

# MONTHLY REVIEW

OF

## AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

### NINTH FEDERAL RESERVE DISTRICT

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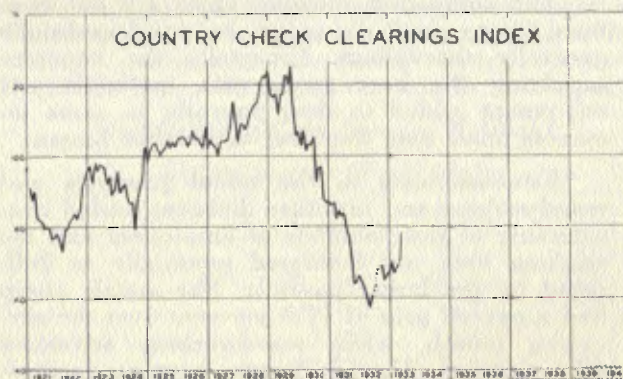
#### DISTRICT SUMMARY OF BUSINESS

The volume of business in the district continued to improve during May and early June and an increasing number of lines of activity exceeded the volume of the preceding year. Increases over last year's figures became more numerous both on account of a genuine upturn in business and because last year the volume of business was decreasing. Part of the rise in business activity is due to the transaction of business which normally would have occurred last fall. An unusually large part of the cash grain crop was held on farms beyond the normal marketing period and is now being shipped to market in heavy volume. May marketings at the Minneapolis and Duluth terminals of wheat produced in the Ninth Federal Reserve District amounted to 10,982,000 bushels as compared with 7,682,000 bushels in April and 2,718,000 bushels in May a year ago. Prices of farm products continued to rise during May, and in that month higher prices than last year's quotations were quoted for wheat, corn, rye, flax, butcher cows, feeder steers, hogs, lambs, ewes, butter, eggs and potatoes. The composite price index of Minnesota farm products was the highest in May since December 1931 but was only 49 per cent of the 1924-6 average, according to the report of the University of Minnesota. These higher prices, together with the unusually heavy marketing movement of certain products, have provided the rural portion of the district with a considerable debt-paying and purchasing power.

The daily average of bank debits at reporting cities rose from the adjusted index of 55 in April to 58 in May and in the latter month was slightly higher than a year previous. Increases in daily average debits over May 1932 were reported at Houghton, Mich., Cloquet, Crookston, Faribault, Luverne, Minneapolis and South St. Paul, Minn., Butte, Harlowton and Helena, Mont., Wahpeton, N. D., and Lead and Mobridge, S. D. During the first two weeks of June, bank debits at seventeen cities were somewhat larger than in the corresponding weeks last year, but since the volume of bank debits declined sharply in June last year from the May level, it is doubtful whether the increase over last year's figures indicates a further improvement in the adjusted bank debits index for the month of June 1933.

The adjusted country check clearings index increased from 71 in April to 79 in May, and in the latter month was at the highest level since July 1931. Figures for the first fifteen business days of June indicate that the country check clearings index is making a further advance during June, probably to the level of the winter of 1930-1931. Freight carloadings during May were 32 per cent larger than in May last year if l. c. l. shipments are omitted. The increases were particularly important in grains and grain products, ore and forest products. Miscellaneous carloadings in May were as large as in May last year. Carloadings of l. c. l. merchandise were only 8 per cent smaller in May than in the same month last year, whereas in April the decrease was 14 per cent from last year's April total.

Trade reports were better in May than in any other recent month. Country lumber sales in board feet increased by more than the seasonal percentage between April and May, and in the latter month they were 4 per cent larger than a year ago, ending the series of unfavorable comparisons with the preceding year that had prevailed since March 1930. Department store sales during May were 2 per cent larger than a year ago. This was the first time since March 1931 that the current month's figure has exceeded the total for the same month in the previous year. Increases also occurred in wholesale trade in groceries and shoes. Decreases occurred in life insurance sales, retail furniture sales and wholesale hardware sales, but the decreases from last year's totals



Country Check Clearings Index, adjusted to remove seasonal variations.



were not as great as in the months immediately preceding.

