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Fluctuations in various fields of trade and industry in this district were unusually great in 1938, but the year closed with business generally in a much better position than at mid-year. In several lines production and sales were higher than at the close of 1937. Recent gains, however, were insufficient to make up for the low level of output in the first six months, so that for the entire year sizable declines in most lines were apparent from the previous twelve months. The year 1938 will be regarded generally as a poor business year—chiefly one of adjustment and recovery. Inventories have been liquidated, particularly in the finished and semi-manufactured goods fields.

Employment also has shown improvement recently, but not commensurate with the production gains. Payrolls, however, have expanded more rapidly, whereas at the close of 1937 employment was still being maintained in some lines at a higher level, in relation to the year's peak, than production. The rise in activity in the last half of 1938 was accompanied by only moderate gains in employment, but greater increases in the number of hours worked by those employed. As a result, the number employed in November, in most industries, was less than at that time in 1937. The accompanying chart shows the monthly index of Ohio industrial employment in 1937, and 1938 through November. In the latest month it was still 12.5 percent behind the previous year. In Pennsylvania, employment was still down 13 percent, and payrolls 10 percent, from 1937. Working time averaged nearly 35 hours per week, compared with 33 in November 1937, but total man-hours were down 14.5 percent from the preceding year.

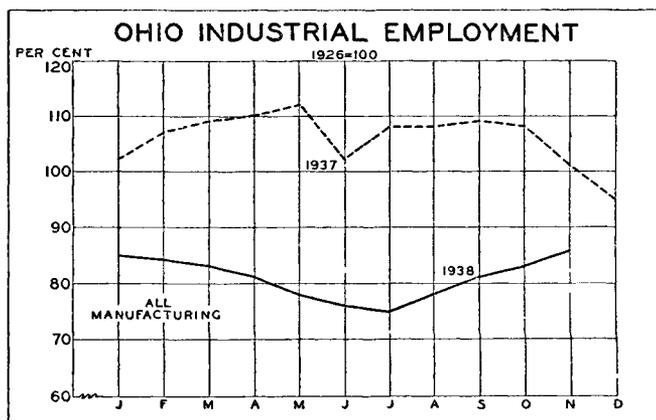
In the first half of December, demand for goods both from producers and distributors remained at a fairly high level, although in some circles seasonal year-end influences began to appear. Retail sales increased more than seasonally in November and continued to rise in December. In the two weeks ended December 17, department stores in leading cities experienced a gain of 2.4 percent over the comparable period of 1937. The seasonally adjusted index of department store sales in this district rose 14 points from the low in May to November. At the same time inventories were reduced until October when a slight gain occurred. Dollar value of stocks was 16 percent under last year at this time. Debits to individual accounts at banks in leading cities in the four weeks ended December 21 were within

3.6 percent of the corresponding period of last year, but large decreases early in 1938 made the cumulative volume 20 percent smaller than in 1937.

Changes in industrial activity in this area in many lines were largely a reflection of developments in the automobile field. With operations rising from lower-than-average levels in the first part of 1938 to the highest point of the year in November and December, the improvement in the period has been quite marked. Steel mill activity, which was below the national average in most local centers early in the year, was above that figure since September except in Pittsburgh. Rubber factories showed marked recovery; shoe production at the year end was in excess of 1937; and clothing plants were active; glass factories, makers of electrical equipment and machinery, and pottery plants also showed considerable improvement, but less than in other lines.

Activity in the construction field increased to a level where contracts awarded were larger than since 1930, although for the entire year operations were slightly behind 1937. Publicly-financed construction accounted for much of the improvement, but residential work increased considerably in the closing months of the year.

Despite larger-than-usual crops, farm income in 1938 in this area was somewhat less than in 1937 because of low farm prices. Feeding of grains, instead of marketing them, is more prevalent than usual in this district.



Source—Ohio State University, Bureau of Business Research

FINANCIAL

Developments at the Federal reserve bank during the latter part of November and the first three weeks of December were of little significance. Rediscouinting increased slightly, but other earning assets remained unchanged. Federal reserve notes in circulation rose seasonally before Christmas to \$434,545,000 on December 21, but were \$10,000,000 below the corresponding date a year earlier.

Condition statements of weekly reporting member banks in leading cities of the fourth district also showed little change in assets or liabilities during the four weeks ended December 21, except as they reflected participation by these banks and their customers in the fourth quarter financing program of the Federal Government. Miscellaneous loans increased slightly, but commercial, agricultural, and industrial loans were practically unchanged. Miscellaneous security investments also remained at the same level as in November, but United States Government obligations, after falling slightly in the preceding three weeks, rose from \$791,000,000 on December 14, to \$817,000,000 on December 21.

Commercial, real estate, and stock purchase loans of weekly reporting member banks have all declined slowly, but steadily during 1938, as repayments exceeded new borrowings. There was some increase in holdings of securities guaranteed by the United States Government, but until the effects of the December 15 financing were reflected in the banks' condition reports, holdings of direct obligations of the Government showed little net change. Miscellaneous security investments were increased somewhat from May through September, but since then have fallen off slightly. Reserves of all member banks in this district were approximately 61 percent in excess of requirements early in December, compared with 25 percent at the beginning of the year. Most of the increase was due to the reduction of reserve requirements in April. Since that time excess reserves have fluctuated between 48 and 67 percent, declining abruptly when the Treasury sold new securities and then slowly regaining former levels as funds were paid out through governmental operations and deposited by individuals and business enterprises in their local banks. Adjusted demand deposits of weekly reporting member banks, after declining steadily from the middle of 1937 through the first three months of 1938, increased from \$989,000,000 on April 6 to \$1,140,000,000 on December 21. Time deposits remained at almost the same level throughout the year.

