

# MONTHLY REVIEW

## *of Financial and Business Conditions*

FIFTH  
FEDERAL



RESERVE  
DISTRICT

*Federal Reserve Bank, Richmond, Va.*

*June 30, 1938*

**B**USINESS in the Fifth Federal Reserve district in May and the first half of June continued at about the same levels as in earlier months this year. There were a few instances of improvement, but on the whole little progress out of the recession was indicated. Increased activity in the cotton textile industry in June was the chief improvement, a number of mills resuming operations after several weeks of idleness because of excess inventories. Tobacco manufacturing in May increased substantially over April in all lines, and production of tobacco products was larger than in May 1937 in all lines except cigars. The number of cigarettes manufactured in May 1938 was 9.6 per cent above the number made in May last year, and the Fifth district manufactures approximately 83 per cent of American cigarettes. In banking, no important developments occurred between May 15 and June 15. At the Federal Reserve Bank of Richmond, discounts rose moderately and there was also an increase in loans made direct to industry for working capital, but both items were lower than on June 15, 1937. Circulation of Federal Reserve notes declined seasonally last month, and continued below the volume of notes in circulation a year ago. Member bank reserve deposits rose between the middle of May and the middle of June, and on the latter date were higher than on June 15 last year. Regularly reporting member banks showed declines between May 11 and June 15 in loans, investments in securities, cash in vaults and demand deposits, while increases were reported in reserve balances and time deposits. Debits to individual accounts in twenty-four cities showed a seasonal decrease in May in comparison with April, partly due to Easter buying in the earlier month but chiefly because quarterly payments always increase debits materially early in April. Debits in May were 14.5 per cent less than in May last year, the largest percentage decline in any month this year. Employment showed no material change in May, but work increased in the textile industry in early June and there are signs of some betterment in prospects for workers in building trades. Commercial failures were more numerous in May in the Fifth district than in either April this

year or May last year, and liabilities involved also exceeded those of the other two months. Sales of new passenger automobiles declined further in May, and were 51.2 per cent less than sales in May 1937, when the recession was just beginning in certain lines. Building permits issued in 31 Fifth district cities in May showed a decrease of 25 per cent under April figures and were nearly 35 per cent less than in May 1937. Contracts actually awarded last month for construction work in the district made a better comparison, declining only 11.7 per cent from the May 1937 awards. Coal production in May was in less amount than in either April 1938 or May 1937, and coal mined this calendar year was 32 per cent less than production in the first five months of last year. Severe curtailment of operations in late April and May in the textile field reduced excess inventories at the mills and improved conditions sufficiently to allow resumption of operations on restricted schedules in June. Rayon yarn deliveries to fabricators were about the same in May as in April, and approximately equaled production. Rayon yarn prices were reduced late in May. Cotton prices declined during the second half of May but turned upward in June and recovered part of the May decline. Cotton consumption in American mills in May was 36 per cent less than consumption in May last year, and exports of cotton last month were 40 per cent less than a year ago. Wheat and oats crops in the Fifth district are turning out somewhat better than last year, while prospects for fruit are fair in comparison with exceptionally large yields in 1937. It is too early in the season to comment on other crops.

There follows a statistical summary of conditions described above:

	May 1938	May 1937	% Change
Debits to individual accounts (24 cities) .....	\$1,076,528,000	\$1,259,069,000	-14.5
No. of business failures, 5th dist. . . . .	55	42	+31.0
Liabilities in failures, 5th dist. . . . .	\$ 462,000	\$ 310,000	+49.0
Sales, 57 department stores, 5th dist . . . . .	\$ 9,395,769	\$ 10,772,918	-12.8
Sales, 179 wholesale firms, 5th dist. . . . .	\$ 10,823,000	\$ 12,765,000	-15.2
Registrations, new passenger autos. . . . .	12,591	25,795	-51.2
Value bldg. permits (31 cities) . . . . .	\$ 6,630,214	\$ 10,178,457	-34.9
Value of contracts awarded, 5th dist. . . . .	\$ 21,473,000	\$ 24,330,000	-11.7
Cotton consumption, 5th dist. (bales) . . . . .	202,647	309,778	-34.6
Soft coal mined, U. S. (tons) . . . . .	21,995,000	30,077,000	-26.9