Other increases over May last year occurred in flour production and shipments, linseed products shipments, copper output and marketings of cattle and calves. Decreases occurred as compared with last year's records in electric power consumption, building permits and contracts and marketings of hogs and sheep. Business failures were not as numerous in May as in May last year.

Employment in the three largest cities of Minnesota increased by more than the seasonal amount in April and May according to the Minnesota Employment Review. Excerpts from the statement regarding April employment are quoted below:

"Nearly all lines of industry shared in the April employment rise in Minnesota cities, and for some groups the number of workers on the payrolls exceeded the totals of a year ago. The number of employees, all industries combined, in 526 Twin City and Duluth establishments reporting to the Institute increased 1.1 per cent from March to April, slightly more than the average gain for the corresponding month of the years 1929 through 1932. Payrolls advanced 0.1 per cent. The manufacturing groups separately, however, showed more substantial improvement, with an employment increase of 2.2 per cent and a payroll increase of 4.8 per cent. Factory employment during the preceding four years registered an average decline of 0.3 per cent from March to April.

"The employment total for all industries in April 1933 was 9.2 per cent below the figure for the same month in 1932, as compared with corresponding reduction of 10.4 to 10.8 per cent for each of the first three months of the year. In manufacturing, the rate of decline from last year had fallen off even more, being only 7.4 per cent in April in contrast to 11.3 and 11.4 per cent for the preceding months. The months of 1932 showed reductions in manufacturing employment ranging from 9.3 to 18.7 per cent from corresponding months of the previous year.

"The companies showing gains are not confined to any particular group, but are found quite generally throughout. Especially the concerns supplying the beer trade with materials and equipment added to their payrolls, in some instances more than doubling their labor forces.

"Establishments in the metal products and woodworking and furniture divisions added considerably to their number of employees and the working time was increased materially as indicated by the larger payrolls. The metals group had a payroll gain of 11.8 per cent over the preceding month, while woodworking advanced 17.3 per cent. These industries have made drastic reductions in number and payrolls during the depression, but showed rather significant improvement in March and April.

"All of the manufacturing groups except chemicals and drugs added employees in April, while all but paper and printing and clothing and textiles had larger payrolls. Wholesale employment remained practically constant with a slight rise in payrolls, while in retail trade there were increases for both employment and payrolls. Transportation showed some pick-up but other public utilities reported further curtailment. The small sample of construction and building concerns did not show much activity.

"The employment index for the three cities, all industries combined, stood at 65.2 in April 1933, as compared with 71.8 in April 1932, the corresponding numbers for manufacturing being 67.4 and 72.8, respectively."

Preliminary employment data for May collected by the same agency from 350 companies shows that there was a general continuation of the employment increase in the three cities during that month. Employment at these companies increased 2.2 per cent over April as compared with an average increase of 1.0 per cent between these two months in the preceding four years. Payrolls increased 5.1 per cent in May over April. The increases were more pronounced in manufacturing than in non-manufacturing enterprises. Manufacturing employment increased 3.0 per cent in May over April as compared with an average decrease of 0.6 per cent between April and May during the preceding four years. Manufacturing payrolls increased 6.8 per cent between April and May.

## DISTRICT SUMMARY OF AGRICULTURE

### Farm Income

The flow of cash to farmers in the Ninth Federal Reserve District from the sale of important products increased sharply in May and exceeded the income to farmers in the corresponding month a year ago. This is the second successive month during which this increase over last year's totals has occurred. In April the increase was 8 per cent and in May the increase was 54 per cent for the seven major farm products whose monthly income to the district is computed in our office.

The comparative record of farm income from these items during the first five months of 1933 is shown in the form of percentages in the table below. Income from grains has been larger this year than a year ago on account of the larger crops which were harvested in 1932, but in April and May the increase was accentuated by rising grain prices and heavy marketings of grain which had been held over beyond the normal marketing season last fall. Farm income from potatoes was smaller this year than a year ago until May, when heavy marketings of the old crop, together with higher prices, caused a sharp increase in the income from that source over last year's total.