MANUFACTURING, MINING

The iron and steel industry, which in the first half of 1938 operated at the lowest levels since 1934, entered a period of rather remarkable recovery at mid-year, equaled 1937 in late October so far as weekly operating rates were concerned, and continued to show gains until mid-November. At that time seasonal movements were apparent and some contraction developed, but in eleven of the past fifteen years, December output has been less than in November. Despite the marked recovery in the fall months, operations for the entire year will average higher than in 1934, but somewhat under intervening years. With December estimated, 1938 steel ingot production was close to 28,000,000 tons; in 1937, despite the contraction in the fourth quarter, slightly more than 50,000,000 tons were made. Pig

iron production was about half as great in 1938 as in the preceding year, but in December 121 furnaces were active against 93 in December 1937. The low point was 67 in June. The contrasting movements in the steel industry in 1938 with the previous year are evident in the accompanying chart of the weekly national operating rate in the past four years.

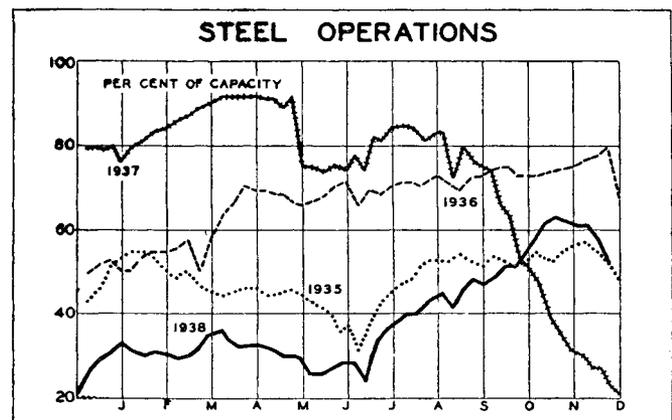
Fluctuations in operations at fourth district steel centers were great; most local mills averaged less than the national rate in the first half of the year, but, with the exception of Pittsburgh, rose above that average in the last six months. The automobile industry was chiefly responsible for this situation. Early in the year, in addition to low assembly rates, it was working down inventories. In the last six months new model requirements and advance buying of sheet and strip steel at reduced prices further increased operations. Because of the unforeseen demand for new cars, more of this steel has been consumed than was expected would be used by this time, and some reordering of these products at higher present prices has been reported.

While steel production in the first half of December tended to level off at about the rate of late November, averaging close to 60 percent, holiday conditions and desire of consumers to limit inventories over the year end account largely for cessation of the steady rise in production in previous months. In the pre-holiday week the rate dropped to 52 percent, but a year ago it was 22 percent.

In the Cleveland-Lorain district, operating rates up to December 17 were lower than in November, ranging from 72 to 59 percent of capacity. The same was true of the Pittsburgh district, the range there being from 47 to 51 percent. Youngstown reduced output from 65 to 56 percent. These rates were all materially higher than last year at this time.

Automotive needs have increased recently as assemblies passed 100,000 cars per week, but much of the steel for these was ordered several weeks ago, and large shipments have been made since all steel bought at the lower October prices was supposed to be delivered before the year end.

Railroads have come into the market more actively in the past few weeks than at any previous period this year, placing moderate tonnages of rails and some cars and locomotives. Freight car awards in November totaled 1,232, compared with 2,537 in October. Various programs are under consideration for rail and car buying, but these are still in the planning stage.



Pig iron production in November was the largest since October 1937, with an increase of 10.6 percent in total tonnage, and 14.3 percent in daily average production over the previous month. Total output was 2,286,530 gross tons, a gain of 14 percent over last year. Total for eleven months is 16,676,814 tons, compared with 35,205,665 tons in the corresponding period of 1937.

Steel ingot production in November was 3,572,220 gross tons, compared with 3,117,934 tons in October. Operations averaged 62.05 percent of capacity, compared with 52.45 percent in October. For the eleven months this year, output was 24,696,092 tons, compared with 48,029,886 tons in the same months of 1937.

For the first time this year, November iron ore consumption exceeded the like month of 1937. A gain of 15.2 percent was reported. Despite the fact that during the entire Lake shipping season ore transported totaled only 19,263,000 gross tons, a drop of 69 percent from the previous year, and the smallest volume since 1933, stocks of ore on hand at lower Lake ports and furnaces to carry through the winter months was 37,456,000 tons. This was within 15 percent of the amount on hand a year ago. At the rate ore was consumed in November, enough was on hand to last nearly twelve months.

Coal Conditions in the coal industry improved slightly as the year progressed. Inventories were reduced generally, and many mines in this district in December were operating at the highest levels of the year. In some sections mines were working five days a week, and output in November and December rose above last year at that time, but then a contraction was well under way. Despite recent gains, output in 1938 for the entire country was approximately 25 percent less than in 1937, and in the fourth district, which accounts for about one-third of the national total, the drop up to December 1 was 29 percent. In November, local mines turned out 13,118,000 tons, which was 0.5 percent greater than in the comparable period of 1937. The increase over October was slightly more than seasonal, partly because Lake shipments of coal held up quite well. In the last month of the shipping year they were 22 percent larger than in November 1937, although for the entire season they were down 23 percent from the previous year.

