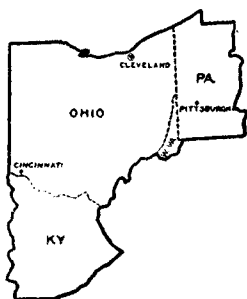


# MONTHLY BUSINESS REVIEW

Covering financial, industrial  
and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

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No. 2

Trade and industry in the fourth district appeared to be marking time in the latter half of February, on the basis of rather incomplete reports available. Operations in nearly every line were at low levels, compared with last year and also 1936, and fluctuations week by week in various fields failed to indicate a definite trend. A little improvement in buying was reported in the latest month. This is in decided contrast to the fourth quarter of 1937 when the movement was sharply downward in nearly every line. In January, composite production indexes for the country as a whole were three points lower than in December, after adjusting for seasonal differences. Weekly indexes for the first three weeks of February point to a little further falling-off.

In this district, however, the decline was somewhat greater than the average for the entire country. Failure of the automobile industry to maintain its seasonal level in January and February was chiefly responsible for the lag in this section. Total car production was 36 percent less in January than a year ago when strikes hindered work at several plants. This, coupled with the fact that releases for materials have been very small, has affected many plants in this area.

Employment indexes for all industrial areas receded quite sharply. In western Pennsylvania declines of 9 percent at Erie, 15 percent at Oil City, 7 percent at Pittsburgh, Sharon and New Castle were reported in January from December. As large or larger reductions from last year were evident, and employee-hours worked in these centers were down from 32 to 47 percent from early 1937.

In Ohio, total employment was down 11 percent in January from December, and 13 percent less than a year ago. Manufacturing employment was off 10 and 17 percent in the same periods. In individual cities declines in manufacturing employment from last year were Akron, 22 percent; Canton, 19; Cincinnati, 5; Cleveland, 12; Columbus, 18; Dayton, 13; Toledo, 36; and Youngstown, 19 percent.

Retail trade held up quite well under this situation. January automobile sales in principal counties were approximately one-fourth what they were a year ago, and down 50 percent from December, but department store sales were within 7 percent of 1937, even excluding areas where floods last year distorted the comparison. Grocery sales were only four percent under last year, nearly

all of which might be accounted for by the drop in food prices. Furniture store sales were down 25 percent from early 1937. Collections held up quite well generally.

January check transactions at banks in 24 cities of the district were 16.7 percent smaller than in January 1937, and in the three weeks ended February 23 the decline was 22 percent. Life insurance sales in Ohio and Pennsylvania, in January, were 15 percent smaller than a year ago. There was a marked increase in number of commercial failures and the liabilities involved, both as compared with December and January last year.

Residential building contracts awarded in this district in January were 15 percent larger than in December, but compared with last year they were down 67 percent. Total construction contracts were off 32 percent, an increase in publicly-financed work, partly offsetting the sharp decline in private construction.

Export business has held up quite well and plants engaged to any extent in producing goods for foreign consumption were operating at higher levels than those whose markets were purely domestic. This was particularly true of machine tool and certain other lines.

Incomplete inventory data point to a further contraction in January. Department store stocks were valued at less than one percent more than a year ago; wholesale firms reported inventories two percent smaller than in early 1937, but some variation was evident in the separate lines. In the manufacturing field, some lines have not yet reduced inventories to a level warranted by current production. Iron ore stocks at furnaces in this area on January 31, were 38,882,000 tons, an increase of 45 percent over last year, and the largest amount for any comparable date on record since 1919. This ore was brought down last summer, when industry was booming, to carry over the winter months, but ore consumption has been far below last summer's expectations. In other lines no uniformity regarding inventories exists; some report them lower than a year ago; others say stocks have been reduced considerably, but they are still above last year. This was true of clothing and textile plants, mild winter weather having retarded clearance sales of winter merchandise.

Conditions, which a year ago necessitated rather large inventories, are not now present, and current business can

be conducted with smaller stocks, particularly of raw materials, than was possible a year ago.

### FINANCIAL

Weekly condition figures of reporting member banks in leading cities of the fourth district and of the Federal Reserve Bank of Cleveland, in the four weeks ended February 23, reveal only slight changes in the period. The downward trend of demand deposits continued, but loans showed little change. Savings deposits at selected banks throughout the district at the end of January were 4.6 percent larger than a year ago.