The income from dairy products was consider-



ably smaller in the first four months of 1933 than in the same months a year ago, but in May the income from dairy products equalled the income from that source in the corresponding month last year. This improvement was due to a sustained volume of dairy production and higher prices. Dairy income for June is undoubtedly larger than dairy income in June last year, for there is evidence that dairy production has been maintained at about last year's level and prices of dairy products are somewhat higher. The price of butter during May which is used in computing the farmers' cream checks received during June was 18 $\frac{3}{4}$  cents per pound, as compared with 16 $\frac{1}{4}$  cents per pound a year ago.

The income from hogs was also smaller in the first four months of the year than in the corresponding months last year, but increased in May to a level higher than last year's total for the month. This increase in income was due to a rise in the median price of hogs from \$3.50 per hundredweight in April to a median of \$4.30 per hundredweight in May, which compares with a median price of \$3.00 per hundredweight in May last year. The number of hogs marketed in May was 8 per cent smaller than the number marketed in May last year.

**Farmers' Cash Income in the  
Ninth Federal Reserve District  
Per Cent of Same Month a Year Ago**

	January	February	March	April	May
Bread wheat .....	257	132	324	518	473
Durum .....	100	59	115	338	296
Rye .....	125	52	72	271	126
Flax .....	191	66	61	106	139
Potatoes .....	40	52	41	63	184
Dairy products ....	77	85	76	78	100
Hogs .....	58	79	71	79	119
Seven items .....	76	83	81	108	154

**Crop Conditions**

Winter wheat and rye production prospects on June 1 in the Ninth Federal Reserve District and the United States as a whole, despite a slight improvement in winter wheat prospects during May, were highly unsatisfactory, according to the report issued by the United States Department of Agriculture. The winter wheat production forecast for the three states producing winter wheat in the Ninth Federal Reserve District, Minnesota, Montana, South Dakota, was only about 60 per cent of the estimated 1932 production and was somewhat smaller than the average of the last ten crops harvested, although the sown acreage was 63 per cent greater than the ten-year average acreage harvested. This was true in spite of the fact that the ten-year average production includes the drouth years of 1931 and 1930, as well as small crops of 1926 and 1925. The winter wheat forecast for the entire United States was 341,000,000 bushels. This was only 74 per cent of the short crop harvested last year, was only 60 per cent of the average of the last ten crops harvested, and was smaller than production estimates for any year since 1904, when the winter wheat crop was estimated at 333,000,000 bushels.

The rye production forecast for the Ninth Federal Reserve District was a little larger than the harvested estimates for 1931 and 1926, but with those two exceptions, was smaller than in any year since rye became an important grain in our district at the time of the beginning of the World War. The June forecast was about 68 per cent of the ten-year average. For the United States as a whole, the June 1 forecast of 30,374,000 bushels was much smaller than the ten-year average production and was smaller than the estimated production in any of the last thirty-four years. The United States rye harvest in 1899 was 30,334,000 bushels.

The condition of spring sown grains throughout the Ninth Federal Reserve District was quite favorable on June 1 and reports received by this office during the first half of June indicated that crop conditions continued favorable during the first two weeks of the month. Since the middle of June, however, severe deterioration has occurred in the condition of all kinds of farm crops. Record-breaking temperatures accompanied by hot dry winds have greatly reduced the possible yields of practically all crops grown in Minnesota, Montana and North and South Dakota.

The unusually favorable weather conditions existing prior to the middle of June (moderate temperatures and frequent rains) caused the crops to be in an especially succulent stage of development, with the result that the heat wave did much more damage than would have been the case had less moisture fallen in the late spring. The speed with which the weather has reduced our crop prospects from "excellent" to "fair, or less" in June is greater than in any year since 1911, according to the Agricultural Statistician for the State of Minnesota.

The extremely high temperatures which have prevailed have caused very rapid development of corn, which has suffered less than any of the other crops.