While industrial coal stocks have increased seasonally this fall, the gain has been exceeded by the rise in consumption. Total coal stocks, reported at 39,010,000 tons

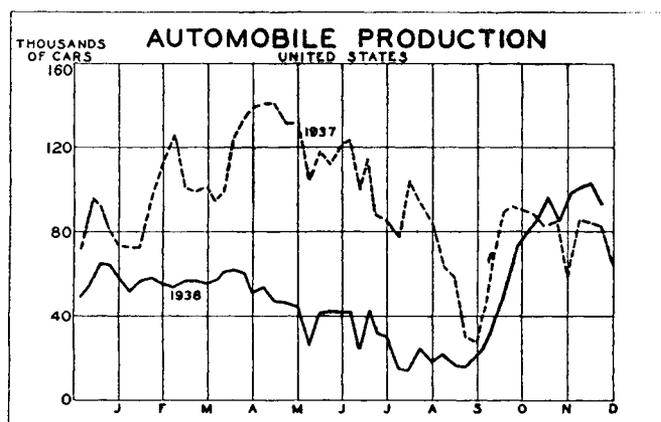
on the latest date, were 18.7 percent smaller than on the same date in 1937. The recent gain was entirely in industrial grades. Domestic coal supplies in the latest month were slightly smaller than a year ago.

Automobiles Fluctuations in the automobile industry in 1938 were unusually great. In the first nine months of the year output was less than in any comparable period since 1932, and was 60 percent less than in the same period of 1937. Demand for 1939 cars developed at the time dealers were being stocked with new models to an extent not envisioned by planning departments. As a result, production rates were stepped up sharply, the gap evident at the end of the third quarter from 1937 was closed by mid-November, and further expansion to above 100,000 cars a week developed by the second week of December. Last year the peak in fall production was 91,905 cars in the third week of October, output maintaining a level of around 85,000 for the remainder of that year. In recent weeks almost continuous gains have been recorded and the peak for the year, 102,905 cars, according to *Ward's* reports, was attained in the week ended December 17. Holiday influences began to appear following that date, and two companies reduced production schedules from a five to four-day week.

Basis for some of the recent improvement in the auto industry started last spring with concerted efforts to reduce inventories of both new and used cars which had accumulated rapidly starting in late 1937. Stocks of new cars had reached a peak estimated to be in excess of 500,000 at the end of February. By September, they had declined to around 150,000 units, but there was some gain during October and November as dealers acquired new models. This increase was less than seasonal for retail demand in most areas was heavy; at the end of November, trade reports placed new car inventories at close to 275,000 cars which was still less than is considered necessary for normal display and demonstration purposes. However, it is reported that efforts are being made to gear production very closely to actual sales in order to prevent a repetition of last year's inventory situation.

November output, according to the *Department of Commerce*, was 372,209 cars and trucks, a gain of 3.4 percent over last year, but still slightly behind November 1936, when 395,000 cars were made. The gain over October, 77 percent, was somewhat more than occurred at this season of other recent years, and the Board's index rose to 97 percent of the 1923-25 average. A year ago it was 92. Whereas the decline in truck production in the first half of 1938 from 1937 was smaller than the drop in passenger car output, the latter has accounted for most of the recent improvement. Truck production has risen, but in November output was 20 percent below the previous year, while passenger car assemblies were ahead by 8.5 percent. The spurt in the fourth quarter has raised the 1938 total somewhat, but when complete annual data are available, a decline of nearly 50 percent from 1937, and the smallest total since 1933, will be shown.

Despite the decline in assembly plant operations, reports from auto parts and accessory plants indicate that parts releases in December were holding at about the November level which was somewhat above last year when they were being curtailed quite sharply. Employment has



lagged, however, but payrolls have increased considerably. In 1937, the former was being maintained by shortening the work week, while this year employers were adding to their forces slowly, preferring to give those already working more hours. Ohio auto parts plants reported an increase in employment of 27 percent in November over October, but it was still 40 percent behind last year. Payrolls at auto parts plants rose 23 percent in November over the previous month.

November new car sales in leading counties of this district were 12 percent ahead of last year, and sales exceeded every month since October 1937.

Rubber, Tires

The improved situation in the rubber and tire industry is partially revealed by the accompanying chart. Production has risen sharply since February. At the same time, stocks have been materially reduced to the lowest level for this season since 1935. Not only have manufacturers' stocks declined, but distributors' stocks at the time of the latest survey in October were smaller than since April 1936. They were half a million tires under a year ago, or on January 1, 1938, a decrease of more than eight percent. Manufacturers' tire stocks on November 30 were 7,924,114 casings, a drop of 27 percent from the year previous.

The improvement was due first to a greater replacement tire demand which assumed sizable proportions in the early fall months as weather conditions continued favorable. This was supplemented by increased orders from auto assembly plants. Factory tire shipments in November reached 4,442,296 units, a gain of 17.6 percent over last year. While reports indicated a decline in replacement sales in November, the drop was less than seasonal.

Rubber consumed in November totaled 46,048 tons, the largest amount since June 1937, and a gain of 35 percent over November 1937. This was the first month this year in which domestic consumption exceeded that in foreign countries, whereas prior to this year domestic consumption has generally surpassed the amount used by the rest of the world. The 14 percent increase in rubber consumption over October was larger than trade expectations. Paralleling this was a rise in payrolls at Ohio rubber factories of 13 percent in November over October, but employment was up only four percent. Compared with last year at that time Ohio employment in the rubber industry was off by more than 20 percent. November total tire production, at 4,117,457 casings, was 32 percent in excess of November 1937. The rise in output this year has been at about the same rate as the contraction which terminated in February, but a net decrease for the first 11 months of 33 percent from the preceding year was reported. At mid-1938 the discrepancy was 49 percent.

November crude rubber imports were 31,054 tons, 45 percent below the same month last year. As a result of the increased consumption and reduced amount arriving, domestic stocks dropped to 254,318 long tons, the smallest in a year. At the current rate of consumption, this constituted 5½ months' supply, somewhat less than is customarily kept. Rubber prices recovered in December to above 16 cents a pound, about one cent under the year's peak in early November. The low of 1938 for ribbed smoked sheets was ten cents in April.

