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A further contraction in industrial operations and construction activity occurred in this district in late September and October. In some instances the decline from the peak of late summer has been so extensive that current levels are below last year. Fall buying in manufacturing lines has been deferred, and backlogs have been worked down generally.

Retail trade increased more than seasonally in September. Department store sales were 15 per cent larger than a year ago and the gain for the first nine months was 16 per cent. Buying of better quality merchandise was still quite prevalent, and stores in smaller cities experienced larger-than-average gains, indicating in part that rural buying was expanding in accordance with expectations. Inventories at department stores increased less than seasonally in September, but at the month end dollar value of stocks was 23 per cent greater than a year ago. Collections were a little slow generally. September increases in wholesale trade over last year were smaller than in the first eight months of the year. Demand for watches and jewelry in preparation for the holiday season has held up very well, with cancelations of no significance.

In the industrial field the contraction that has occurred has affected employment chiefly through a reduction in the number of hours worked and consequently payrolls. Some actual laying-off is evident in scattered lines, but it has not been general. September figures are the latest available generally, and they reflect large gains over last year. At Cleveland, employment was 2.4 per cent seasonally greater in September than in August, and the gain over last year was about 12 per cent. At Pittsburgh, employment was ten per cent above last year, but payrolls were up 27 per cent. Larger gains were evident at Erie, Sharon, New Castle, Toledo, Dayton and Springfield. Smaller ones were reported at Cincinnati and Columbus, while at Akron a decrease of three per cent from last year was evident.

This district is very dependent on the metal industries, and sharp contraction in steel mill operations in a period when an expansion has occurred in previous years probably has contributed more to the depressed local feeling than any other single business factor. National steel operations were slightly above 50 per cent of capacity in

late October, compared with about 85 per cent in August. Incoming orders, however, are still reported in smaller quantities than current output, and with prices now extended through first quarter, there is little incentive to order. Present requirements in some cases are being filled from inventories built up earlier in the year, when prices were rising and there was difficulty obtaining deliveries.

Up to October 1, however, steel ingot production this year was less than two per cent behind the all-time record for a similar period in 1929. The contraction in steel operations and the reduction in blast furnace activity caused a revision in estimated iron ore requirements for the remainder of the year, and a consequent contraction in lake shipping. Ore receipts in September were 25 per cent larger than in September 1936, while the gain for the season to date was 64 per cent. In mid-October 229 ore boats were in operation, while in mid-summer 311 boats were commissioned, and in October last year 273 were operating. In this connection, however, ore shipping got under way somewhat earlier than usual this spring. Coal shipments from Lake Erie ports in September were 8.2 per cent smaller than a year ago.

Auto parts and accessory plants indicated that September and early October sales and operations were in excess of last year. The assembly industry has been making every effort to supply dealers with 1938 models by the time of the annual show, which is two weeks earlier than in 1936. The 1937 model year was only surpassed by 1929, despite labor troubles.

Construction contracts awarded in this district in September were smaller than in any month since May, but the gain over 1936 in total building was still 42 per cent. Residential construction has fallen off quite materially, the gain over last year being seven per cent in the month compared with a gain of 49 per cent for the first nine months.

Life insurance sales in September in this district were four per cent smaller than a year ago, while the gain for the nine months was 7.4 per cent. There was an increase in number of commercial failures in September, but the total number was still insignificant.

Despite the decline in industrial activity, commercial

loans made by reporting banks in this district continued to expand in the first three weeks of October.

FINANCIAL

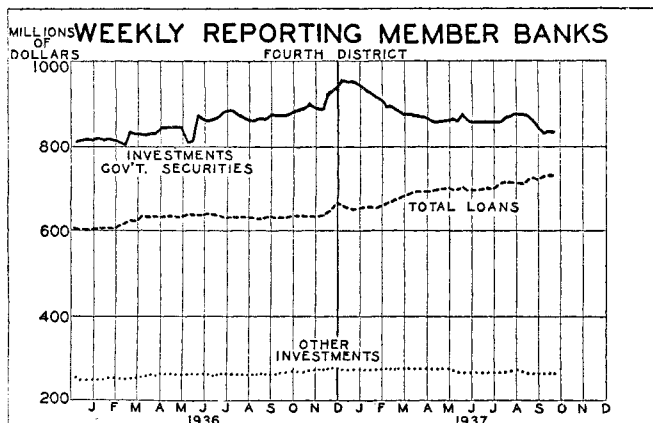
Although a contraction was apparent in most industrial fields in recent weeks, an expansion in loans made by reporting banks in leading cities of the district was evident in the first three weeks of October. This was a continuation of the recent upward trend which has had few interruptions. Since June of this year commercial loans at these reporting banks have advanced 15 per cent. While strictly comparable figures for last year are not available, total loans made by these banks were up 17 per cent over October 1936, and figures that are available indicate that real estate loans have declined and loans made for the purpose of purchasing or carrying securities have not increased.

Investment holdings of reporting member banks continued to decline in the four weeks ended October 20. Investments in Government securities, including those fully guaranteed, declined \$29,000,000 or 3.2 per cent in the four latest weeks and they were down 13 per cent from the high point at the beginning of the year, but only four per cent under last October. Investments in other securities showed little change in the four latest weeks and were about the same as a year ago. At \$263,000,000, on the latest date, they were about five per cent under the year's peak in March.