**Reserve Bank Credit** A slight increase in working capital loans occurred in late January in this district, but total credit extended was little changed, for bills discounted declined at approximately the same time and continued to fall in February. On February 23, bills discounted were \$600,000, 29 percent smaller than in the third week of January, but a year ago discounts were \$70,000. Government security and acceptance holdings of this bank have not changed since the beginning of the year.

While note circulation of this bank, at \$418,000,000 on February 23, was little changed from the third week of January, and was approximately the same as a year ago, a slight increase was evident in February. It was less, however, than occurred at this time in all recent years.

Total reserve deposits of all member banks in this district declined nearly \$10,000,000 in the four latest weeks, and were lower than since last April. While estimated excess reserves of member banks were reduced from \$94,000,000, or 26 percent above requirements, in the third week of January, to about \$86,000,000 on February 22, the percentage excess was 24 per cent, since member bank demand deposits declined in the period. Excess reserves at country banks were 34 percent, while reserve city banks had an excess over requirements of 20 percent. The reduction in excess reserves in recent weeks was at the larger city banks.

**Member Bank Credit** Loans made by banks in leading cities of the fourth district increased slightly, about one percent, in mid-February, and maintained that level in the third week of the month. Compared with a year ago they were still up approximately 7 percent, although a contraction of four percent from the high point last Fall has occurred. The recent increase was chiefly in commercial loans, although loans to brokers rose slightly.

Since the beginning of 1938 member banks in leading cities have reduced their holdings of Government securities by moderate amounts in all but one week, and on the latest date they were \$116,000,000, or 13 percent smaller than a year ago at this time. Holdings of other securities were little changed in the four latest weeks. The continued contraction in investments has reduced total credit extended by these weekly reporting member banks to the lowest level since April 1936, and it was approximately \$100,000,000, or 5.2 percent lower than a year ago.

Compared with a year ago, total deposits, including interbank deposits, were down approximately five percent. The drop was entirely in demand deposits; they were off nearly seven percent, while time deposits increased four percent. So far this year demand deposits continued to decline, while time deposits rose slightly.

### MANUFACTURING, MINING

#### Iron and Steel

The rate of steelworks operation for the country as a whole was at 30 to 31 percent of capacity through February, compared with above 80 percent a year ago at that time. Variations have been slight; it remained at 33 percent in the Cleveland-Lorain district for three weeks, dropping to 31 percent in the fourth period; in the Pittsburgh area it ranged between 29 to 32 per cent, while at Wheeling it held between 38 and 44 percent. At Youngstown more variation was apparent, the rate fluctuating between 23 and 29 percent in February, with the higher rate at the end of the period. A sidewise movement apparently has developed for the industry as a whole, fluctuations in individual steel centers depending on orders placed. Some uncertainties which have been holding back buying are gradually being removed.

Announcement February 17 by leading steel producers, that prices would be unchanged for delivery through second quarter, beginning April 1, has served to steady the steel situation. It has been reported that possibility of lower prices held back some buying. How much of present backwardness in placing orders resulted from this cause, is uncertain, but it probably was a factor. Prices of pig iron also have been reaffirmed for second quarter.

Expectation of an early decision on the petition of railroads for higher rates has delayed placing of orders by the carriers, but how much tonnage from that source can be relied on isn't estimated because of the general decline in rail traffic.

An indicator of the extent of betterment in January over December is found in the report by the United States Steel Corporation of its shipments of finished steel in the initial month. This was the first upward movement after nine consecutive monthly decreases. Total shipments were 518,322 tons, a gain of 29,252 tons over December.

For those who have believed steelmaking scrap is a bellwether of the situation, the price decline during February was a disquieting factor. The composite price has dropped from \$13.90 to \$13.33 during the month.

Automobile production has shown only slight gains from the low point at the beginning of the year, and as this interest is a large steel buyer, its inability to attain a higher rate of production is a handicap.

Steel ingots produced in January totaled 1,723,266 gross tons, the lowest January in 20 years, except for 1932 and 1933. It was nearly 18 percent larger than December 1937, but 63 percent less than in January 1937, which was the highest January on record. Steel production in January was at an average of 29.14 percent of capacity, compared with 25.36 percent in December.