## BANKING CONDITIONS

**RESERVE BANK STATEMENT:** Discounts held by the Federal Reserve Bank of Richmond increased \$117,000 between May 15 and June 15, 1938, but on the latter date were \$76,000 less than on June 15, 1937. Industrial advances for working capital rose by \$63,000 last month, but declined \$502,000 during the past year. Holdings of Government securities on June 15, 1938, were the same as on May 15 this year, but rose \$6,944,000 over holdings on June 15 last year. Total earning assets of the Richmond bank were \$179,000 higher on June 15 than a month earlier, and \$6,355,000 higher than on June 15, 1937. Federal Reserve notes in actual circulation declined \$1,725,000 between the middle of May and the middle of June, and dropped \$3,041,000 during the past year. The decline last month was probably due to return of currency after the spring shopping season, but the decrease in circulation in comparison with 1937 reflects a smaller need for money with which to carry on a lesser volume of trade and industry. Member bank reserve deposits rose by \$5,727,000 between May 15 and June 15, and showed an increase of \$3,782,000 since June 15, 1937. The several changes previously mentioned in the bank's statement, together with fluctuations in the balance to the credit of the Treasurer of the United States, caused a decline of \$5,940,000 last month in the cash reserves of the Richmond Reserve bank, but raised them \$22,093,000 over aggregate cash reserves on June 15, 1937. The ratios of cash reserves to note and deposit liabilities combined were within less than one point of each other on June 15 and May 15, 1938, and June 15, 1937.

ITEMS	000 omitted		
	June 15 1938	May 15 1938	June 15 1937
Discounts held .....	\$ 627	\$ 510	\$ 703
Open market Paper .....	23	24	54
Industrial advances .....	1,540	1,477	2,042
Government securities .....	139,979	139,979	133,035
Total earning assets .....	142,169	141,990	135,834
Circulation of Fed. Res. notes .....	188,523	190,248	191,564
Members' reserve deposits .....	220,312	214,585	216,530
Cash reserves .....	331,802	337,742	309,709
Reserve ratio .....	70.72	71.32	70.39

**STATEMENT OF 41 REPORTING MEMBER BANKS:** Loans and discounts at reporting member banks declined \$4,525,000 between May 11 and June 15 this year, and dropped \$8,275,000 since June 16 last year. Investments in securities also declined, by \$246,000 during the month and by \$26,165,000 during the year. On the other hand, the 41 reporting banks increased reserve balances at the Reserve bank by \$4,443,000 last month and \$9,500,000 in the year. Cash in vaults decreased \$1,812,000 between May 11 and June 15, and on the latter date was \$54,000 less than on June 16, 1937. Deposits declined in the past month and year, in keeping with the drop in loans,

ITEMS	000 omitted		
	June 15 1938	May 11 1938	June 16 1937
Loans & discounts .....	\$233,061	\$237,586	\$241,336
Investments in securities .....	377,444	377,690	403,609
Reserve bal. with Fed. Res. bank .....	142,014	137,571	132,514
Cash in vaults .....	16,793	18,605	16,847
Demand deposits .....	440,483	444,409	466,501
Time deposits .....	199,265	198,355	199,288
Money borrowed .....	0	23	0

but to a much greater degree during the year. Demand deposits decreased \$3,926,000 between May 11 and June 15, 1938, and dropped \$26,018,000 since mid-June last

year. Time deposits on June 15 were slightly higher than on May 11, and remained practically unchanged in comparison with time deposits a year earlier.