**Cold Storage Holdings**

The United States cold storage situation became somewhat less favorable to the producer during the month of May. Cold storage holdings of pork and lamb and mutton showed an unseasonal increase. Holdings of beef failed to decline according to the seasonal expectancy. Stocks of butter increased 25,000,000 pounds during the month, as compared

**United States Cold Storage Holdings**

(In thousands of pounds)

	June 1 5-year Average	June 1, 1932	June 1, 1933
Beef .....	50,238	35,655	30,373
Pork .....	817,787	795,866	667,955
Lard .....	143,260	128,103	110,381
Lamb and mutton.....	2,353	1,018	1,843
Butter .....	31,803	29,160	34,555
Poultry .....	45,372	44,829	38,096
Eggs* .....	10,024	8,094	10,457

\*Thousand cases.



with the average increase of 19,000,000 pounds in May. Nevertheless, on June 1 stocks of all of the major products in cold storage were lower than a year ago, with the exception of lamb and mutton, butter and eggs, and all commodities were held in smaller quantities than the five year average for June 1, with the exception of butter and eggs.

### Cattle Marketings

Cattle receipts at South St. Paul were considerably larger during May than in the preceding month, were much larger than in May last year, and were larger than in any May since 1926. Receipts of calves were also larger in May than in April or in May last year. Median prices paid for cattle, as computed in this office, were higher for all classes in May than in April, and on the average were about equal to prices paid a year ago, despite the heavier receipts. Prices paid for butcher cows and heifers, and for feeder and stocker steers were higher in May this year than in May last year.

Beginning with the last week in May and continuing through the first two weeks of June, the receipts of cattle showed further increases which, together with the effect of the unseasonably high temperatures on the demand for dressed beef, resulted in price declines. During the week ending June 15, prices averaged only slightly higher than the first week of May. The quality and condition of the South St. Paul receipts during May and the first half of June have been exceptionally good. Heavy, long-fed cattle were included in the receipts in unusually large numbers, and were rapidly sold. Prices for choice heavy cattle have declined less than those for other slaughter cattle.

At the beginning of May, feeder and stocker cattle were in strong demand and the fairly liberal receipts of good to choice feeders were quickly absorbed at rising price levels. The demand for feeders continued during the month, but the supply diminished, resulting in relatively stronger prices for feeders than for slaughter cattle, both during the month of May and during the first two weeks of June.

### Hog Marketings

Hog receipts at South St. Paul during May were a little larger than in April but were 8 per cent smaller than in May, 1932. During the first five months of 1933, hog receipts at South St. Paul were only 69 per cent of receipts in the same period last year. At the seven principal hog markets in the United States, however, receipts were larger in May than a year earlier, and the five month receipts total was 81 per cent of 1932.

During the first three weeks of May, hog prices rose rather rapidly, the greatest rise occurring during the week ending May 18, when the average price rose from \$3.76 per hundredweight to \$4.62. Shortly after May 18 prices eased off somewhat and for the remainder of the month held steady, but have sagged further during the first two weeks of June. On June 15, however, they were still 10 per cent higher than they were at the beginning of May. One of the important causes of the higher level of hog prices is the prospect of further declines in hog marketings during the second half of the year. Throughout the period under review, the proportion of packing sows received steadily increased, resulting in raising the average weight of the hog receipts from 242 pounds on May 4 to 277 pounds on June 15.

### Cattle Feeding Profits

Owing to the recent broadening of demand for heavy steers at South St. Paul, the margin of profit from feeding operations has materially widened, according to our computations of steer feeding costs. In our computations, costs of feeder and feedstuffs are charged at prices prevailing at the beginning of a five month feeding period. Subsequent market declines or advances in the prices of feedstuffs utilized do not affect the calculated gross return from the transaction.