Clothing, Textiles

The year 1938 saw considerable recovery in the textile and clothing industries in general, and also in this district. In Ohio, employment in the textile industry rose from 73 percent of the 1926 average in May to 90 in October, but receded to 88 in November. In October the index was within nine percent of the previous year, while in November it was four percent above that of November 1937. The gain was most pronounced in the men's clothing field; in the latest month the number of employed was 21.5 percent above the base period, and 7.5 percent in excess of a year ago at which time a sharp contraction developed.

Improved retail trade conditions, and the fact that clothing buyers last spring purchased very limited quantities of goods, thus causing retail stocks to be reduced considerably, have been reflected in recent months. Fall ordering of spring lines has been exceptionally good, particularly in the men's clothing industry. Orders on hand in mid-December were substantially ahead of last year. In one instance they were reported equal to 1936 when advance orders were larger than since the war. Plants have sufficient orders to permit capacity production well into spring.

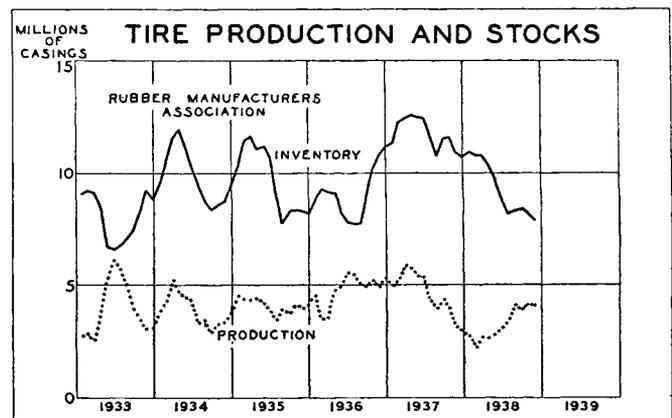
October apparel wool consumption was 50 percent greater than last year, and was two percent above estimated normal, according to the *National Association of Wool Manufacturers*. The usual seasonal change is a decrease of about six percent. Textile mills were active in December with large enough orders on hand to permit a continuation of the present level for some time. Sales of women's clothing in November at department stores were within two percent of last year, but men's clothing sales were down nine percent. According to *Fairchild's* index, retail prices on December 1 were approximately five percent lower than they were a year ago.

Other Manufacturing

Changes in operating rates, sales, and employment were rather great in the past year in most smaller industries, but gains in the latter half of the period lessened materially the year's drop from 1937.

China China and pottery plants stepped up operations this fall to the highest level since 1930, and the industry was reported operating at 85 percent of capacity. Orders decreased seasonally in November, but remained above last year.

Electrical Machinery Employment at electrical manufacturing plants increased 4.7 percent in November, and



payrolls were up about eight percent. Compared with November 1937, number of employed was still down 20 percent. Orders for the first eleven months of 1938 were reported about 35 percent smaller than in the previous year. Recent improvement has offset part of the large discrepancy of early months of the year.

Foundry Equipment There was a slight increase in foundry equipment orders in November over October, but volume reported was still much below the previous year. Unfilled orders continue to decline.

Glass The glass industry was burdened with extremely large inventories at the beginning of the year. Progress in liquidating these has been substantial, but production has been retarded as a consequence. Window glass output up to December 1 was 7,000,000 boxes or 58 percent less than in the comparable period of 1937. Shipments, however, were down only 3,400,000 boxes, or 32 percent. As a result, inventories decreased and were off more than 50 percent. Production has increased for three consecutive months, and unfilled orders on December 1 were somewhat larger than a year previous. November production, 882,595 boxes, represented operations at 54 percent of capacity, compared with 71 percent in November 1937. Plate glass operations have shown similar fluctuations. Gains since September have been largely attributed to activity in the automobile industry, though other users also have taken more glass. Inventories are much reduced from last year at this time.

Hardware Wholesale hardware sales in the first 11 months were 32 percent under the same period of 1937; industrial supplies were off 50 percent, though toward the year end considerable improvement occurred.

Machine Tools New orders for machine tools received prior to December 1 were slightly in excess of the five-year average 1933-37, but were small in relation to 1937 alone. Foreign purchases early in the year accounted for a large share of new business, but these declined in the fall months while domestic sales improved slightly. Companies depending solely on domestic orders operated at low levels during most of the year. A slightly improved situation was reported in some sections in the first half of December, larger domestic inquiries appearing at that time. Production of small tools in December was at a much higher rate than in 1937.

Paint November paint sales were reported somewhat larger than a year ago, continuing the slight gain in the

two preceding months. Inventories of finished goods, both in dealers' and manufacturers' hands, have been reduced to where further gains in business will require larger purchases.

Paper Boxboard and paper companies reported a sizable increase in orders and production in November, partly as a result of price changes. Buying was reported nearly double last year so far as paper was concerned, and production was up around 40 percent. Up to December 1, mills produced about 20 percent less than in 1937. A seasonal contraction was reported in December in most lines. Employment showed little change, but number of hours which increased considerably in November has since been reduced.

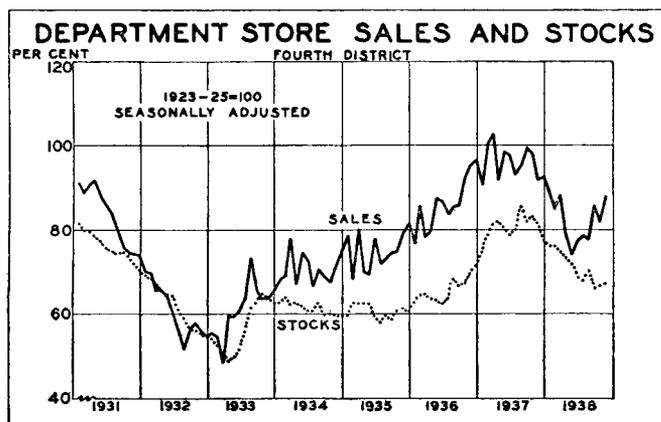
Shoes November shoe production at fourth district factories was 30 percent greater than a year previous, and the more-than-seasonal gains this fall offset in large part the low levels of the early months, so that output up to December 1 was only eight percent behind the comparable period of 1937. Ordering of spring footwear, which began in November, has exceeded last year, and inventories of both footwear and materials are smaller than a year ago. Sales at fourth district department stores in November were within two percent of November 1937; price changes account for most of this decline.