Pig iron output in January totaled 1,439,191 tons, a loss of 4.3 percent from the 1,503,474 tons made in December. The daily rate was 46,426 tons in January, compared with 48,499 tons in December. These figures are the lowest since December 1934. This was the lowest January output since 1934 and compares with 3,219,741 tons produced in January 1937. Active stacks at the end of January numbered 91, the lowest since June 1935, also at 91, and the lowest for January since 1935 when only 89 were in blast. In January 1937, a total of 169 stacks were producing.

Steel exports in December continued the high rate of earlier months, with 306,647 gross tons of manufactures

and semimanufactures and 318,771 tons of scrap. Because of smaller shipments in some higher-priced materials the value for December was slightly under that of November. Tin plate exports declined from 52,795 tons in November to 31,364 in December, accounting for part of the loss in value. Japan took less than 10,000 tons of scrap, the smallest tonnage of any important scrap-buying country.

Steel exports for 1937 were exceeded only by the years 1916-1920, inclusive, and were 40 percent greater than in 1929. Scrap exports totaled 4,095,894 tons, an alltime high. A feature of the scrap movement was that Europe took approximately the same tonnage as the Far East, the latter usually leading by a wide margin. This indicates extent of the hunger for raw materials in Europe. Exports of pig iron and tin plate were also the largest ever recorded. Imports for 1937 showed a slight decrease in volume from 1936, but an increase in value, due to larger tonnage of higher-priced commodities.

#### Coal

Despite the fact that coal production each week, since last October, has been less than in the comparable period of the previous year, coal stocks above ground in January were 8.3 percent larger than in early 1937. With the decline in industrial requirements, and the mild winter weather, the 47,121,000 tons inventory, in terms of days' supply, was 26 percent larger than a year ago.

Withdrawal of all minimum bituminous coal price schedules in the third week of February, following court injunctions against such prices in several specific areas, has added considerable uncertainty to an already complicated situation. Large inventories built up last year in anticipation, first of a strike, and then of higher prices when the Coal Commission prices became effective, now retard mine operations. Reduced industrial activity is reflected in limited coal requirements.

In this district, January coal production was 10,681,000 tons, a drop of 29 percent from last year and of 14 percent from December, and the smallest January since 1933. Mines in this section were working at 40 to 50 percent of capacity in early February.

#### Automobiles

The sharp decline in automobile production in January, both as compared with December and January last year, and continuation of assemblies in the first three weeks of February at a level much under each of the three preceding years, were important factors accounting for the recent low level of industrial operations in this district. Activity of auto parts companies and buying of automo-

bile steel in the first three weeks of February, continued at low levels. Reports from local parts plants indicate that shipments in the first two months ranged between 50 and 75 percent under the comparable period last year. Operations in mid-February were on about a 30 percent basis. Cancellations of orders are not important in this field, but some have occurred; delivery date is deferred instead, in most cases, and considerable of that has been experienced. Employment at 53 auto parts factories in Ohio was 27 percent less in January than in December, and 22 percent under last year. Many of those still employed were working only a few hours a week.

Auto assemblies in January, according to the *Department of Commerce*, numbered 210,450 units. This compared with 326,234 in December and 380,055 in January 1937. The drop from December was more than seasonal, and the adjusted index, compiled by the Board of Governors, dropped 13 points to 65 percent of the 1923-25 average.

In January 1937 car assemblies were retarded by strikes, but production this year was under that period by 36 percent. January was the first month in which any sizable decline in truck production was noticeable. It was 23 percent under last year and approximately one-third less than in December. Passenger car production was just a little more than half what it was a year ago. While dealer sales of one large car manufacturer were 32 percent less than in January 1937 throughout the country, a smaller reduction than in production, indicating that car stocks were being liquidated, in leading counties of this district total passenger car sales were 75 percent under last year and about half the December figure. In some sections it was reported that new car sales had declined to little above the low point of 1932-33. Used car sales, according to reports, have been holding up somewhat better.

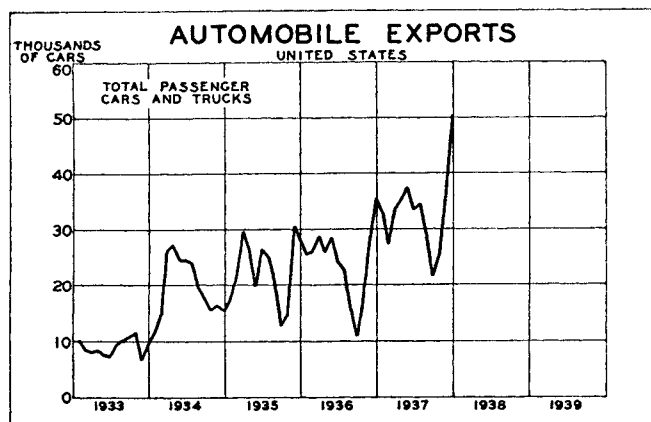
Weekly production figures, according to *Ward's Reports*, averaged 56,300 units in four weeks of February. A year ago at that time output, despite strikes, was above 100,000 cars a week.

