacco, and poundage and price figures were as follows:

STATES	Producer's Tobacco Sales, Pounds September 1937	September 1936	Price Per Hundred 1937	1936
South Carolina	46,186,607	37,412,147	\$19.31	\$20.28
North Carolina	182,529,449	130,484,376	22.33	21.91
Virginia	3,174,110	.....	26.01	.....

Markets in Virginia did not open until October in 1936 and there were no September sales in that year.

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

	Sept. 1937	Sept. 1936	% Change
Smoking & Chewing			
Tobacco, Pounds	26,317,580	26,862,561	- 2.0
Cigarettes, Number	14,853,803,420	14,341,883,483	+ 3.6
Cigars, Number	498,835,303	489,293,034	+ 2.0
Snuff, Pounds	3,279,023	3,233,843	+ 1.4

RETAIL TRADE IN DEPARTMENT STORES:

	Net Sales Sept. 1937 comp. with September 1936	Net Sales Jan. 1 to date compared with same period last year	Stocks Sept. 30, 1937 compared with Sept. 30 Aug. 31 1936 1937	Ratio Sept. collections to accounts outstanding September 1
Baltimore (8) ..	+13.3	+ 8.5	+ 5.7 + 9.0	27.9
Washington (6) ..	+ 5.7	+ 1.6	+ 6.4 +10.6	23.6
Other Cities (14)	+12.1	+ 8.1	+10.4 + 6.7	27.4
District (28) .	+ 9.4	+ 5.2	+ 6.8 + 9.2	25.6
Same stores by States with 21 stores added:				
Virginia (11) ..	+17.5	+ 9.2		
West Va. (7) ...	+14.0	+ 6.1		
No. Carolina (6)	+ 8.7	+ 9.4		
So. Carolina (10)	+16.5	+13.2		
District (49) ..	+10.1	+ 5.6		

WHOLESALE TRADE, 54 FIRMS:

LINES	Net Sales Sept. 1937 comp. with Sept. 1936	Net Sales Jan. 1 to date compared with same period last year	Stocks Sept. 30, 1937 compared with Sept. 30 Aug. 31 1936 1937	Ratio Sept. collections to accounts outstanding September 1
Groceries (20) ..	+ 8.2 + 7.4	+11.5	+13.4 - 1.7	126.0
Dry Goods (7) ..	+ 4.1 +21.5	+ 4.7	+62.0 -16.6	38.5
Shoes (6)	- 4.3 - 6.0	+ 9.8	+52.4 -12.4	51.8
Hardware (10) ..	+13.3 +10.6	+22.6	+13.3 - .7	43.7
Drugs (11) ...	+11.0 +12.5	+13.1	+ 5.7 + 3.8	79.4

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: The weather continued favorable for crop development during September, and on the whole prospects improved during the month in the Fifth district. The Maryland estimate for apples rose in September, but prospects for Irish potatoes and sweet potatoes declined. In Virginia, Irish potatoes, tobacco, hay and peanuts improved. North Carolina estimates for cotton, Irish potatoes, tobacco and apples rose in September, and so did South Carolina estimates for cotton, corn, tobacco and hay. South Carolina's tobacco crop this year is the largest on record, and is also the most valuable crop ever raised in that State. Returns from live stock in Virginia, West Virginia and North Carolina will be much higher this year than in 1936, there being about the same number of cattle and hogs for market at prices about 40 per cent higher for cattle and 20 per cent higher for hogs.