TRADE

Retail Retail trade in the fourth district during November recovered from the set-back resulting partly from unusually warm weather in October, and continued the expansion begun last summer. The seasonally adjusted index of department store sales for November was 88.3 percent of the 1923-25 average, the highest point reached in the last ten months. Figures for weekly reporting stores in the district indicate that sales were continuing to advance in December, for dollar volume of these stores in the two weeks ended December 17 was 2.4 percent above the corresponding weeks in the preceding year, and 4.8 percent more transactions were reported. Dollar volume of sales in December 1937 was 92 percent of the 1923-25 average.

The accompanying chart shows that, although the sales trend in the last half of the year was strongly upward, the year as a whole compares quite unfavorably with 1937. Sales during the eleven months ended November 30 were 14.6 percent below those of the same period in the preceding year. Recovery from the low summer months, however, was almost as rapid as the decline. The chart also shows that department store stocks apparently ceased falling in September after a period of steady liquidation lasting more than a year. Buyers, however, were still conservative in October and November, for stocks increased only slightly more than seasonally. At the beginning of December they were 16 percent below those on hand a year earlier.

Other lines of retail trade also improved during November. Furniture stores reported a decline of only 5.2 percent from the same month in 1937, while total sales for the eleven-month period ended November 30 were 34.7 percent below the preceding year. Sales by reporting wearing apparel stores in November were almost equal to those made in the corresponding month a year earlier,



while the eleven-month cumulative total was 16.2 percent below 1937. Chain drug store sales, although declining seasonally in November, showed a slightly better comparison with the same month in 1937 than was true of October. Sales were 4.1 percent above November of the year before, although the cumulative total for the eleven months ended November 30 was 5.6 percent below the same period in 1937. Chain grocery stores also reported a slight decline in November, but again this development was largely seasonal. Sales during the month were slightly higher than in the preceding year, but the eleven-month total was 3.2 percent below the same period in 1937.

Compared with 1937, accounts receivable were down about eight percent at department and wearing apparel stores, and 12 percent at retail furniture stores. Collections were slightly better than they were reported in October, although they remained from 12 to 14 percent below November 1937.

Wholesale

Wholesale trade in the fourth district resisted seasonal factors unusually well during November. As a result, this bank's index of wholesale trade, based on data compiled by the *Department of Commerce*, dropped less than one point to 73.4 percent of the 1923-25 average, while in other recent years November has been from three to ten points under October. Compared with the preceding year, sales were 9.8 percent below the corresponding month, while in October the relative decline amounted to 13.6 percent. Thus the unfavorable spread between 1937 and 1938 was narrowed, but the eleven-month cumulative sales total still remained 23.6 percent under a year previous. Conditions in various centers of the district remained relatively about the same in November as in October. Firms located in Lexington, Kentucky, sold nearly eight percent more goods in November than in the same month of 1937, while sales in Cleveland, Warren, Toledo, Dayton, and Pittsburgh were substantially below the preceding year.

Buying policies of wholesalers were still conservative in November, for their stocks on hand declined slightly during the month. Accounts outstanding and collections were approximately the same as in October.

CONSTRUCTION

Total construction contracts awarded in the Fourth Federal Reserve District during November amounted to \$37,276,000, thus maintaining the rate of advance established in the preceding three months. The November total

was the largest for that month since 1930. Residential building also demonstrated strength by failing to record a seasonal drop. Residential contracts awarded during November were valued at \$7,830,000, almost identical with the figures for September and October.

Data available for the first half of December indicate that this strength in the building field was being maintained through the end of the year. The *F. W. Dodge Corporation* expects this trend to continue into 1939, for its tabulations include only those projects on which work has been started or is to start within ten days. Therefore, although a large proportion of the current P. W. A. program has been approved, only about 50 percent of the projects had been included in figures released prior to December 1. Since public works have been largely responsible for the favorable showing made by total contracts during the last few months, this relatively high level is expected to continue into early 1939.

The accompanying chart brings out certain facts relating to the progress made by the construction industry in this district during the year 1938 as compared with 1937. In the first half of the year, total contracts awarded lagged behind 1937, the gap between the two years growing progressively larger. After August the P. W. A. program helped to narrow this spread considerably, and at the end of November the cumulative total was only 11 percent below 1937. Data for the first half of December indicate that the difference between the totals for the two years may be somewhat less than this amount.

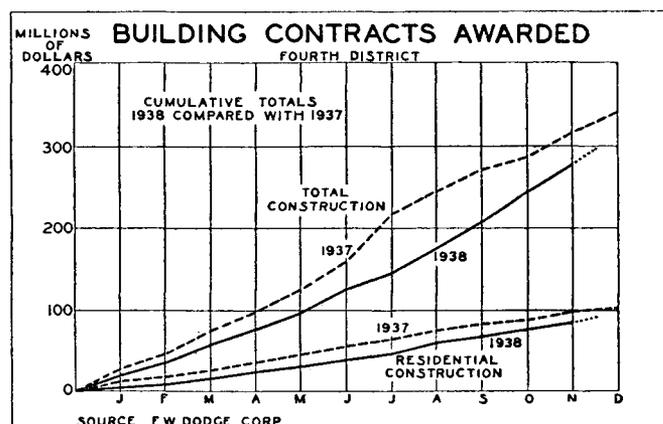
The chart also shows that residential construction ceased losing ground in May. Since that time it has merely held its own in comparison with 1937; the total for the eleven months ended November 30 was 15 percent below the same period last year. This spread may also be narrowed somewhat when the annual total is available, for December 1937 ushered in the period of extremely low activity which prevailed during the early months of 1938.