During May, cattle purchased five months before were marketed in finished condition at prices a little more than double those paid for them as feeders, resulting in a wider profit margin than has been

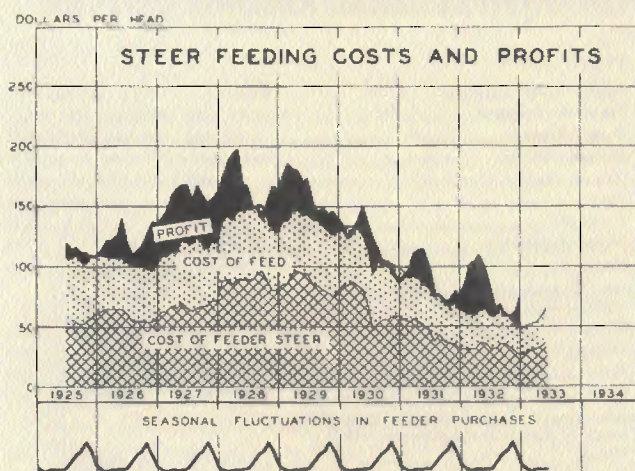
### Cattle Feeding Costs and Profits

Feeding Period		Cost of 900 lb. Feeder Steer*	Cost of Feed- stuffs*	Sale Price of 1,200 lb. Butcher Steer	Profit†
June	1932—November 1932	\$31.50	\$27.31	\$84.00	\$25.19
July	1932—December 1932	29.25	28.23	66.00	8.52
August	1932—January 1933	36.00	27.88	69.00	5.12
September	1932—February 1933	36.00	26.37	60.00	—2.37
October	1932—March 1933	31.50	24.23	60.00	4.28
November	1932—April 1933	29.25	24.00	63.00	9.75
December	1932—May 1933	27.00	22.79	75.00	25.21
January	1933—	29.25	22.32	....	....
February	1933—	31.50	22.03	....	....
March	1933—	31.50	23.14	....	....
April	1933—	33.75	25.76	....	....
May	1933—	38.25	28.50	....	....

\*Five months prior to sale of butcher steer.

†Loss indicated by (—).





Steer Feeding Costs and Profits in the Northwest, based on market prices of live stock and feed.

realized since last November. During May for the sixth successive month the combined market value of feeder steer and feedstuffs rose, but in spite of this, the total cost of a 900 pound feeder steer and a five months supply of feedstuff was less than it has been at any time since this study was undertaken in 1925, with the exception of the last eighteen months.

The figures given on the preceding page are published as a supplement to those given in our November 1932 issue on page 277.

### DISTRICT SUMMARY OF BANKING

Banking conditions in the district have improved materially, according to the latest available reports. This improvement has occurred both at country banks and at city banks, and is reflected in rising deposits, increasing balances due from banks and declining borrowings. The improved banking situation is definitely related to the increase in farm income and the rise in industry and business activity which has occurred during the past two months.

Country member bank deposits in cities with less than 15,000 population increased \$4,000,000 between the daily average for April and the daily average for May. While this increase was only 2 per cent, it was significant since usually at this time of year bank deposits in the rural portion of the district are declining. In fact, only once before in the ten years for which records are available have rural bank deposits increased between April and May. That one occasion was in 1928, and the increase was less than \$1,000,000. The increase this year was very general throughout Minnesota, Montana and North and South Dakota. The significance of this rise in rural bank deposits is in the direction of the trend rather than the magnitude of the move-

ment, for country member bank deposits in May were 26 per cent below the totals of May last year, partly on account of withdrawals of deposits and partly because a number of member banks have not reopened on an unrestricted basis after the bank holiday.

The rise in country bank deposits during May and the payment of real estate taxes on May 31 afforded country banks an opportunity to build up their balances with correspondent banks and to pay off some of their borrowed money. Balances carried for country banks by city member banks making weekly reports to this office, increased from \$63,000,000 on May 17 to \$78,000,000 on June 14. On the latter date, these country bank balances were \$21,000,000 larger than a year ago. Borrowings by country member banks from this Federal Reserve Bank decreased from \$7,600,000 on May 17 to \$6,000,000 on June 14. This reduction in borrowings was directly contrary to the seasonal trend at this time of year, for usually country banks in the district are experiencing a shrinkage of deposits and an increase in the demand for accommodation during the period from mid-winter to the time of harvest. Country bank borrowings from the Federal Reserve Bank were \$4,000,000 smaller on June 14 than a year ago.