The recent sharp contraction in demand for automobiles, from American producers, has been confined chiefly to this country. *Department of Commerce* figures show that sales of passenger cars and trucks for foreign markets in 1937 were 476,000 units, or nearly ten percent of the total produced, and they were 37.5 percent ahead of 1936. In the fourth quarter, when domestic sales were contracting, foreign sales of passenger cars were 20 percent ahead of the fourth quarter of 1936, and foreign truck sales were up 59 percent. In the entire year foreign passenger car sales were 29 percent greater than in 1937, and truck sales were up 51 percent. The accompanying chart shows output of cars and trucks for foreign markets in the past four years.

#### Rubber, Tires

The rubber industry apparently was marking time in the latter half of January and the first part of February, but, according to reports, considerable variation existed among the plants, particularly between those in Akron and those now operating in other sections of the country.

Those Akron plants dependent on both the original equipment and replacement tire industries were reported to be working 18 to 24 hours per week, while those dependent on replacement business alone were supposedly doing somewhat better. Employment in the rubber industry in Ohio was down 8 percent in January from December, and was 25 percent less than a year ago.



Consumption of crude rubber by domestic users in January was 29,429 long tons, a gain of one percent over December, but a drop of 42 percent from January 1937, according to the *Rubber Manufacturers' Association*. Rubber consumed in the two latest months was less than in any similar period since early 1933. Despite the fact that export quotas for rubber-producing countries were reduced from 90 to 70 percent for the first quarter, some areas did not even ship an amount sufficient to equal the lower quota limit. January arrivals at domestic ports, while 28 percent larger than the small amount imported a year ago, were down 38 percent, compared with December imports. Imports exceeded consumption in January by 12,706 tons, and rubber stocks again increased. On January 31 these raw material inventories totaled 269,078 long tons, compared with 204,201 tons on the comparable date last year. Raw rubber prices strengthened moderately in February, after hitting a new low for the movement of just above 14 cents, early in the month. This was one-third lower than a year ago.

**Clothing** The clothing industry was perplexed about the spring season, now well under way. As reported previously, advance buying was less than usual, so much so that it is definitely indicated the season will be behind last year. Cancellations in excess of what usually are experienced were reported by some manufacturers, while others indicated they have not been unusually large. On the other hand, repeat orders have been received from some sections of the country in rather favorable volume. It is on these reorders that manufacturers depend to sustain production after the first of April. Sufficient orders are now on hand to maintain operations at a fair level until that time.

The unusually open winter weather has retarded sales of winter clothing at retail outlets, and also has held back clearance sales of manufacturers' surplus winter stocks, so that inventories of finished goods were reported larger than a year ago. Stocks of cloth and other materials have been kept down, however.

Clothing sales at fourth district department stores in January were irregular. A decline of 6.6 percent was reported for women's wear, while men's clothing sales were 1.4 percent ahead of January 1937. Men's furnishings and boys' wear were off two and four percent from last year. Clothing prices at retail stores, according to *Fairchild's* index, continued to decline in January, but they were still slightly above a year ago.

Textile plants stated that, with the approaching opening on March 1 of fall lines, business in late February was almost at a standstill. Inventories, both of raw materials and finished textiles, were reported smaller than a year ago.

Employment at 147 Ohio clothing and textile plants in January was 21 percent less than a year ago, and down two percent from December.

**Other Manufacturing** While operations in a few industries of the district, and in smaller centers, continued at higher levels than in some of the basic lines, in late January and the first part of February, the contraction was quite marked from last year in most cases. Considerable variation was apparent among plants making the same type of product, depending on whether or not an export business was conducted, the posi-

tion of backlogs, whether the product was durable or non-durable goods, etc. Employment declines in January from December were greatest in the metal products, auto parts, and stone, clay and glass industries. Rubber plants showed the largest decline from a year ago in January, but it was only slightly greater than the reduction in the aforementioned lines.