AGRICULTURE

December reports of the *Department of Agriculture* confirm earlier statements that for the fourth district, as well as for the entire country, 1938 was a year of high crop yields, but comparatively low farm income. Yields in general were only slightly below the exceptionally good returns of 1937, and were well above the ten-year average. Prices, on the other hand, dropped considerably during the year, and as a result, cash farm income in 1938 is now estimated to be 11 percent below the previous year.

Because of the low level of grain prices, farmers in this district have marketed a smaller proportion of their crops than is usual at this time. Much of the grain, wheat as well as corn and oats, is being fed to livestock in Ohio and Kentucky. Western Pennsylvania potato growers are reported to be holding their output off the market in the hope of better prices. Heavier feeding activity and postponement of marketing have resulted in some increase in demand at country banks for loans to finance farm operations.

Conditions unfavorable to wheat planting in this district during August and September apparently were prevalent in a large portion of the winter wheat belt, for the *Bureau of Agricultural Economics* estimates that winter wheat sown for harvest in 1939 was 46,173,000 acres for the entire



country. This is more than 18 percent below amounts planted in 1937 and 1936, but about one per cent above average acreage in the ten-year period 1926-35. The condition of the crop on December 1 was not as good as it had been a year earlier, so that after allowance for reduced acreage and the effect of weather conditions during the past summer and fall, indicated production of winter wheat in 1939 is about 458,000,000 bushels, instead of the 686,637,000 bushels estimated to have been harvested this year.

Tobacco The tobacco selling season in this district opened on December 5 with prices proving somewhat disappointing to growers. The average price paid for Burley tobacco at Lexington on the opening day was \$21.95 per hundred pounds, 48 cents less than was paid on the opening day in 1937. Prices improved somewhat, but the average for the first week was \$22.83, compared with \$23.68 the same week last year, and \$32.01 in 1936. The average for the season through December 16 was \$22.40. The high proportion of excellent quality tobacco in this year's crop seems to be resulting in relatively lower prices for the better grades, while poor quality tobacco is selling at prices above last year, the medium grades at about the same level as in 1937.

Marketing quotas, according to reports, apparently have not had much effect on the volume of this year's crop being sold. It now appears that the total yield will not exceed the total allotment, so farmers are finding it possible to

sell their surplus to other growers who do not have sufficient tobacco to fill their quotas. Marketing quotas will not be in effect for Burley tobacco next year, for the plan failed to receive the necessary two-thirds vote in the recent referendum. This result occurred despite the fact that 73 percent of Kentucky Burley growers were in favor of the plan.

Wholesale and Retail Trade

(1938 compared with 1937)

	SALES November 1938	Percentage Increase or Decrease SALES first 11 months	STOCKS November 1938
DEPARTMENT STORES (54)			
Akron.....	+ 4.9	-19.7	-19.5
Cincinnati.....	+ 5.1	- 9.7	-11.9
Cleveland.....	+ 4.5	-15.0	-17.7
Columbus.....	+ 7.2	- 7.6	-13.4
Dayton.....	+ 1.3	-16.9	-14.2
Pittsburgh.....	+ 5.3	-15.6	-16.6
Toledo.....	+ 1.9	-16.9	-15.2
Wheeling.....	-10.4	-15.0	-15.4
Other Cities.....	+ 3.2	-16.8	-15.0
District.....	+ 3.0	-14.6	-16.0
WEARING APPAREL (12)			
Cincinnati.....	+ 4.7	-20.7	-11.0
Cleveland.....	+ 3.3	-14.9	- 8.6
Pittsburgh.....	+ 2.3	-14.8	-14.0
District.....	+ 0.2	-15.0	-11.1
FURNITURE (40)			
Cincinnati.....	+ 3.5	-40.3	
Cleveland.....	+ 4.2	-33.4	
Columbus.....	+ 0.4	-16.0	
Dayton.....	+ 3.0	-35.6	
Toledo.....	-25.5	-43.9	
Other Cities.....	+ 5.0	-44.8	
District.....	+ 5.2	-34.7	
CHAIN STORES*			
Drugs—District (4).....	+ 4.1	- 5.6	
Groceries—District (4).....	+ 1.9	- 3.2	
WHOLESALE TRADE**			
Automotive Supplies (8).....	+ 0.8	-12.4	- 4.0
Drugs (6).....	+ 2.9	- 9.7	- 1.4
Dry Goods (8).....	+ 2.9	-24.9	-25.2
Electrical Goods (9).....	+15.5	-12.9	-38.2
Furniture and House Furnishings (3).....	+13.6	1	1
Groceries (67).....	+11.5	-14.6	-11.5
Total Hardware Group (35).....	+15.0	1	1
General Hardware (10).....	+11.2	-26.4	-20.9
Industrial Supplies (13).....	+30.2	-46.4	-18.3
Plumbing and Heating Supplies (12).....	+ 6.6	-26.3	- 1.8
Jewelry and Optical Goods (8).....	+14.0	-35.2	-16.8
Leather and Shoe Findings (3).....	+ 5.6	1	1
Lumber and Building Materials (6).....	+14.5	1	1
Meats and Meat Products (5).....	+ 9.8	1	+28.0
Metals (5).....	+ 9.6	1	-33.6
Paints and Varnishes (4).....	+14.3	1	1
Paper and its Products (9).....	+ 7.2	1	-22.3
Tobacco and its Products (25).....	+ 5.9	+ 3.7	-10.3
Miscellaneous (13).....	+ 1.2	-34.6	- 5.4
District—All Lines (214).....	+ 9.8	-23.6	-16.4

*Per individual unit operated.