Forecasts of probable production in the Fifth Reserve district and the United States this year, based on October 1 condition figures, are shown herewith in comparison with yields in 1936 and the five-year period 1928-1932:

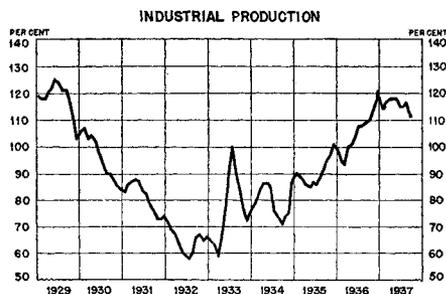
	Cotton (Bales)		
	1937	1936	1928-1932
Virginia	40,000	33,000	45,000
North Carolina	695,000+	597,000	752,000
South Carolina	875,000+	816,000	856,000
United States	17,573,000+	12,399,000	14,667,000
	Corn (Bushels)		
Maryland	18,060,000	18,396,000	14,431,000
Virginia	37,350,000	30,014,000	30,388,000
West Virginia	14,256,000	11,569,000	11,054,000
North Carolina	44,194,000	43,475,000	38,415,000
South Carolina	25,017,000+	23,635,000	20,240,000
United States	2,561,936,000+	1,529,327,000	2,554,772,000
	Irish Potatoes (Bushels)		
Maryland	3,304,000-	2,940,000	3,339,000
Virginia	10,998,000+	7,380,000	14,328,000
West Virginia	3,360,000	1,920,000	3,445,000
North Carolina	9,384,000+	5,986,000	7,540,000
South Carolina	2,875,000	1,656,000	2,748,000
United States	398,785,000-	329,997,000	372,115,000
	Sweet Potatoes (Bushels)		
Maryland	1,280,000-	1,200,000	1,299,000
Virginia	4,875,000	4,366,000	4,270,000
North Carolina	8,670,000	7,560,000	7,141,000
South Carolina	4,860,000	4,845,000	4,648,000
United States	75,058,000+	64,144,000	66,368,000
	Tobacco (Pounds)		
Maryland	24,850,000	29,600,000	24,318,000
Virginia	104,384,000+	96,734,000	98,409,000
West Virginia	2,465,000	1,282,000	4,224,000
North Carolina	573,275,000+	457,373,000	469,135,000
South Carolina	106,400,000+	73,350,000	75,918,000
United States	1,474,683,000+	1,153,083,000	1,427,174,000
	Hay (Tons)		
Maryland	520,000	327,000	448,000
Virginia	1,202,000+	605,000	868,000
West Virginia	754,000	508,000	639,000
North Carolina	796,000	680,000	571,000
South Carolina	506,000+	442,000	255,000
United States	74,576,000-	63,309,000	70,146,000
	Apples (Bushels)		
Maryland	3,042,000+	2,014,000	2,067,000
Virginia	18,000,000	8,500,000	13,116,000
West Virginia	9,760,000	4,395,000	6,837,000
North Carolina	4,505,000+	1,890,000	3,199,000
United States	206,716,000+	117,506,000	164,355,000
	Peanuts (Pounds)		
Virginia	165,025,000+	151,200,000	148,324,000
North Carolina	243,000,000	243,960,000	223,450,000
South Carolina	8,400,000	8,160,000	8,760,000
United States	1,270,150,000+	1,300,540,000	946,231,000

Note: Estimates marked (+) were raised last month, those marked (-) were lowered, and others remained unchanged from September 1 to October 1.

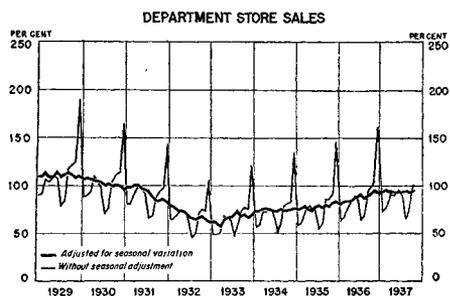
(Compiled October 21, 1937)

SUMMARY OF NATIONAL BUSINESS CONDITIONS

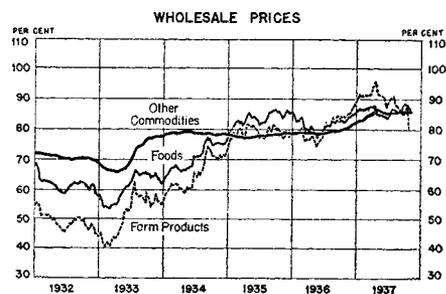
(Compiled by the Board of Governors of the Federal Reserve System)