**MUTUAL SAVINGS BANK DEPOSITS:** Deposits in 10 mutual savings banks in Baltimore declined in May from the record figure of \$219,926,013 on April 30, 1938, to \$219,376,413 on May 31, but on the latter date were 1.4 per cent higher than deposits totaling \$216,298,343 on May 31, 1937. Deposits in 7 of the 10 banks declined during the month of May.

**DEBITS TO INDIVIDUAL ACCOUNTS:** Debits to individual, firm and corporation accounts in the banks in 24 Fifth district cities declined 6.1 per cent in May in comparison with debits in April, a seasonal decrease due chiefly to quarterly payments early in April. Reflecting a smaller volume of business activity this year, debits in May were 14.5 per cent less than those of May 1937, a slightly larger percentage decline than was shown for any earlier month this year in contrast with the corresponding month last year. Only four cities, Roanoke, Durham, Charleston, S. C., and Columbia, reported higher debits in May than in April 1938, and only Durham exceeded May 1937 figures.

CITIES	000 omitted			% of Month	Change Year
	May 1938	April 1938	May 1937		
<b>Maryland</b>					
Baltimore .....	\$ 306,043	\$ 337,582	\$ 354,792	- 9.3	-13.7
Cumberland .....	7,213	7,249	9,200	- .5	-21.6
Hagerstown .....	7,410	8,165	8,692	- 9.2	-14.7
<b>Dist. of Col.</b>					
Washington ...	232,636	253,283	265,533	- 8.2	-12.4
<b>Virginia</b>					
Danville .....	6,318	7,000	8,712	- 9.7	-27.5
Lynchburg .....	12,850	13,496	15,616	- 4.8	-17.7
Newport News ...	7,784	7,886	9,430	- 1.3	-17.5
Norfolk .....	41,473	45,774	49,293	- 9.4	-15.9
Portsmouth .....	3,775	4,047	4,139	- 6.7	- 8.8
Richmond .....	128,301	133,041	144,669	- 3.6	-11.3
Roanoke .....	25,245	23,297	33,107	+ 8.4	-23.7
<b>West Virginia</b>					
Charleston .....	42,441	43,607	59,127	- 2.7	-28.2
Huntington .....	16,455	16,662	20,549	- 1.2	-19.9
<b>North Carolina</b>					
Asheville .....	11,020	11,236	13,121	- 1.9	-16.0
Charlotte .....	47,497	50,687	59,721	- 6.3	-20.5
Durham .....	24,413	23,580	24,383	+ 3.5	+ .1
Greensboro .....	16,117	16,819	18,404	- 4.2	-12.4
Raleigh .....	32,587	35,530	34,422	- 8.3	- 5.3
Wilmington .....	9,361	9,753	10,436	- 4.0	-10.3
Winston-Salem ..	33,629	34,851	39,355	- 3.5	-14.5
<b>South Carolina</b>					
Charleston .....	16,248	16,181	18,755	+ .4	-13.4
Columbia .....	24,474	22,541	27,297	+ 8.6	-10.3
Greenville .....	15,812	16,125	20,633	- 1.9	-23.4
Spartanburg .....	7,426	8,017	9,683	- 7.4	-23.3
<b>District Totals</b> .....	<b>\$1,076,528</b>	<b>\$1,146,409</b>	<b>\$1,259,069</b>	<b>- 6.1</b>	<b>-14.5</b>

## BUSINESS CONDITIONS

**EMPLOYMENT:** Unofficial reports indicate that moderate improvement occurred in employment in the cotton textile industry in the Fifth Reserve district in early June, a number of mills resuming operations on part time after complete shut-downs for brief periods. Otherwise little change occurred in the number of persons gainfully employed in the district during late May and early June. The following figures, compiled for the most part by the Bureau of Labor Statistics from reports furnished by a large number of identical industries, show the trends of employment and payrolls in the Fifth district geographical divisions from April to May 1938, the latest available figures:

STATES	Percentage change from April 1938 to May 1938	
	In number on payroll	In amount of payroll
Maryland .....	- 1.8	- 1.1
Dist. of Columbia .....	- 1.2	+ .3
Virginia .....	- 2.4	- .7
West Virginia .....	- 1.8	+ .6
North Carolina .....	- 4.7	- 4.1
South Carolina .....	-11.6	- 7.4

COMMERCIAL FAILURES: Business failures in the Fifth district in May were more numerous than in either April of this year or May of last year, and liabilities involved in May failures were also larger than liabilities in either of the earlier months mentioned. The number of failures in May was 31 per cent larger than the number in May last year, and last month's liabilities were 49 per cent larger than liabilities a year earlier. The United States showed an increase of 26 per cent in number of failures in the same period, while liabilities rose 74 per cent. The Fifth district, therefore, made a poorer comparison in number of failures in May 1938 and May 1937 than the United States as a whole, but made a better comparison in liabilities involved. *Dun & Bradstreet* insolvency figures are as follows:

PERIODS	Number of failures		Total Liabilities	
	District	U. S.	District	U. S.
May 1938 .....	55	1,053	\$ 462,000	\$14,559,000
April 1938 .....	39	1,116	421,000	20,106,000
May 1937 .....	42	834	310,000	8,364,000
5 months, 1938 .....	248	5,648	\$2,916,000	\$78,626,000
5 months, 1937 .....	236	3,972	1,942,000	46,624,000

AUTOMOBILE NEW CAR REGISTRATIONS: Sales of new passenger automobiles in the Fifth district declined somewhat more than seasonally in May in comparison with April sales, and were 51.2 per cent below sales in May 1937, the largest percentage decline in any month this year. Virginia sales in May 1938 made the best comparison with May 1937 sales, while South Carolina sales compared most unfavorably. Cumulative sales in the five elapsed months of 1938 were 47.4 per cent below sales in the first five months of 1937, Virginia with a decline of 41.1 per cent making the best record and West Virginia with a decline of 57.3 per cent the worst. The following figures, compiled by *R. L. Polk & Co.*, of Detroit, show May and five-months' registration figures for new cars in Fifth district sales:

STATES	Registration of New Passenger Cars					
	May 1938	May 1937	% Change	5 Months 1938	5 Months 1937	% Change
Maryland .....	2,532	5,179	-51.1	11,246	20,809	-46.0
Dist. of Col. ....	1,735	3,179	-45.4	7,656	13,415	-42.9
Virginia .....	3,004	5,459	-45.0	13,615	23,101	-41.1
West Va. ....	1,479	3,981	-62.8	6,675	15,634	-57.3
No. Carolina ...	2,650	5,301	-50.0	12,383	23,993	-48.4
So. Carolina ....	1,191	2,696	-55.8	6,067	12,578	-51.8
District .....	12,591	25,795	-51.2	57,642	109,530	-47.4

CONSTRUCTION: Building permits issued in 31 Fifth district cities totaling \$6,630,214 in May 1938 was 25 per cent below permits amounting to \$8,861,313 issued in April this year, and 34.9 per cent below the May 1937 valuation of \$10,178,457. Permits issued in 5 Maryland cities totaled \$1,164,416 and \$2,388,705 in May 1938 and 1937, respectively; 7 Virginia cities totaled \$1,772,306 and \$1,299,937 for the same periods; 4 West Virginia cities reported \$475,908 and \$422,074; 9 North Carolina cities showed \$1,083,510 and \$1,461,266; 5 South Carolina cities \$266,649 and \$484,340; and the District of Columbia

reported \$1,867,425 for May 1938 and \$4,122,135 for May 1937. Washington permits reached the highest valuation in May this year with \$1,867,425, Norfolk was second with \$1,257,729, and Baltimore third with \$1,073,668.