While the increase in loans recently has been insufficient to offset fully the contraction in investments it has tended to do that and has modified the reduction in total credit extended by banks in this district. On the latest date loans represented 39 per cent of total credit extended, while at the beginning of 1937 they accounted for less than 34 per cent. In predepression years, loans represented approximately 65 per cent of total bank credit extended in this district.

Time deposits at these banks fluctuated slightly in the four latest weeks, but on the latest date were at the highest level of the recovery. Adjusted demand deposits, chiefly commercial, were down quite sharply around October 1, but rose again to approximately the level of mid-September.

At the Federal reserve bank estimated excess reserves of all member banks fluctuated between \$75 and \$80 millions recently, or approximately 21 per cent above requirements. This level has been maintained for some time.



Borrowings of member banks from the reserve bank have ranged between \$500,000 and \$1,000,000 in recent weeks, and for the most part represented seasonal requirements for funds to prepare the tobacco crop for market and carry it until selling begins in December. Other types of credit extended by the reserve bank, (acceptances, industrial loans, and holdings of Government securities) showed very little change in the four latest weeks. The first two mentioned were down slightly.

This bank's note circulation declined slightly in the four latest weeks and was about \$10 millions below the all-time peak of early September. In each of the five preceding years a contraction in note circulation has occurred following the Labor day peak, continuing until late October or early November.

MANUFACTURING, MINING

Iron and Steel

The turn of events in the steel industry has brought buying to so low a point that production is close to 50 per cent of capacity, contrasted with more than 90 per cent in April. After operating at a high rate for several months under pressure for delivery of steel to consumers, sometimes with backlogs of more than three months, the industry now has relatively little unfilled tonnage on books and current buying is less than shipments, causing increasing retrenchment in production.

The summer decline in buying was considered seasonal and the general expectation was that after Labor day buying would be resumed and the final months would show activity somewhat comparable with the earlier portion of the year. However, factors relied on to cause a resumption of buying failed to appear. Railroads practically stopped all purchases except minor tonnages for repair; the automotive industry was slow getting under way on new models, and building, already a laggard, dropped to a lower plane.

Miscellaneous consumers apparently had accumulated considerable inventory from heavy buying and deliveries earlier in the year and were able to operate without much further tonnage. Announcement of prices for first quarter at the current level removed the incentive for covering future needs. Apparently the domestic situation is part of the world picture for demand in general has slackened perceptibly and, except in England, steel production and export demand have become less insistent.

The national operating rate in late October was slightly above 50 per cent, compared with 73 per cent a year ago and about 52 per cent in 1935. Tin plate production is at about 85 per cent, and sheet output at 66 per cent, but with other branches at much lower levels, principal steel centers in this district showed considerable disparity in rates. Cleveland was at 59 per cent, Pittsburgh at 41, Youngstown at 54, Wheeling at 62, and Southwestern Ohio at 70 per cent of capacity. All these rates were appreciably below the level of last year and as recently ago as August.

Production of steel in the first nine months totaled only two per cent below the corresponding period of the record year, 1929, and an average rate of 69 per cent of capacity for the remaining three months would be required to equal the record.

Steelmaking scrap prices have declined precipitately

from \$22.08 at the beginning of April, according to *Steel's* composite price, to \$15.37 late in October, with the market weak generally.

September pig iron production totaled 3,418,108 tons, 5.5 per cent less than the 3,616,954 tons produced in August, the high month of the past eight years. September's daily rate was 113,937 tons, 2.3 per cent under the August rate of 116,676 tons. Eight less stacks were active in September than in August when 191 were in blast. For nine months this year, output totaled 30,306,756 tons, an increase of 40.2 per cent over the 21,615,776 tons produced in the first nine months of 1936.

September's steel ingot production, at 4,301,869 gross tons, was 11.8 per cent under the August figure of 4,875,671 tons, but exceeded the September, 1936 output by 3.6 per cent. Production for the first nine months this year totaled 42,498,769 gross tons, exceeding by nearly 27 per cent the output of 33,526,142 tons in the corresponding period last year.

Coal Production of bituminous coal in this district in September was 3.4 per cent less than in the corresponding period of last year. For the entire country a slight increase was evident; the gain over August was seasonal, and current weekly output has quite closely approximated last year. Partly responsible for the decline in local mine activity was the falling-off in Lake shipments. In September they were 8.2 per cent smaller than a year ago, whereas for the season to October 1 such shipments were eight per cent larger than in the comparable period of 1936. Slackening industrial operations, particularly in steel centers, and the desire to reduce further the large inventories accumulated this spring were also contributing factors. Demand for household coal has increased seasonally.

On September 1, total coal above ground was estimated at 43,871,000 tons, somewhat more than a month's production and, at the current rate of consumption, this represented 42 days' supply. Total stocks were 37 per cent larger than a year ago, and in terms of days' supply the increase was 25 per cent. Inventories have been reduced about 10,000,000 tons from the high level of April 1, but with that exception they are still higher than in the ten preceding years. Retail dealers' stocks are smaller than a year ago, the gain being entirely in industrial supplies and coal on upper Lake docks.

Beehive coke production in September was slightly less than in August, but continued about 60 per cent above last year.