**Wholesale data compiled by U. S. Department of Commerce.

1 Not available.

Fourth District Business Statistics

(000 Omitted)

	November 1938	% Change from 1937	Jan.-Nov. 1938	% Change from 1937
Fourth District Unless Otherwise Specified.....	\$2,054,000	-10.4	\$22,035,000	-21.1
Bank Debits—24 cities.....	\$ 775,498	+ 0.3	1	1
Savings Deposits—end of month:				
40 Banks, O. and W. Pa.....	\$ 775,498	+ 0.3	1	1
Life Insurance Sales:				
Ohio and Pa.....	\$ 73,478	-10.2	737,416	-23.7
Retail Sales:				
Dept. Stores—54 firms.....	\$ 22,095	- 3.0	206,417	-14.6
Wearing Apparel—12 firms.....	\$ 898	- 0.2	8,467	-15.0
Furniture—40 firms.....	\$ 689	- 5.2	7,505	-34.7
Building Contracts—Total.....	\$ 37,276	+47.2	278,325	-11.0
" —Residential.....	\$ 7,830	-23.3	83,685	-15.4
Commercial Failures—Liabilities.....	\$ 844	-54.8	17,609	+25.5
" —Number.....	64 ²	+ 3.2	907 ²	+45.8
Production:				
Pig Iron—U. S..... Tons	2,287	+14.0	16,677	-52.6
Steel Ingot—U. S..... Tons	3,572	+65.8	24,696	-48.6
Auto—Passenger Car—U. S.....	320,344 ²	+ 8.5	1,674,979 ²	-54.4
" —Trucks—U. S.....	52,014 ²	-19.6	426,230 ²	-47.5
Bituminous Coal, O., W. Pa., E. Ky..... Tons	13,118	+ 0.1	113,430	-28.8
Cement—O., W. Pa., W. Va. bbls.	799	-24.4	8,880	-12.4
Elec. Power, O., Pa., Ky. Thous. k.w.h.....	1,599 ³	- 3.8	13,758 ⁴	-15.3
Petroleum—O., Pa., Ky..... bbls.	2,187 ⁵	- 6.9	22,290 ⁴	- 5.2
Shoes..... pairs	5	+30.8	5	- 7.7
Tires, U. S..... casings	4,117	+32.3	35,366	-32.6
Bituminous Coal Shipments:				
L. E. Ports..... Tons	4,968	+22.3	34,691	-23.0

1 not available
2 actual number
3 October

4 Jan.-Oct.
5 confidential

Debts to Individual Accounts

(Thousands of Dollars)

	4 Weeks ended Dec. 21, 1938	% change from 1937	Year to Date		% change from 1937
			Dec. 30, 1937	Dec. 31, 1936	
Akron.....	\$ 56,078	- 5.9	\$ 672,195	\$ 822,499	-18.3
Butler.....	8,327	- 8.7	98,101	124,711	-21.3
Canton.....	30,236	-11.5	351,789	471,563	-25.4
Cincinnati.....	300,612	- 0.7	3,544,644	4,191,756	-15.4
Cleveland.....	496,481	-10.7	5,898,275	7,397,486	-20.3
Columbus.....	155,256	-13.8	1,900,196	2,210,141	-14.0
Dayton.....	57,244	-11.4	708,778	892,657	-20.6
Erie.....	25,287	-10.3	293,753	388,564	-24.4
Franklin.....	3,101	+ 0.6	33,712	42,408	-20.5
Greensburg.....	6,451	-16.2	78,387	90,562	-13.4
Hamilton.....	10,057	- 0.1	121,669	151,358	-19.6
Homestead.....	2,665	-11.0	33,517	40,828	-17.9
Lexington.....	28,966	+ 3.1	272,965	288,882	- 5.5
Lima.....	12,689	+ 0.4	160,877	169,828	- 5.3
Lorain.....	4,171	-11.8	53,517	64,868	-17.5
Middletown.....	9,932	+ 5.5	103,912	130,439	-20.3
Oil City.....	8,871	-14.2	110,372	134,977	-18.2
Pittsburgh.....	762,096	+ 3.6	7,141,396	9,184,906	-22.2
Sharon.....	7,443	- 7.9	87,079	112,015	-22.3
Springfield.....	14,370	-13.9	187,916	225,334	-16.6
Steubenville.....	8,347	-11.9	99,684	134,006	-25.6
Toledo.....	130,822	+ 5.1	1,304,679	1,635,650	-20.2
Warren.....	8,610	-10.3	95,657	124,970	-23.5
Wheeling.....	27,540	- 4.2	317,632	407,656	-22.1
Youngstown.....	37,885	- 8.2	460,044	625,065	-26.4
Zanesville.....	7,704	+ 1.2	87,715	99,423	-11.8
Total.....	\$2,221,241	- 3.6	\$24,218,461	\$30,162,552	-19.7

Fourth District Business Indexes

(1923-25=100)