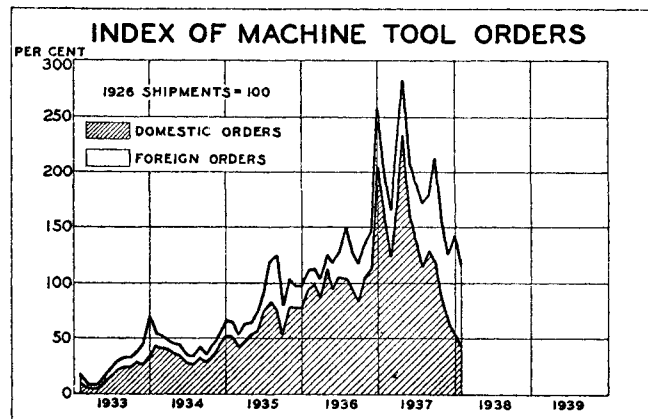
**Electrical Equipment** January sales of electrical equipment and supplies were reported 25 to 50 percent smaller than a year ago, but since the beginning of the year no important order cancellations have been reported, and a slight gain in sales was evident. Inventories of both raw materials and manufactured goods were larger than a year ago, and were reported to be large for present conditions, but not burdensome.

**Glass** Comparison of current conditions in the glass industry with last year is distorted by the fact that a nine-week strike occurred then which reduced inventories and raised orders. Present inventories of both plate and window glass are large and operations in January and early February were under 25 percent of capacity. Employment receded 16 percent in January from December in the stone, clay, and glass industries, but a greater drop occurred in the number of hours worked. China manufacturers reported a large number of cancellations from department stores since the beginning of the year, and, while inventories were reported about half what they were last year, operations continued at approximately 25 percent of capacity.

**Paper** Boxboard and paper plants were operating at about 60 per cent of capacity in January, some slight improvement having occurred since the beginning of the year. Tendency to reduce inventories of both raw and finished materials still is apparent and they were smaller than a year ago in the case of boxboard, but not in other grades. No order cancellations have been reported.

**Shoes** Production of footwear at 25 factories in the fourth district in January was up 30 percent over December, but this was less than the increase which usually occurs at this season. Compared with a year ago, when floods hampered operations, output was up 11 percent. With most local plants making lower-priced footwear, or specialties, demand for spring lines has held up better than for the entire country. Inventories have been reduced to a reasonable basis and buying is limited to immediate needs.

**Tools, Machinery** Firms doing export business have operated at relatively higher levels so far in 1938 than others. Demand from foreign sources has continued almost una-



bated. In the machine tool industry, foreign orders received in January constituted 63 percent of the total, the same as in December, but both decreased in the latest month. Domestic buying dropped to levels approximating those of early 1934, according to the *National Machine Tool Builders' Association*. Considerable variation was apparent in the operating rates of various companies in early February, backlogs enabling activity at some to remain at fairly high levels. The accompanying chart shows the proportionate share of monthly orders coming from domestic and foreign sources in the past seven years. Foundry and equipment orders received in January were 60 percent smaller than last year, and were off 30 percent from December. Unfilled orders were half as large as a year ago. Small tool demand and purchases of engineering specialties have been very much below early 1937. Sales and operations were off 40 to 60 percent.

### TRADE

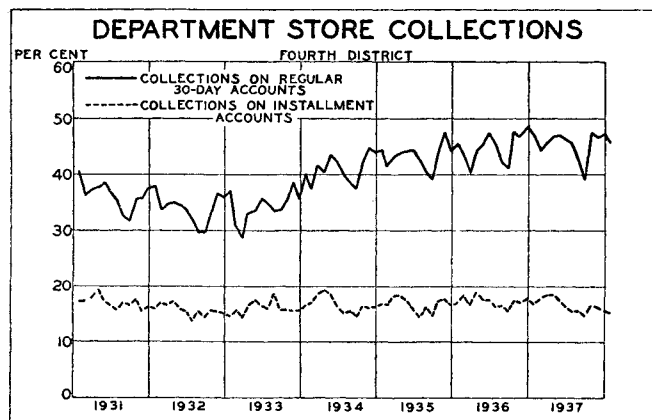
#### Retail

In contrast with the decline in industrial activity in this section in January, retail trade held up fairly well. Department store sales in leading cities of the district, except Cincinnati, were seven percent smaller than a year ago. The Cincinnati increase of 32 percent over last year is not representative, because sales were very much reduced by floods in January 1937. Some stores were closed completely for varying lengths of time, but the average was around one week. In other centers, the January drop from last year ranged from one percent at Pittsburgh to 20 percent at Akron.