Prices are unsettled; industrial grades are reported lower than a year ago.

Automobiles The automobile industry in mid-October apparently was more concerned with getting dealers supplied with 1938 models than with the immediate trend in retail demand. Assembly plants are reported to have ordered only sufficient materials for the initial runs and when completed a more definite appraisal of the situation is expected, including the public's reaction to higher prices. In the week ended October 23, according to *Ward's* reports, automobile assemblies totaled 91,905 units. This compared with 89,635 cars in the previous week and approximately 60,000 in the corresponding period of 1936. The usual difficulties have

been encountered in connection with new models, despite the fact that drastic changes are not general. One major producer had not yet started volume production on 1938 models, but assemblies week by week have exceeded last year by good margins. Model changes were somewhat delayed in 1936.

September production, according to the *Department of Commerce*, was 171,203 cars and trucks. This was a gain of 27 per cent over the corresponding period of 1936, but represented more than a seasonal contraction from August. Assemblies in August, however, were at an unusually high level for the month immediately preceding model changes. The September index of the Board of Governors, adjusted for seasonal variation, was 133 per cent of the 1923-25 monthly average, compared with 107 in September 1936, and 157 in August of this year. Passenger car production was 31.7 per cent ahead of last year, while truck output was up 17 per cent. In the first nine months total production was up 13.7 per cent. In the fourth quarter of 1936 auto assemblies totaled 1,017,000 cars and trucks. If only a like number is made in the fourth quarter of 1937, total output for the United States alone would exceed 4,800,000 units, a figure only surpassed by 1929.

Not enough time has elapsed to gauge the effects on retail sales of higher prices on 1938 models, the decline in security prices and business, or shortening of maturities on installment financing. Initial response to new models was favorable, according to reports, but the annual shows will be watched with more than usual interest. Prices are about ten per cent higher than a year ago.

September sales, chiefly of 1937 models, were reported in good volume generally, but the gain over last year was only about three per cent, based on reports to factories. In principal counties of this district, September passenger car sales were down quite sharply compared with August, partly seasonal, and they also were under last year. In the first nine months passenger car registrations were about 12 per cent larger than in the comparable period of 1936.

**Rubber,
Tires**

In an effort to reduce further inventories of finished tires, which were built up to record proportions this spring to carry over a period when plants might be closed because of labor troubles, local rubber factories hardly maintained September operations at the rate of August, and reports indicate a further contraction in October. Some variation from this trend was evident; one large plant which, according to reports, allowed inventories to be scaled down this summer, has been adding to stocks recently. In most cases, however, plants were working short hours and some reduction in employment has occurred.

Crude rubber consumption in September, according to the *Rubber Manufacturers' Association*, was 43,893 long tons, a gain of nearly six per cent over August, but a reduction of 5.5 per cent from September 1936. In only one month since March has rubber consumption exceeded the corresponding period of the previous year, and in the two most recent months consumption has been below imports from producing areas. At 56,049 tons, September rubber imports were only exceeded on three previous occasions — in December 1936 and twice in 1929. Compared with last year the increase was 16 per cent, but despite the recent gains, crude rubber stocks are still 22

per cent under last year. Large imports have continued despite reduced consumption, partly because of the second announced increase in ocean freight rates which is to become effective January 1.

Continuation of heavy arrivals in face of slackening demand was accompanied by further price weakness. In late October crude rubber was quoted around 16 cents a pound, approximately the same as a year ago, but a reduction of about 11 cents from the peak earlier this year. Rubber prices rose sharply between last October and April of this year, because of the feeling that a shortage would develop before restriction quotas could be raised in producing countries to where output would equal consumption. Since the shortage did not materialize, prices declined precipitately. Cotton prices also have receded sharply and with rubber companies carrying necessarily large stocks, possibility of inventory write-downs as the year end approaches becomes increasingly greater as prices recede.

Clothing

Showing of spring clothing models and textiles recently has not met with much enthusiasm by retailers in the case of the former or by manufacturers where materials are concerned, and textile mill operations have declined. In August, the latest month for which figures are available, scoured wool consumed in making apparel materials amounted to 20,044,000 pounds. This was a reduction of 13 per cent from last year. Wool receipts at principal markets continue in larger volume than a year ago, but since the recent high in January, prices of wool at Boston have declined about 13 per cent. This has had retarding effect on material sales to manufacturers, and retailers recently have exhibited a spirit of caution. Each bought heavily in earlier months of the year in anticipation of an active fall and winter season. At department stores in this district, dollar value of women's apparel on hand was 9 per cent larger at the end of September, than a year ago, and stocks of men's clothing were up 24 per cent. Prices were a factor in these increases. *Fairchild's* index of retail prices of men's and women's apparel being up more than five per cent in the past year. No figures are available on inventories of clothing plants, but one textile manufacturer states, "Customers are stocked with merchandise that has not moved".

September apparel sales at department stores in this district were in good volume; women's and misses' apparel sales were 22 per cent above last year, while sales of men's and boys' clothing were up 15 per cent. Retailers and manufacturers enjoyed a good volume of business in the first nine months; it was ahead of 1936. Part of the recent contraction in manufacturing activity is seasonal. Spot orders to build up winter stocks are not large, but rather heavy buying was reported when samples were first shown. Production on spring lines has not yet started.