City member banks experienced an increase of \$24,000,000 in deposits during the four weeks ending June 14 and on that date their deposits were \$3,000,000 larger than a year ago. Part of the increase in deposits during the four-week period was the rise in balances due to country correspondent banks, which was described above. Another portion of the increase, amounting to \$8,000,000, was in public demand deposits following the payment of real estate taxes. Other demand deposits increased \$7,000,000 and time deposits decreased \$5,000,000 during the four weeks.

This increase in deposits was accompanied by a small increase of less than \$3,000,000 in investments. Loans to customers remained practically unchanged. Almost all of the deposit increase was converted into balances carried with eastern correspondent banks, which increased \$22,000,000 during the four weeks. On June 14, cash and balances due from banks reported by city member banks in the district were \$43,000,000 larger than a year ago and were higher than the average of this item for the entire period covered by our records. On the other hand, loans to customers were \$31,000,000 smaller than a year ago and investments were \$7,000,000 smaller than a year ago. Interest rates charged on prime loans by Minneapolis banks declined slightly between May 15 and June 15, and on the latter date they were about one-fourth of one cent lower than on the same date last year.







COMPARATIVE STATISTICS OF BUSINESS IN THE NINTH FEDERAL RESERVE DISTRICT  
(Continued)

			Per Cent May '33 of May '32				Per Cent May '33 of May '32
<b>Investment Dealers</b>	May '33	May '32	May '32	<b>Interest Rates<sup>1</sup></b>	May '33	May '32	May '32
Sales to Banks.....	654,900	1,766,100	37	Minneapolis Banks.....	4½-4¾	4¾-5	
Sales to Insurance Companies.....	145,700	140,700	104	Commercial Paper (net to borrower)...	2½	3¼	
Sales to General Public.....	2,429,500	2,563,900	95	Minneapolis Fed. Res. Bank.....	3½	3½	
<b>Wholesale Trade</b>				<b>Selected City Member Banks</b>	June 14, '33	June 15, '32	
<b>Groceries—</b>				Loans to Customers.....	\$159,218,000	\$190,736,000	83
Sales.....	\$ 2,933,750	\$ 2,781,220	105	Other Invested Funds.....	136,915,000	143,551,000	95
Stocks.....	4,951,000	5,006,090	99	Cash and Due from Banks.....	134,428,000	91,558,000	147
Receivables.....	3,832,010	3,908,580	99	Deposits Due to Banks.....	77,669,000	56,636,000	137
<b>Hardware—</b>				Public Demand Deposits.....	28,305,000	40,737,000	69
Sales.....	\$ 1,109,390	\$ 1,143,380	97	Other Demand Deposits.....	138,027,000	132,809,000	104
Stocks.....	2,226,260	2,602,140	86	Time Deposits.....	135,807,000	144,106,000	94
Receivables.....	1,293,610	1,465,460	88	Total Deposits.....	380,083,000	377,413,000	101
<b>Shoes—</b>				Borrowings at Fed. Res. Bank.....	0	731,000	0
Sales.....	\$ 242,240	\$ 174,720	139	<b>Minneapolis Federal Reserve Bank</b>			
Stocks.....	584,360	604,930	97	Loans to Member Banks.....	6,099,000	10,537,000	58
Receivables.....	543,170	529,470	103	Twin Cities.....	68,000	0	....
<b>BANKING</b>				Minn., Wis. and Mich.....	2,670,000	4,142,000	64
<b>Member Bank Deposits</b>				N. Dak. and Mont.....	1,199,000	3,182,000	38
In Cities Over 15,000 pop.....	\$355,975,000	\$399,471,000	89	South Dakota.....	2,162,000	3,213,000	67
In Cities Under 15,000 pop.....	235,715,000	317,467,000	74	Fed. Res. Notes in Circulation.....	39,981,000	74,510,000	121
Michigan—15 Cos.....	36,803,000	57,868,000	64	Member Bank Reserve Deposits.....	42,656,000	41,747,000	102
Minnesota.....	98,233,000	126,127,000	78				
Montana.....	34,006,000	41,479,000	82				
North Dakota.....	24,496,000	31,628,000	77				
South Dakota.....	30,494,000	37,974,000	80				
Wisconsin—26 Cos.....	11,633,000	22,391,000	52				

<sup>1</sup>Daily Averages.<sup>2</sup>Latest Reported Data.