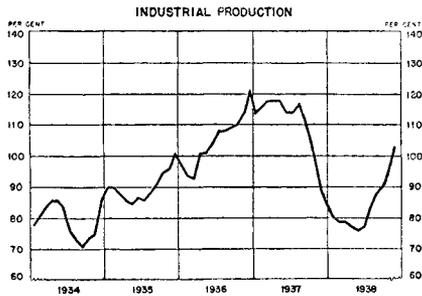
	Nov. 1938	Nov. 1937	Nov. 1936	Nov. 1935	Nov. 1934
Bank debts (24 cities).....	76	85	87	76	63
Commercial Failures (Number).....	44	43	36	50	66
" (Liabilities).....	19	42	53	24	100
Sales—Life Insurance (O. and Pa.).....	76	85	84	88	86
" —Department Stores (48 firms).....	93	96	100	83	75
" —Wholesale Drugs (6 firms).....	115	119	105	93	82
" —Dry Goods (8 firms).....	48	50	61	51	47
" —Groceries (67 firms).....	72	82	74	71	67
" —Hardware (10 firms).....	79	89	93	75	63
" —All (91 firms).....	73	81	79	71	65
" —Chain Drugs (4 firms)**.....	91	87	92	91	74
Building Contracts (Total).....	78	53	44	30	20
" (Residential).....	46	59	46	18	9
Production—Coal (O., W. Pa., E. Ky.).....	73	73	90	69	65
" —Cement (O., W. Pa., E. Ky.).....	66	88	101	57	33
" —Elec. Power (O., Pa., Ky.)*.....	190	198	193	168	144
" —Petroleum (O., Pa., Ky.)*.....	118	127	118	118	114
" —Shoes.....	78	60	81	70	54

*October.

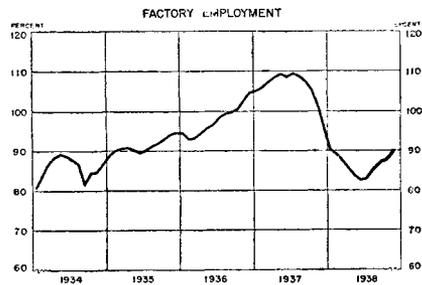
**Per individual unit operated.

Summary of National Business Conditions

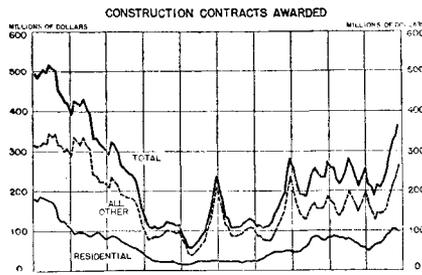
By the Board of Governors of the Federal Reserve System



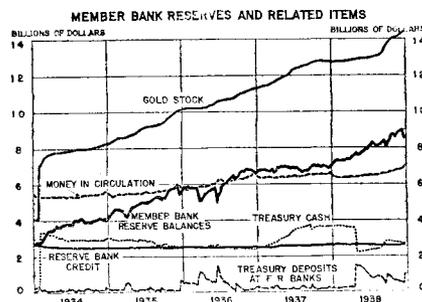
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to November 1938. Latest figure November 103.



Revised indexes of number employed, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to November 1938. Latest figure 90.1.



Three-month moving averages of F. W. Dodge data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for October and November and estimate for December.



Wednesday figures, January 3, 1934, to December 14, 1938.

The sharp rise in industrial production, which began early last summer, continued in November. Preliminary reports for the first three weeks of December indicate some slowing down in the advance. Employment also increased in November and payrolls showed little change, although a decline is usual at this season. Distribution of commodities to consumers increased considerably.

Production

The Board's seasonally adjusted index of industrial production in November rose to 103 percent of the 1923-1925 average from 96 percent in October. Output of steel continued to increase, contrary to the seasonal trend, and there was a further sharp rise in automobile production. In the first three weeks of December activity at steel mills declined somewhat more than seasonally, while output of automobiles continued at the high level reached at the end of November. Lumber production in November decreased by more than the usual seasonal amount. In the nondurable goods industries, shoe production declined seasonally, while output of textiles showed a considerable expansion, with increased activity at cotton, wool, and silk mills. At mines, bituminous coal output increased further and production of anthracite showed less than the usual seasonal decline. Output of petroleum showed little change.

Value of construction contracts awarded in November showed a decline from the high level reached in October, according to F. W. Dodge figures for 37 eastern states. Private and public projects both declined, following increases in October. The decline in contracts for private residential building was less than seasonal.

Employment

Employment increased somewhat further and payrolls showed little change between the middle of October and the middle of November, although declines are usual at this time of year. In manufacturing, the number employed continued to rise, reflecting principally a further sharp increase at automobile factories and substantial increases in the machinery, steel, and textile industries. Employment declined seasonally at establishments producing clothing and shoes; in most other industries employment increased somewhat. In lines other than manufacturing, employment showed some increase, when allowance is made for usual seasonal changes.

Distribution

Distribution of commodities to consumers showed a considerable increase in November. Department store sales and mail order sales, which had been retarded in October by unseasonably warm weather, rose sharply, and sales at variety stores also increased in November. Sales of automobiles to consumers expanded sharply following the introduction of new models and in November were larger than a year earlier.

Freight-car loadings, which had increased considerably in previous months, showed a slightly less than seasonal decline in November.

Commodity Prices

Prices of some industrial materials, such as nonferrous metals, hides, and cotton goods, decreased somewhat from the middle of November to the third week of December. Sugar prices also declined, while grains advanced somewhat. Prices of most other agricultural and industrial commodities continued to show a little change.

Bank Credit

In connection with pre-holiday trade, there was a sharp increase in money in circulation and as the result of this increase in the demand for currency, together with treasury operations around December 15, there was a temporary decline in member bank reserves.

Following declines during November, total loans and investments of reporting member banks in 101 leading cities increased during the first three weeks of December, largely reflecting operations of the treasury. Loans to security dealers by New York banks increased sharply reflecting temporary borrowing for the purpose of carrying government securities exchangeable for new issues on December 15. Adjusted demand deposits rose to a new high level in the first half of December.