Other Manufacturing

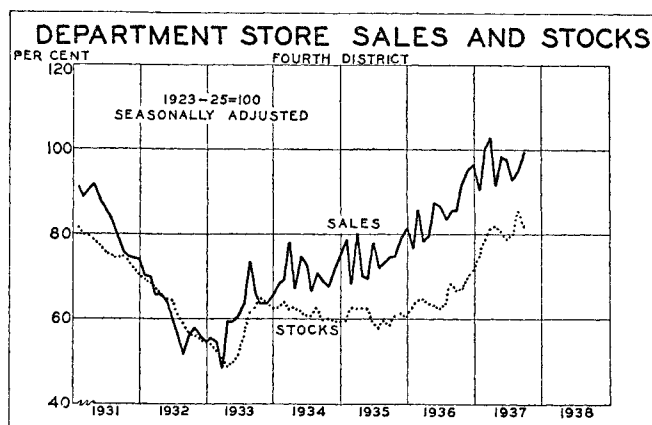
The contraction evident a month ago, reflected chiefly in volume of incoming orders and therefore not readily acknowledged as a retrenchment, has become more general recently. Programs of an expansionary nature have been abandoned and business seems to be on a month-to-month basis. Efforts to reduce inventories, acquired at somewhat

higher prices, but which were not excessive in relation to the volume of business being done a short time ago, are quite apparent. The price situation is not conducive to an accumulation of materials.

So far as auto parts, materials, and accessories were concerned, operations held up quite well in September and the first half of October, with gains being shown over last year. The auto assembly industry was interested only in supplying dealers with 1938 cars as soon as possible, and therefore placed orders for sufficient material to cover these initial runs. Public reception of the new models will determine the trend of material orders for the remainder of 1937. Employment at Cleveland parts plants in September recovered about half the July-August decline, which was about seasonal. In previous years it has taken two months to reattain the level prevailing before the shut-downs for model changes. Inventories are higher than a year ago and are being closely watched. They are not excessive for the current volume of operations.

Orders for machine tools received in September from domestic sources by members of the *National Machine Tool Builders' Association*, were slightly smaller than in August. Orders from foreign sources increased more than enough to offset the decline and the combined volume was only exceeded by two previous months of the recovery movement. The index was 211 per cent of average shipments in 1926, while the average monthly index for 1929 was 156. Foreign buying represented 42 per cent of total orders placed in September, compared with 30 per cent a year ago. Companies still report delayed deliveries up to three or four months, but the special nature of equipment is undoubtedly a factor. October orders have declined. Foundry equipment orders received in September were ten per cent smaller than in August, but 44 per cent in excess of last year. Cancellations were insignificant and unfilled orders were more than twice as large as a year ago, despite the fact that September shipments were up more than 50 per cent, compared with last year. Small tool demand has declined recently and is slightly below estimated normal. Inventories are above present requirements, but not excessive. Hardware, and metal products demand recently has been below last year.

Incoming electrical apparatus and supply orders in September were down from August, although a gain was experienced in the first half of October. Orders were under last year, but a large volume of unfilled orders still is on



hand which has enabled plant operations to continue at a high rate. Inventories, which have been increased in proportion to recent incoming orders, are much larger than a year ago.

Window glass production in September was at 74.7 per cent of capacity compared with 83.4 per cent in August, and an average of 70.8 per cent in the first nine months. Unfilled orders in September were about equal to a year ago, according to reports, while inventories were up 40 per cent. Shipments have declined slightly, but continued to exceed last year up to mid-October. Plate glass demand from all sources has declined quite sharply recently and production is in excess of consumption. Stocks are accumulating. Glass container and glassware demand increased in September, chiefly seasonal, and sales were about 15 per cent above last year, slightly less than the gain for the first nine months. Production declined slightly, but continued in excess of a year ago. China and dinnerware factories operated at below 75 per cent of capacity in September, and were under last year. While increased sales have been reported, the gains were not up to expectations nor as large as usually occur at this season. Collections were reported as slow.

A slump in orders was reported by paint manufacturers, chiefly in the industrial grades. Generally they have increased at this season. No change in number of employees was indicated, but man hours worked were down. Raw material purchases have declined and prices of lead and zinc are weak; this has had a tendency to defer orders.

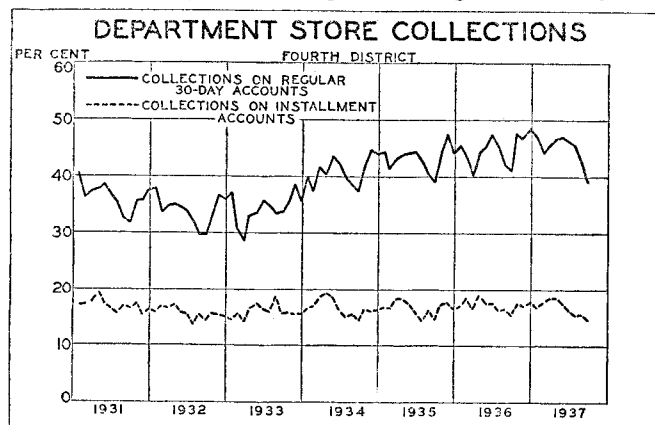
Paper and boxboard companies report a noticeable lack of the pre-holiday business which generally is well under way by this time. Output at present is being maintained at levels above incoming orders.