Contracts actually awarded in the Fifth district in April and May are shown in the accompanying table by states, figures from *F. W. Dodge Corporation* reports being used:

STATES	Construction Contracts Awarded					
	April 1938	April 1937	%	May 1938	May 1937	%
Maryland ....	\$ 6,550,000	\$ 5,269,000	+24.3	\$ 3,324,000	\$ 5,448,000	-39.0
D. of Col. ....	1,799,000	4,855,000	-62.9	4,611,000	5,564,000	-17.1
Virginia ....	5,593,000	10,276,000	-45.6	3,801,000	4,356,000	-12.7
West Va. ....	4,783,000	3,993,000	+21.6	2,320,000	2,139,000	+ 8.5
No. Carolina ..	4,636,000	5,895,000	-21.4	5,231,000	3,669,000	+42.6
So. Carolina ..	2,451,000	2,716,000	- 9.8	2,186,000	3,154,000	-30.7
District ....	\$25,812,000	\$32,944,000	-21.7	\$21,473,000	\$24,330,000	-11.7

Some large contracts let in the Fifth district during April and May were as follows: State Penitentiary, Roxbury, Md., \$2,000,000; Apartment House Group, Baltimore, Md., \$1,000,000; Apartment House, Richmond, Va., \$830,000; Veteran's Hospital, Roanoke, Va., \$495,000; Warehouse, Washington, D. C., \$1,000,000; College Faculty Building, Washington, D. C., \$400,000; Ohio River Flood Control Project, Huntington, W. Va., \$2,625,000; Highway Bridge, Morgan County, W. Va., \$338,000; Hydro-electric Dam, Greenwood County, S. C., \$617,000; Apartment House, Winston-Salem, N. C., \$430,000; and Apartment House, Raleigh, N. C., \$700,000.

COAL PRODUCTION: Mining of bituminous coal declined further in May, and totaled only 21,995,000 net tons, in comparison with 22,380,000 tons dug in April this year and 30,077,000 tons in May 1937. Total production this calendar year to June 1 amounting to 129,413,000 tons is 32 per cent less than 191,141,000 tons mined in the first five months of 1937. Prior to June 11, shipments of coal through Hampton Roads ports totaled 7,525,471 tons, compared with 10,085,611 tons shipped to the same date in 1937. Reserve stocks of coal held by industrial consumers decreased 4.3 per cent during April, but consumption of coal in industry declined 10.4 per cent in comparison with March. In terms of current rates of consumption, industrial stocks on May 1, 1938, were sufficient to last 42 days.

COTTON TEXTILES: Operations in cotton textiles in May continued at the very low level reached in the latter half of April, but reports indicate some improvement in early June. A number of mills which closed temporarily in late April or May have recently reopened. Moderate reductions in inventories occurred during May in the industry, and stocks of cotton goods in department and dry goods stores are lower than a year ago. Consumption of cotton by states in the Fifth district in May 1938, April 1938, May 1937, and in the first five months of this year and last is shown in the accompanying table:

MONTHS	No. Carolina			Virginia	District
	No. Carolina	So. Carolina	Virginia		
May 1938 .....	112,139	80,354	10,154	202,647	
April 1938 .....	109,676	84,296	10,182	204,154	
May 1937 .....	168,744	125,731	15,303	309,778	
5 months, 1938 .....	586,143	442,606	54,361	1,083,110	
5 months, 1937 .....	896,973	656,014	73,776	1,626,763	

Spindle activity in April registered a marked decline from that of March, falling from an average of 245 hours per spindle in place to 198 hours. South Carolina declined

from 302 hours in March to 244 hours in April, Virginia dropped from 280 hours to 206, and North Carolina from 247 hours to 203. Total spindle hours of operation in the United States declined from 6,485,416,000 hours in March to 5,265,957,000 hours in April, a decrease of 18.8 per cent. The Fifth district accounted for 52.3 per cent of total spindle hours of activity in April, the same figure as in March.