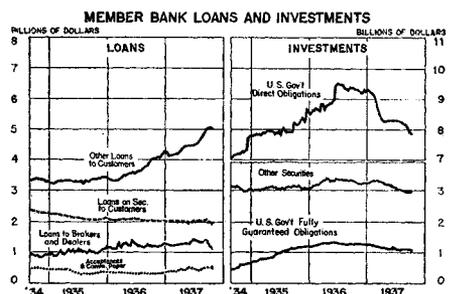
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to September 1937.



Indexes of value of sales, 1923-1925 average=100. By months, January 1929 to September 1937.



Indexes compiled by the United States Bureau of Labor Statistics, 1926=100. By weeks, 1932 to October 16, 1937.



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934, to October 20, 1937. Loans on real estate and loans to banks excluded.

Declines in industrial production in September and the first part of October reduced output to the level of a year ago, and commodity prices continued to decline. The volume of distribution to consumers was maintained at the level of previous months.

PRODUCTION AND EMPLOYMENT

Volume of industrial production, as measured by the Board's seasonally adjusted index, declined in September to 111 per cent of the 1923-1925 average as compared with 114 in June and July and 117 in August. At steel mills, where output in August had been at a high level, partly on the basis of orders placed earlier in the year, activity was reduced to an average rate of 75 per cent of capacity in September. This decline continued in October, as new orders were in limited volume, and the rate of steel output in the fourth week of the month is estimated at about 52 per cent of capacity. There were also declines in September in activity at woolen mills, shoe factories, and at sugar refineries, and activity at cotton mills showed little change, although an increase is usual at this season. Increases in output were reported at silk mills and meat packing establishments where activity recently had been at a low level. Automobile production showed a decline from the high level of August, but in the first three weeks of October advanced sharply as most manufacturers began assembling 1938 models.

Mineral output increased in September, reflecting an expansion in coal production. Output of crude petroleum declined somewhat but continued in large volume.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was smaller in September and the first half of October than in the preceding six weeks, with a moderate decline in private residential building and sharp declines in awards of other private work and for publicly financed work. Currently the dollar volume of private work is about the same as a year ago, while awards for public work are in smaller volume.

Factory employment showed little change from August to September, although an increase is usual at this season. There were declines in the number employed at textile mills, shoe factories, railroad repair shops, and lumber mills. At canning establishments employment increased seasonally. Factory payrolls, which usually expand in September, declined substantially, reflecting principally a reduction in the average number of hours worked by those employed. The levels of employment and payrolls continued to be considerably above last year.

DISTRIBUTION

Distribution of commodities to consumers by department stores and mail order houses increased more than seasonally in September, and variety store sales showed about the usual seasonal expansion. Freight-car loadings increased by the usual seasonal amount from August to September.

COMMODITY PRICES

The general level of wholesale commodity prices, according to the Bureau of Labor Statistics' index, declined from 87.5 per cent of the 1926 average in the latter part of September to 85.2 in the middle of October. During that period price declines occurred in most commodities traded in on organized exchanges and in some manufactured products. In the ten days ending October 25 commodity markets were steadier. New models of automobiles are currently being introduced at higher prices.

BANK CREDIT

Excess reserves of member banks, after increasing in September from \$750,000,000 to over \$1,000,000,000, showed little further change in October. Total loans and investments of reporting member banks in 101 leading cities declined somewhat in the four weeks ending October 20, reflecting chiefly a steady reduction throughout the period in loans to security brokers and dealers. Commercial loans increased further.

MONEY RATES AND SECURITY PRICES

Rates on 9-month Treasury bills in October declined to about $\frac{1}{8}$ of 1 per cent, the lowest since last January. Prices of high-grade bonds showed little change in September and October, while prices of lower-grade bonds and of common stocks declined sharply to the lowest levels since the middle of 1935.