In the shoe industry, September production was down more than seasonally from August, and was 15 per cent under last year in the fourth district. Output for the first nine months was 5.4 per cent in excess of the same interval of 1936. Inventories are larger than a year ago by 20 per cent, and unfilled orders are down quite sharply. Retail shoe sales held up very well in this section in September, gains of approximately 15 per cent being reported over last year.

TRADE

Retail

Department store sales at leading stores in principal cities of the fourth district were up more than seasonally in September following a similar gain in August. The adjusted



index of daily average sales rose over four points to 99 per cent of the 1923-25 monthly average, which was only three points below the recovery peak of March.

Dollar volume of sales was 15 per cent greater than a year ago at all reporting stores, but considerable variation was evident in the separate cities. At Youngstown a gain of 23 per cent was reported, while Cincinnati and Pittsburgh showed increases of 20 and 18 per cent. The group of smaller cities, from which insufficient reports are received to show a separate city figure, showed a composite increase of 20 per cent. Akron showed the smallest increase, 1.2 per cent. Higher prices continued to be an important factor in these gains, although *Fairchild's* index on October 1 was 0.3 per cent smaller than a month earlier, the first decline in 14 months. The composite index still showed a gain of 7.8 per cent over last year.

In the principal departments of reporting stores gains were experienced in all except art needlework, art goods and oriental rugs. Sales of jewelry were up sharply compared with last year, and women's ready-to-wear departments showed increases ranging from 20 to 30 per cent. Furniture and house furnishings departments continued to show fair gains, although they were much smaller than earlier in the year.

Buying of higher-priced merchandise, rather than increased transactions, continued to account for a good proportion of the larger volume of sales, for reports on number of sales indicate that they were little changed from a year ago. Sales in basement departments of reporting stores in September were 12 per cent larger than a year ago, and represented 14.6 per cent of total store volume, whereas the September 1936 basement sales were 17 per cent of total store sales. Credit sales increased more than seasonally in September, and represented 61 per cent of total store sales. The gain was principally in regular 30-day credit sales, installment purchases being approximately the same proportion of total sales as in September 1936.

Collections were rather slow during the month and represented 29 per cent of accounts receivable at the beginning of the month, compared with 31.5 per cent in August and 31.6 per cent in September 1936. The slowing down was principally in collections on regular accounts.

Department stores added less than the usual amount to their inventories in September in preparation for the Holiday season, although dollar value of stocks at the month-end was 22.5 per cent larger than a year ago. The seasonally adjusted index of stocks declined more than three points to 82 per cent of the 1923-25 monthly average. Current sales in relation to stocks continue to fall behind last year.

At reporting wearing apparel stores September sales were 17 per cent larger than a year ago, while the gain for the year to date was 15 per cent. Reporting furniture stores experienced an increase of ten per cent in dollar volume in September and 16 per cent in the nine-month period. Repossessions during the month continued in insignificant volume.

Wholesale

With the exception of wholesale drug sales, gains reported by cooperating lines of wholesale trade in this district were smaller in September than the cumulative increases

for the first nine months. Wholesale grocery firms experienced an increase of 5.5 per cent in September sales compared with 8.4 per cent for the nine-month period. Hardware sales were up nine per cent in September, and 20 per cent for the year to date, while dry goods firms experienced an increase of 5.6 per cent in the month, in contrast to 11 per cent so far this year. Sales of drug firms were up 16.6 per cent in the month and 15 per cent for the year to date. Collections generally seem to be a little slow.

CONSTRUCTION

Total building contracts awarded during September in the fourth district, amounting to \$26,637,700, were 41.7 per cent higher than those reported for September 1936. Residential building gained only 6.7 per cent over the same month last year. Compared with August of this year, both residential building and total construction declined more than eight per cent, the latter being the smallest since May, when awards were reported at \$26,302,000.

Reports for the early part of October showed a further decided drop in building activity in this section. Total construction for the first fifteen days failed to equal that of the corresponding period of last year by about 11 per cent. Residential building in this same period showed an increase of 4.8 per cent.

Building activity in this district, for the first nine months of 1937, increased 47.8 per cent over the similar period of last year. Cumulative increases existed in each of the four major classes of work.

In the 37 States east of the Rocky Mountains, total construction, amounting to \$207,071,800 as reported by the *F. W. Dodge Corporation*, was 11 per cent under the figure for September 1936. A still greater decline was evident when compared with August of this year. This shrinkage was less pronounced in public works than in privately-financed construction.

Reports from wholesale dealers in lumber were not encouraging. Prices on common lumber were slightly lower though no attempt was made by retail dealers to increase their inventories.

AGRICULTURE

With growing now completed and fall harvest work well along, results of the 1937 crop season can be judged more accurately. It has become increasingly evident that for the entire country the yields per acre harvested will average higher than in any recent year. A composite of principal crops shows the prospective yields of 1937 crops to be 112 per cent of the average yield per acre in the ten-year period 1923-32. In 1936 the yield was 86.8 per cent of the ten-year average. Excluding 1937, the highest yield of any recent year was in 1920 when the average was 109.6 per cent of the 1923-32 average. While the record yield of cotton (47 per cent above average, and nearly 12 per cent larger than ever before) accounts for much of this gain, excluding cotton the yield per acre was 3.7 per cent above average.