## BANK DEBITS

Number of Business Days:	May 1933	April 1932	May 1932	April 1932				
Minnesota.....	26	24	25	26	<b>Montana</b>			
South Dakota.....	25	25	24	26	Anaconda.....	\$ 826	\$ 672	\$ 1,016
All Other States in District.....	26	25	25	26	Billings.....	4,544	4,026	4,813
					Bozeman.....	1,228	1,410	1,535
					Butte (2 Banks).....	6,840	5,407	6,226
					Deer Lodge.....	574	677	765
					Glendive.....	626	495	741
					Great Falls.....	7,668	5,559	9,154
					Harlowton.....	210	157	186
					Havre.....	886	733	1,061
					Helena.....	5,606	5,349	5,010
					Kalispell.....	1,110	933	1,378
					Lewistown.....	984	853	1,212
					Malta.....	391	339	549
					Miles City (1 Bank).....	816	790	815
					<b>North Dakota</b>			
					Bismarck.....	8,950	9,329	8,741
					Devils Lake.....	834	760	991
					Dickinson.....	814	746	883
					Fargo.....	9,892	9,354	11,672
					Grafton.....	340	302	350
					Grand Forks.....	2,663**	2,360**	4,338
					Jamestown.....	1,283	1,265	1,341
					Mandan.....	795	605	873
					Minot.....	3,616	3,085	4,324
					Valley City.....	699	651	778
					Wahpeton.....	638	620	654
					Williston.....	476	463	869
					<b>South Dakota</b>			
					Aberdeen.....	2,958	2,672	3,439
					Brookings (1 Bank).....	642	488	642
					Deadwood.....	646	607	797
					Huron.....	2,692	2,497	3,234
					Lead.....	1,818	1,262	1,371
					Madison.....	591	499	652
					Milbank.....	391	288	394
					Mitchell (2 Banks).....	1,667	1,643	2,048
					Mobridge.....	467	362	414
					Pierre.....	971	758	1,053
					Rapid City.....	1,517	1,324	2,560
					Sioux Falls.....	11,098	10,914	10,965
					Watertown.....	1,734	1,543	2,265
					Yankton.....	1,196	1,202	1,421
					<b>Wisconsin</b>			
					Chippewa Falls.....	1,247	1,223	1,399
					Eau Claire.....	4,009	3,882	4,789
					Hudson.....	190*	177*	393
					La Crosse.....	5,456	5,191	7,318
					Merrill (1 Bank).....	295	220	772
					Superior.....	2,639	2,297	3,984

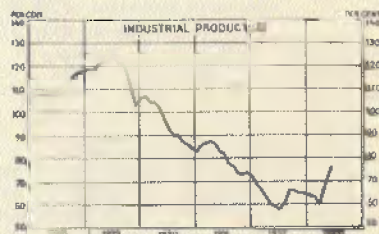
\*Figures for a smaller number of banks.

\*\*Including one bank operated by a conservator.



## Summary of National Business Conditions

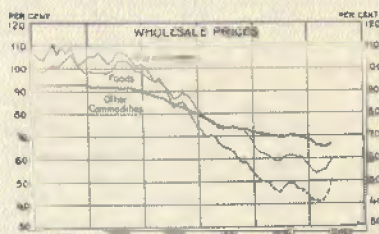
(Compiled June 22 by Federal Reserve Board)



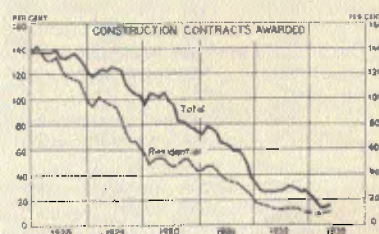
Index number of industrial production, adjusted for seasonal variation. (1923-1925 average = 100.)



Indexes of factory employment and payrolls, without adjustment for seasonal variation. (1923-1925 average = 100.)