**RAYON:** The daily rate of domestic rayon yarn deliveries by producers during May is measured by 444 on the *Rayon Organon* index, compared with 445 in April and 724 in May last year, these figures being based on daily deliveries in 1923-1925. Producers' stocks of yarn at the end of May amounted to a 3.8 month's supply, based on average monthly shipments over the previous 12 months. The *Organon* states that the decline in rayon shipments in May reflected a seasonal lull between the end of the spring season and preparation for fall activities. Adjustments in rayon yarn prices were made in the latter part of May, quotations being marked down to levels which in some instances reached all time lows. The reductions were timed to take effect between seasons and when yarn stocks in the hands of converters are very low, thus minimizing yarn inventory write-downs by fabricators.

**COTTON:** Average prices for middling grade spot cotton declined during the second half of May, but rose in the first half of June, chiefly due to reports of unfavorable weather over most of the cotton belt since June 1. The average price on 10 Southern markets declined from 8.79 cents per pound on May 13 to 8.06 cents on June 3, but then rose to 8.16 cents on June 10 and further to 8.43 cents on June 17, the latest date for which official figures are available. Consumption of cotton in American mills in May was 36 per cent below May 1937 consumption, and exports declined 40 per cent in the 1938 month.

#### Cotton Consumed and On Hand (Bales)

	May 1938	May 1937	Aug. 1 to May 31 This year	May 31 Last Year
<b>Fifth district states:</b>				
Cotton consumed .....	202,647	309,778	1,083,110	1,626,763
<b>Cotton growing states:</b>				
Cotton consumed .....	355,895	558,769	4,128,553	5,572,905
Cotton on hand May 31 in				
Consuming establishments ..	1,316,307	1,473,891	.....	.....
Storage & compresses .....	9,973,762	3,478,517	.....	.....
<b>United States:</b>				
Cotton consumed .....	425,684	669,665	4,863,843	6,686,547
Cotton on hand May 31 in				
Consuming establishments ..	1,585,551	1,814,701	.....	.....
Storage & compresses .....	10,058,430	3,583,781	.....	.....
Exports of cotton .....	193,002	323,736	5,226,831	5,086,093

**TOBACCO MANUFACTURING:** The Bureau of Internal Revenue reports tobacco products manufactured in May 1938 and 1937 as follows:

	May 1938	May 1937	% Change
<b>Smoking &amp; Chewing</b>			
Tobacco, Pounds .....	25,800,026	24,639,079	+ 4.7
Cigarettes, Number .....	14,323,650,620	13,069,936,403	+ 9.6
Cigars, Number .....	417,143,506	430,628,149	- 3.1
Snuff, Pounds .....	3,120,500	2,917,691	+ 7.0

#### RETAIL TRADE IN DEPARTMENT STORES:

	Net Sales May 1938 comp. with May 1937	Net Sales Jan. 1 to date comp. with same period last year	Stocks May 31, 1938 comp. with May 31 Apr. 30 1938		Ratio May collections to accounts outstanding May 1
	Richmond (3) ..	- 5.5	+ 2.4	+ 2.5	- .1
Baltimore (8) ..	-14.5	- 4.9	- 5.8	- .8	30.8
Washington (6) ..	-10.5	- 3.9	- 5.5	- .1	26.9
Other Cities (13) ..	-17.1	- 9.4	- 2.8	-1.1	27.0
District (30) ..	-11.9	- 4.0	- 4.4	- .4	28.5
Same stores by States, with 27 stores added:					
Virginia (13) ..	- 7.9	+ 1.0			
West Va. (10) ..	-27.5	-14.1			
No. Carolina (8) ..	-14.5	- 8.1			
So. Carolina (11) ..	-18.4	-10.6			
District (57) ..	-12.8	- 4.4			