Not counting cotton, acreage of 25 principal crops planted for harvest in 1937 was nine per cent greater than in 1936, but 1.5 per cent smaller than the average of previous years. The gain over 1936 was chiefly in wheat acreage, which was much below average last year. The higher

yields per acre planted result in part from the better growing conditions generally, utilization of the more productive lands, and the greater use of fertilizers. In the first nine months of this year sales of fertilizers in 17 States were 24 per cent greater than in the comparable period of 1936, and up 37 per cent compared with 1935. September sales, however, were 12 per cent under last year, but with that exception were by far the largest for any September since the pre-depression period.

The general level of prices received by farmers in September was 118 per cent of the five-year-pre-war average, down five points from September, and six points from a year ago. The declining trend continued in the first half of October, the sharpest reductions being in grains and cotton. The level of prices paid by farmers for goods purchased also has receded slightly in recent weeks. The ratio of prices received to prices paid was 91 per cent in September, compared with 93 in August and 98 per cent a year ago. The recent high was 101 in January.

Corn The October 1 report of the *Department of Agriculture* for States in this Federal reserve district, showed little change in crop estimates from the September figures. The corn crop is estimated to be 30 per cent above last year's harvest and 25 per cent above average. Some northern fields were damaged by frost, but the crop generally matured quite satisfactorily. In some places it was poor because of weather conditions. Harvesting is well advanced generally. The October 1 condition of the crop was 80 to 88 per cent of estimated normal in States of this district, all somewhat above the ten-year average condition on that date, and also the average for the country as a whole. Increased use of hybrid seed is a factor in the greater yield per acre reported this year.

Potatoes Prospects for late potatoes are poor in most northern commercial sections of this district. Late blight and early frosts killed plants and many of these fields were planted late. As a result, tubers are small and yield is light. Numerous fields were not dug, but were planted to wheat. Early varieties made satisfactory yields, and in Kentucky the crop was 2½ times as large as in 1936. No shortage is expected, however, because the national crop is about seven per cent larger than the five-year average harvest of 1928-32.

Fruits A slight decline in estimated grape production occurred in September, but growers in this section are harvesting a larger-than-average crop and also one that exceeds 1936. The October 1 condition was above the ten-year average, even though some insect damage was reported and the crop was slow maturing. The cutting season started later than usual.

An apple crop nearly twice as large as the ten-year average and over four times as large as last year is being harvested under some difficulty. A larger than usual portion of the crop is expected to fall in the lower grades. Because of low prices to growers and the great supply, a sizable portion of the crop probably will not be harvested. For the country as a whole, combined 1937 production of fruits, excluding citrus varieties, is estimated to be 45 per cent larger than in 1936.

Tobacco The October 1 report indicated that prospective yield per acre of tobacco is the second largest on record

and the total crop is slightly above the five-year average 1928-32, and 28 per cent in excess of last year's harvest. Burley tobacco, the principal type raised in this district, is expected to total 359,000,000 pounds. This is 65 per cent above the 1936 crop and about equal to the five-year average, but still 15 per cent below the record crop of 1931. Early harvested crops have cured quite well, but late crops have been affected by cool weather. The crop as a whole is considered irregular with rather large amounts of common tobacco. Stocks of Burley tobacco carried over from previous years were estimated at 562,000,000 pounds, a drop of more than 100,000,000 pounds from last year, and 200,000,000 pounds below October 1935. The total supply (including this year's crop) is estimated at about 925,000,000 pounds, an increase of two per cent over last year, but still somewhat under 1935 or the five-year average. The upward trend of cigarette consumption in the past five

years has caused an increase in the utilization of Burley tobacco in the period. With supplies not excessive, prices to growers for this year's crop are expected to be satisfactory, but not as high as in 1936 when the crop was short. So far this season various grades of flue-cured tobacco have sold at prices similar to those of last year.

Cigar tobacco production in Ohio is estimated to be about one-third larger than last year's crop, but for the entire country the gain is about seven per cent. Cigar consumption also has been increasing in recent years and the total supply of cigar type tobacco is below average.

Wholesale and Retail Trade

(1937 compared with 1936)

