

United States Monthly Economic Cable January, 1937

Washington, D. C. February 16, 1937.

General

General business during January declined moderately from December as a result of the floods in the Ohio Valley and labor disputes in the automobile and other industries which tended to retard production and distribution. Indexes of industrial output and freight traffic for January were below the December figures because of the foregoing obstacles and shifting seasonal influences. The steel industry, however, maintained its high rate of output during January notwithstanding the drop in automobile assemblies; textile mill output remained high and consumers goods industries generally reacted to the stimulus resulting from the continued rise in income and upward trend in prices; and durable goods industries, in which demands are influenced mainly by long term considerations, have a large volume of orders on hand. The expansion in consumer income during December was an extension of the upward movement evidence, throughout the year in both farm and urban areas.

The Department of Agriculture estimates total cash income from agricultural products in 1936 at \$8,100,000,000 compared with \$7,200,000,000 for the same period last year, and the farmers share at \$5,300,000,000, or 17 per cent above the same period 1st year and only 7 per cent below 1929. In terms of purchasing power, this amount exceeded the 1929 total because prices of goods purchased by farmers came nearly 20 per cent lower.

January advances in wholesale commodity prices were less general and more irregular than the December advances. The index of raw materials advanced more than twice as much as the index of finished products and the index of semi-manufactures rose even more rapidly than raw materials. The widest advances shown for December and the first half of January were in farm products, chemicals and drugs, and hides and leather. Large gains were also made in the price indexes of building materials, foods, and metals and metal products. Practically all farm products showed marked substantial price increases. The domestic trade was marked by sustained high level of general business activities and the improved position of the farm population despite the effects of the Ohio valley and Mississippi floods.

The trend of employment was upward throughout the last year with the net gain for the number of persons at work exceeding any of the three preceding years. Payrolls were also higher in December and employment in manufacturing industries reached the highest figures reported since January 1930.

Financial

The Seventy-fifth Congress now in session passed a bill, approved January 23, extending until June 30, 1929 the powers conferred upon the President by the Gold Reserve Act of 1934, granting him authority to reduce the gold content of the dollar by not more than fifty per cent as originally provided by the amend-

ment to the Emergency Farm Relief Act of 1933. Money markets were more interested, however, in the President's budget message to Congress on January 8, reporting that "the 1938 budget is in balance and except for the debt reduction of \$401,500,000, it will remain in balance even if later on there are included additional expenditures for recovery and relief".

Stock prices moved upward during January with the most pronounced rise in industrial shares, which reached new high levels for the recovery period. Utility stocks also advanced and bond prices have remained firm, while continued low interest rates sustained the high grade issues.

Construction

The construction industry is entering 1937 with relatively favorable prospects and activities at about 65 per cent of the pre-depression average, but construction costs are still relatively high, having advanced further in the past year. While the largest gain was in residence construction, industrial construction made a faster pace. With operations in many lines of industries approaching capacity and with sharply rising corporation profits, the upward movement in industrial construction seems likely to be extended. The rapidly mounting output of electric power is also a factor tending to increase expenses of industrial equipment.

Freight Movement

The volume of freight carried by railroads was seasonally lower January than in December but car loadings were 20 percent larger than in the same period last year and seven percent below the 1930 average. The volume of railroad traffic has now reached a point where demands for new equipment are insistent and prospects of increased traffic through the current year have caused railroads to place large orders for new rolling stock. Two major factors influencing the immediate financial outlook of carriers are the alteration of the rate structure on January one, through the elimination of emergency freight charges, and the plans of the Railroad Brotherhood to request a 20 percent wage increase. The Interstate Commerce Commission is now holding hearings of the railroads' petition for an upward revision of the permanent rate structure.

Automotive

Labor disputes affected a sharp reduction in the output of automobiles during January. Factory sales of automobiles during 1936 totaled 4,455,000 units exceeded only once before, in 1929. Production of commercial cars alone was the highest on record.

Output in the tire manufacturing industry has maintained a high level, with prices advancing 6 per cent in mid-January. This price advance is the third in less than a year and follows the sharp rise in the crude rubber market as a result of tightening supplies and continued consumption. While total world stocks of crude rubber appear much reduced.

Lumber

Activity in lumber industry showed a marked expansion during the year, with production of all types increasing 26 per cent over the same period last year and shipments and orders received were 24 and 27 per cent higher, respectively. Total lumber consumption for the year was placed at 22,500,000,000 board feet, an increase of 23 per cent over the previous year and 71 per cent over 1932. Exports were five per cent, building and construction, 33 per cent, railroad consumption 18 per cent, and other manufactures 8 per cent.

Iron and Steel

Iron and steel production continued at a high rate into the new year with the volume of orders from major steel consuming agencies increasing during December but orders for machine tools were outstanding in their advancement in spite of rising prices. Further price advances have been made in various finished steel products also and scrap prices have advanced to the highest level in more than ten years.

Textiles

All textile fibers, with the exception of silk, were consumed in greatly increased quantities during December and prices of both fibers and fabrics rose steadily, but no data are available to determine the increase of stocks on hand with producers and distributors as a result of the high production rate and increased prices. The seasonally adjusted textile production index for December was 140 compared with 100 during the 1923-25 period. In the rayon industry, manufacturers' deliveries in December recorded a marked gain although still below the recorded high level of last August. Mill operations have been at full capacity. The total output of rayon yarn and staple fibers in 1936 recorded a gain of about 10 percent over the same period last year, while domestic consumption was approximately 25 per cent above the same period 1st year, the difference being accounted for by increases in imports and decline in producers stocks.

Fruits and Vegetables

The West Coast reports that during December dried fruit shipments were particularly affected by strikes although at present there are but a few tons of apricots in growers hands, and these were being held at an average of 11 to 12 cents per pound with 14 cents asked. At least 4,000 tons of dried figs are being diverted to use for making by-products. Comparatively small holdings of dried peaches are in growers hands and prices are from 6 to 7 and a half cents per pound, while market quotations range from 8 to 10 and one-fourth cents. Prunes, in spite of strike effects, are well cleaned up with growers holdings estimated at about 35,000 tons. Raisins have shown considerable activity during strike days and although some 3,500 tons of seedless remain in growers hands, Muscats and Sultans are almost completely cleaned up. All fresh fruits and vegetables have been subjected to the most severe December weather ever recorded in California, but the exact amount of frost damage is yet undetermined. The loss on citrus fruits is estimated at from 15 to 25 per cent in quantity but, because of heavy production, prices may not be greatly affected.

DYR, Director

Bureau of Foreign & Domestic Commerce.