Indexes of the United States Bureau of Labor Statistics (1926 = 100).



Indexes based on three month moving averages of F. W. Dodge data for 37 Eastern States, adjusted for seasonal variation. (1923-1925 average = 100.)

Industrial activity increased rapidly in May and the early part of June, and there was an advance in the general level of commodity prices. Prices of raw materials traded in on organized exchanges showed wide fluctuations, and a general rapid upward movement, while prices of other commodities as a group showed relatively little increase.

**PRODUCTION AND EMPLOYMENT:** The volume of industrial production, as measured by the Board's seasonally adjusted index, increased from 67 per cent of the 1923-1925 average in April to 76 per cent in May, as compared with 60 per cent in March 1933. Operations at steel mills continued to increase in May and the early part of June, contrary to seasonal tendency, and in the week ending June 24 activity was reported at about 50 per cent of capacity. Output of the automobile industry was larger in May than in April and, according to trade reports, has increased further in June, although a decline is usual at this season. Lumber output in May showed a considerable increase from previous low levels. Activity at textile mills increased sharply to a higher level for the season than in any other month since November 1929; and the output of shoe factories in May was larger than in May of any previous year.

Employment in manufacturing industries increased considerably between the middle of April and the middle of May, and the Board's index, which is adjusted to allow for seasonal variations, advanced from 58 per cent of the 1923-1925 average to 61 per cent. Factory payrolls increased by a larger percentage, to about 42 per cent of the 1923-1925 average.

The value of construction contracts awarded during May and the first half of June, as reported by the F. W. Dodge Corporation, showed a non-seasonal increase from the extreme low levels prevailing earlier in the year.

**DISTRIBUTION:** Freight traffic increased from April to May by more than the seasonal amount, reflecting chiefly larger shipments of miscellaneous freight and merchandise. Department store sales, which had increased substantially from March to April, showed little change in May.

**WHOLESALE PRICES:** Wholesale commodity prices, as measured by the weekly index of the Bureau of Labor Statistics, advanced from 60.3 per cent of the 1926 average in the week ending April 15 to 64.5 per cent in the week ending June 17. This increase reflected a rapid rise in the prices of commodities traded in on organized exchanges, including wheat, cotton, wool, hides, lard, sugar, silk, rubber and non-ferrous metals, and also in the prices of flour, textiles, and leather; while prices of petroleum were reduced and most other prices, showed relatively little change.

**FOREIGN EXCHANGE:** The value of the dollar in the exchange market declined by 18 per cent between the middle of April and June 21. On the latter date, the noon buying rate on cable transfers for the French franc was 4.81 cents, as compared with a gold par of 3.92 cents; and the English pound was quoted at \$4.16, as compared with a rate of \$3.41 on April 12.

**BANK CREDIT:** A return flow of \$156,000,000 of currency from circulation and purchase of \$118,000,000 of United States Government securities by the Reserve banks placed a considerable volume of Reserve funds at the disposal of member banks during the five weeks ending June 21. These funds were used in part to reduce further the member banks' indebtedness to the Reserve banks and the Reserve Banks' holdings of acceptances, and in part were added to the member banks' reserve accounts.

Loans and investments of member banks in 90 leading cities increased by \$175,000,000 in the four weeks ending June 14, representing chiefly a growth of security loans and other loans at New York City banks. Loans to brokers and dealers in securities made by New York City banks increased by \$160,000,000 during the period, while security loans to other customers declined. Net demand deposits at the reporting banks increased by over \$500,000,000, reflecting in part a further growth of bankers' balances, principally in New York City.

Money rates in the open market continued to decline during the period and in the middle of June were only slightly above the lowest levels of recent years.

On May 26, the discount rate of the Federal Reserve Bank of New York was reduced from 3 to 2½ per cent and in the following three weeks rates were lowered from 3½ to 3 per cent at the Federal Reserve Banks of Chicago, Boston, San Francisco, Philadelphia, St. Louis and Cleveland. At the other Federal reserve banks a rate of 3½ per cent prevails.