	SALES September 1937	Percentage Increase or Decrease SALES first 9 months	STOCKS September 1937
DEPARTMENT STORES (51)			
Akron.....	+ 1.2	+12.4	+22.6
Cincinnati.....	+20.3	+14.9	+33.6
Cleveland.....	+14.3	+12.6	+15.1
Columbus.....	+12.6	+11.5	+20.6
Pittsburgh.....	+17.6	+19.8	+25.1
Toledo.....	+ 7.2	+ 8.7	+13.9
Wheeling.....	+16.8	+11.8	+ 3.4
Youngstown.....	+22.8	+20.7	+32.2
Other Cities.....	+19.7	+22.0	+22.6
District.....	+15.1	+15.6	+22.5
WEARING APPAREL (13)			
Cincinnati.....	+19.2	+ 9.5	+12.4
Cleveland.....	+13.2	+12.8	+ 7.7
Pittsburgh.....	+27.2	+19.0	+27.7
Other Cities.....	+14.0	+17.8	+ 4.0
District.....	+17.2	+14.2	+12.3
FURNITURE (41)			
Cincinnati.....	+ 3.9	+24.3	
Cleveland.....	+ 6.9	+12.0	
Columbus.....	+17.0	+16.3	
Dayton.....	+ 6.0	+18.0	
Toledo.....	+ 5.7	+ 0.5	
Other Cities.....	+30.2	+36.6	
District.....	+10.3	+15.6	
CHAIN STORES*			
Drugs—District (4).....	+10.3	+ 9.6	
Groceries—District (4).....	+ 7.0	+ 6.0	
WHOLESALE GROCERIES (28)			
Akron.....	+ 2.1	+ 2.8	
Cleveland.....	+ 9.6	+ 5.8	
Erie.....	+20.9	+16.4	
Pittsburgh.....	+21.4	+ 4.9	
Toledo.....	+14.2	+10.5	
Other Cities.....	+10.8	+10.2	
District.....	+ 5.5	+ 8.4	+14.1
WHOLESALE DRY GOODS (9)			
+ 5.6 +11.1 +30.4			
WHOLESALE DRUGS (9)			
+16.6 +15.5 +17.3			
WHOLESALE HARDWARE (10)			
+ 9.1 +20.2			

*Per individual unit operated.

Fourth District Business Statistics

(000 Omitted)

Fourth District Unless Otherwise Specified	Sept. 1937	% change from 1936	Jan.-Sept. 1937	% change from 1936
Bank Debits—24 cities.....	\$2,519,000	+12.7	\$23,003,000	+15.7
Savings Deposits—end of month: 40 banks, O. and W. Pa.....	\$ 766,329	+ 6.4	1	
Life Insurance Sales: Ohio and Pa.....	\$ 70,478	- 4.1	799,416	+ 7.4
Retail Sales: Dept. Stores—51 firms.....	\$ 22,876	+15.1	180,536	+15.6
Wearing Apparel—13 firms.....	\$ 1,075	+17.2	8,151	+14.2
Furniture—41 firms.....	\$ 986	+10.3	9,811	+15.6
Wholesale Sales: Drugs—9 firms.....	\$ 1,687	+16.6	13,466	+15.5
Dry Goods—9 firms.....	\$ 1,565	+ 5.6	10,948	+11.1
Groceries—28 firms.....	\$ 4,778	+ 5.5	38,310	+ 8.4
Hardware—10 firms.....	\$ 1,734	+ 9.1	14,864	+20.2
Building Contracts—Total.....	\$ 26,638	+41.7	270,299	+47.8
—Residential.....	\$ 8,574	+ 6.7	81,209	+48.7
Commercial Failures—Liabilities.....	\$ 697	-18.4	6,359	-26.3
—number.....	47 ²	+20.5	466 ²	-12.4
Production: Pig Iron—U. S..... tons	3,418	+25.2	30,307	+40.2
Steel Ingot—U. S..... tons	4,302	+ 3.6	42,499	+26.7
Auto—Pass. Car—U. S.....	118,671 ²	+31.7	3,077,488 ²	+13.4
—Trucks—U. S.....	52,532 ²	+16.6	715,854 ²	+14.9
Bituminous Coal, O. W. Pa., E. Ky..... tons	14,383	- 3.4	130,858	+10.2
Cement—O., W. Pa., W. Va. bbls.	1,059	-18.9	7,949	+ 7.9
Elec. Power, O., Pa., Ky. Thous. k.w.h.	1,599	+ 5.7	14,572	+12.4
Petroleum—O., Pa., Ky..... bbls.	2,487 ⁸	+ 9.8	18,712 ⁴	+ 8.0
Shoes.....	8	-14.8	5	+ 5.4
Bituminous Coal shipments: L. E. Ports..... tons	5,431	- 8.2	35,314	+ 7.9
Iron Ore Receipts: L. E. Ports..... tons	6,749	+25.4	37,587	+64.1

¹ not available
² actual number
⁸ August

⁴ Jan.-August
⁵ Confidential

Fourth District Business Indexes

(1923-25=100)

	Sept. 1937	Sept. 1936	Sept. 1935	Sept. 1934	Sept. 1933
Bank Debits (24 Cities).....	93	82	71	58	54
Commercial Failures (Number).....	32	27	43	40	80
(Liabilities).....	16	19	24	33	53
Sales—Life Insurance (O. and Pa.).....	74	77	76	72	77
—Department Stores (49 firms).....	103	89	78	72	68
—Wholesale Drugs (9 firms).....	124	106	90	80	78
—Dry Goods (9 firms).....	71	66	54	53	44
—Groceries (28 firms).....	91	86	80	70	63
—Hardware (10 firms).....	99	90	70	59	55
—All (56 firms).....	93	86	75	66	60
—Chain Drugs (4 firms)*.....	98	89	79	70	68
Building Contracts (Total).....	56	39	27	20	17
(Residential).....	50	47	22	8	11
Production—Coal (O., W. Pa., E. Ky.).....	80	82	53	58	59
—Cement (O., W. Pa., E. Ky.).....	88	109	81	63	44
—Elec. Power (O., Pa., Ky.).....	190	180	154	132	132
—Petroleum (O., Pa., Ky.)*.....	135	123	112	113	102
—Shoes.....	115	135	116	78	101

*August.
**Per Individual unit operated.