Including the Cincinnati stores' figures, dollar sales of all reporting stores were down more than seasonally from December, and the adjusted index of daily average sales dropped 4 points to 88 percent of the 1923-25 average. The disparity from last year increased in February, judging by weekly sales reports, and the decline in dollar sales for the first three weeks was 11 percent. The number of transactions at reporting stores was off five percent in the same period.

In basement departments of reporting stores, the decline in sales was slightly greater than in total store sales, and such sales represented 14.5 percent of total store sales, compared with 15 percent a year ago.

Despite a gain in Cincinnati, sales at all reporting furniture stores in Ohio and Kentucky in January were 25 percent smaller than a year ago; chain grocery and drug stores showed declines of 10 and 4 percent, respectively, from last year.



A further more-than-seasonal contraction in department store inventories was evident in January, the adjusted index receding one point to 76 percent of 1923-25 average. Retail dollar value of stocks, as of January 31, was only 0.7 percent larger than a year ago.

While the ratio of credit to total sales increased in January, compared with December, the change was seasonal and total charge sales in the latest month represented 59 percent of total sales. A smaller volume of installment buying was evident in January than a year ago, the contraction being about 12 percent. Regular 30-day charge sales increased somewhat.

Collections held up quite well generally, although in industrial centers showing the largest declines in activity, collections were somewhat behind last year. For the entire district, collections during January on regular accounts receivable at the end of December were 45.5 percent, compared with 46.8 percent a year ago. Installment collections were 15.1 percent of installment accounts receivable at the end of December, as against 16.6 percent last year. The trend of collections, on both regular and installment accounts in the past seven years, is shown on the accompanying chart.

#### Wholesale

Compilation of various reports on wholesale trade was transferred from the Reserve banks to the *Bureau of Foreign and Domestic Commerce*, beginning with the January reports. Duplication of work was thus eliminated, and it is hoped the figures will be more representative, than were the former reports of each organization. Future discussions on wholesale trade in this area will be based, in part, on a special tabulation of figures for the fourth district now being compiled by that *Bureau*.

In January, dollar sales of 113 wholesale firms in this district were 14.5 percent smaller than a year ago. The reductions in the various lines shown on page 7 ranged from less than one percent for groceries to 30 percent for dry goods.

Value of stocks of all reporting firms, as of January 31, was approximately two percent smaller than a year previous; drug, electrical goods, industrial hardware, and miscellaneous firms being the only ones to show an increase over last year. Collections in all lines but groceries were smaller in January than a year ago.

### CONSTRUCTION

Fourth district residential building contracts awarded in January, totaling \$3,736,000, were 67 percent below the total for January 1937, though they showed an increase of 15.3 percent when compared with December 1937. Total construction, amounting to \$19,379,000, was 32.4 percent below January a year ago, and 28.2 percent below last December.

Public works contracts awarded continued to increase, and were over three times greater than in January a year ago. They comprised 37 percent of the total construction undertaken in this section in the latest month.

Publicly-financed building, which had begun to decline last year, constituted 57 percent of all construction during January 1938, as compared with 46 percent a year ago and 42 percent for last December. Over 46 percent of non-residential contracts awarded in January was financed by public funds; no comparable figures for previous months are available.

In the first half of February, residential contracts awarded in this section were 17 percent smaller than last year, non-residential awards were off 43 percent, and total construction was behind 24 percent. Public works and utilities showed an increase.

In the 37 eastern States covered by the *F. W. Dodge Corporation* reports, 62 percent of total construction was financed by public funds in January 1938, compared with 55 percent in the previous month and 46 percent a year ago. Total contracts awarded declined 19.5 percent below January of last year, and 6.7 percent below last December.

Wholesalers in lumber reported sales were below January of last year, but no cancellations were received. This was attributed to the "hand to mouth" buying in recent months. Orders were placed to fill only immediate needs.

### AGRICULTURE

Annual State figures covering farmers' cash receipts from the sale of principal farm products in 1937, were recently released. The following table shows these figures for States in this Federal Reserve District and for the entire country, as well as for years back to 1934. These estimates were prepared by the *Bureau of Agricultural Economics*.