#### WHOLESALE TRADE, 179 FIRMS:

	Net Sales May 1938 comp. with		Stocks May 31, 1938		Ratio May collections to accounts outstanding May 1
	May 1937	May 1938	May 31 1937	April 30 1938	
Shoes (4) .....	- 7.8	-30.0	-38.6	-15.2	64.1
Drugs (14) .....	- 6.7	- 7.3	- 3.4	- 5.3	96.1
Dry Goods (7) .....	-25.0	- 8.1	-23.3	- 2.3	40.3
Elec. Goods (27) .....	-26.9	+ 5.2	- 8.9	- 7.1	80.4
Groceries (45) .....	-10.6	+ .4	-19.3	- 5.6	100.9
Hardware (23) .....	-25.2	- 4.4	- 2.5	- 2.6	49.0
Indus. Supplies (11) .....	-29.5	+ 4.1	- 6.8	- .9	33.5
Plumbing & Heating (19) .....	-10.2	+10.9	-16.6	- 4.2	58.9
Paper & Products (5) .....	-10.2	- 1.5	.....	.....	85.2
Tobacco Products (8) .....	- 1.9	+ 1.3	+ 7.0	- 1.6	....
Miscellaneous (16) .....	-10.1	- .1	- 1.8	- .3	69.9
All Firms (179) .....	-15.2	- 3.1	-13.3	- 5.1	67.9

Note: Wholesale trade figures are included by arrangement with the Bureau of Foreign & Domestic Commerce. Only 129 of the 179 firms reported on receivables and collections, and only 104 on stocks.

(Compiled June 21, 1938)

## SUMMARY OF NATIONAL BUSINESS CONDITIONS

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

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

### PRODUCTION

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

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

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

### EMPLOYMENT

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

### DISTRIBUTION

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

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

### COMMODITY PRICES

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

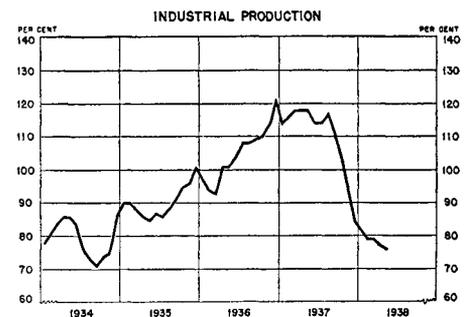
### BANK CREDIT

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

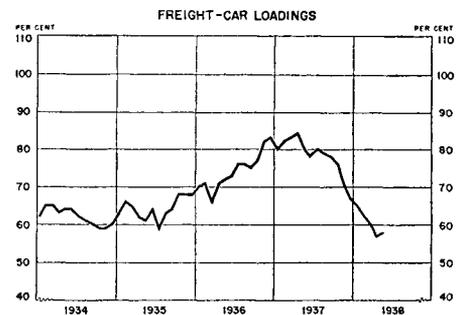
Demand deposits at reporting member banks in 101 leading cities increased further during the first half of June, and total loans and investments, which had declined in May, also increased, reflecting substantial purchases of United States Government obligations by New York City banks.

### MONEY RATES

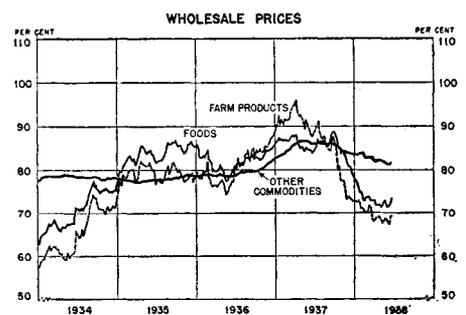
Yields on Treasury bonds declined further in the four weeks ending June 18, and those on Treasury notes reached new low levels. Rates on open-market commercial paper declined somewhat about the middle of June.



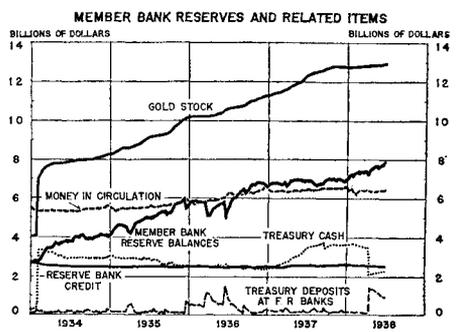
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to May 1938.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average =100. By months, January 1934 to May 1938.



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



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