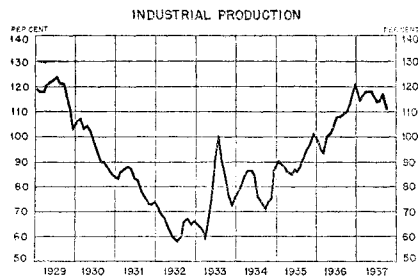
Debts to Individual Accounts

(Thousands of Dollars)

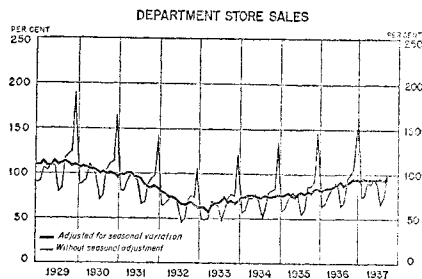
	4 weeks ended Oct. 20, 1937	% change from 1936	Year to date Dec. 31, 1936	Year to date Jan. 2, 1936 to Oct. 21, 1936	% change from 1936
Akron.....	\$ 73,897	+15.0	\$677,159	\$577,190	+17.3
Butler.....	10,431	+11.6	103,754	82,608	+25.6
Canton.....	38,063	+10.8	390,949	324,041	+20.6
Cincinnati.....	341,794	+ 8.1	3,488,357	3,117,490	+11.9
Cleveland.....	614,295	+ 5.9	6,162,876	5,349,471	+15.2
Columbus.....	176,225	+ 4.2	1,817,071	1,664,900	+ 9.1
Dayton.....	73,198	+17.5	739,893	599,980	+23.3
Erie.....	30,554	+13.7	324,633	247,633	+31.1
Franklin.....	3,491	-20.8	35,292	32,833	+ 7.5
Greensburg.....	7,840	+25.1	73,453	64,626	+13.7
Hamilton.....	12,531	+15.0	127,878	106,214	+20.4
Homestead.....	3,375	+30.0	33,757	25,478	+32.5
Lexington.....	18,279	+18.1	238,307	179,852	+32.5
Lima.....	14,605	+19.5	140,597	111,493	+26.1
Lorain.....	5,468	+10.6	53,615	39,465	+35.9
Middletown.....	11,214	+32.4	107,897	87,499	+23.3
Oil City.....	10,766	+ 3.2	111,241	95,769	+16.2
Pittsburgh.....	700,538	+ 7.0	7,598,517	6,681,787	+13.7
Sharon.....	10,214	+21.5	92,722	73,351	+26.4
Springfield.....	17,569	+14.9	185,535	151,806	+22.2
Steubenville.....	11,994	+20.1	111,308	81,511	+36.6
Toledo.....	130,654	+ 6.3	1,359,135	1,120,978	+21.2
Warren.....	10,952	+23.9	103,789	79,498	+30.6
Wheeling.....	32,035	+ 6.6	342,809	305,423	+12.9
Youngstown.....	54,059	+16.3	529,482	434,293	+21.9
Zanesville.....	8,335	+14.5	82,312	70,477	+16.8
Total.....	\$2,422,376	+ 8.0	\$25,032,338	\$21,705,666	+15.3

Summary of National Business Conditions

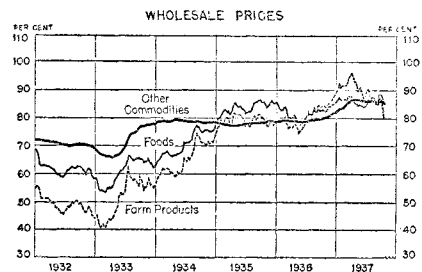
By the Board of Governors of the Federal Reserve System



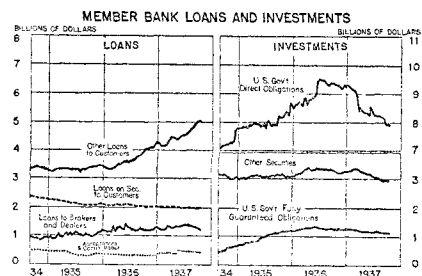
Index of physical volume of production, adjusted for seasonal variation, 1923-25 = 100. By months, January 1929 to September 1937, the latest figure being 111, preliminary.



Indexes of value of sales, 1923-25 average = 100. By months, January 1929 to September 1937. Latest figure, adjusted 94, unadjusted 100.



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



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934 to October 20, 1937.

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

Production and Employment

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

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

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

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

Distribution

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

Commodity Prices

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

Bank Credit

Excess reserves of member banks, after increasing in September from \$750,000,000 to over \$1,000,000,000, showed little further change in October.

Total loans and investments of reporting member banks in 101 leading cities declined somewhat in the four weeks ending October 20, reflecting chiefly a steady reduction throughout the period in loans to security brokers and dealers. Commercial loans increased further.

Money Rates and Security Prices

Rates on 9-month Treasury bills in October declined to about $\frac{1}{2}$ percent, the lowest since last January. Prices of high-grade bonds showed little change in September and October, while prices of lower-grade bonds and of common stocks declined sharply to the lowest levels since the middle of 1935.