RECEIPTS FROM SALE OF PRINCIPAL FARM PRODUCTS  
(000 omitted)

	Crops			
	1934	1935	1936	1937
Ohio	\$58,137	\$65,524	\$77,914	\$86,631
Pennsylvania	45,030	43,309	55,769	68,791
Kentucky	49,364	56,558	55,669	82,411
West Virginia	7,280	6,967	6,790	8,768
United States	2,887,000	2,813,000	3,462,000	3,882,000
	Livestock and Livestock Products			
Ohio	\$142,680	\$196,947	\$205,726	\$225,458
Pennsylvania	140,863	167,944	170,856	188,629
Kentucky	42,831	60,119	63,800	65,307
West Virginia	20,883	26,575	27,360	28,057
United States	2,905,000	3,674,000	4,171,000	4,272,000

While Ohio is not usually regarded as an agricultural State, income received in 1937 from sale of crops and livestock combined was only exceeded by seven other States in the country, and nearly equaled incomes of the States of Minnesota, Wisconsin, and Kansas. In addition to these, it was exceeded by California, Texas, Iowa and Illinois. Combined farm cash income in Ohio amounted to \$312,089,000 in 1937, a gain of 10 percent over 1936 and of 55 percent over 1934. The increase in farm cash income for the entire country, in 1937 over 1936, was about eight percent.

Income derived from sale of crops by Ohio farmers increased approximately 11 percent in 1937 over 1936, but accounted for little more than one-fourth of the total cash

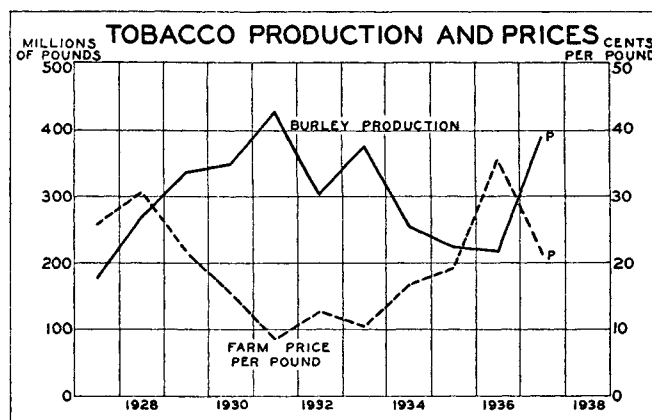
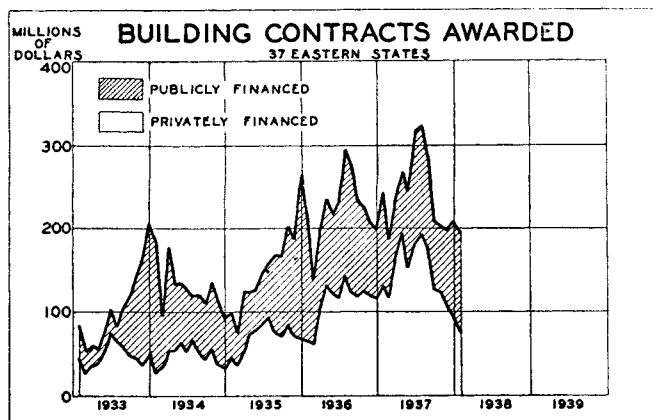
income received. Livestock and its products accounted for 72 per cent of the estimated cash income of Ohio farmers in 1937, and in this branch of agriculture the State ranked fifth, being surpassed only by California, Illinois, Minnesota and Iowa.

Approximately the same relationship existed in Pennsylvania between income from livestock and crops as in Ohio, but in Kentucky, cash receipts from tobacco sales boost the proportion of income received from crops. In West Virginia more than three-fourths of the total farm income was derived from sale of livestock and products.

**Tobacco** All Kentucky's leading tobacco markets, except Lexington, closed in early February. Sales at Lexington closed on February 23, but in the last two weeks most tobacco sold was of very poor quality or resale tobacco. With Lexington's closing week's record not available, figures indicated that the second largest crop of burley tobacco in history was marketed. On ten leading markets, 213,488,000 pounds of burley were sold for \$47,614,000. The average price was \$22.30 a hundred pounds. The largest auction in the past 16 years, 248,773,000 pounds, was sold in 1931-32, for an average of only \$8.63 a hundred pounds. Gross sales on all markets are expected to be around 400 million pounds, for an average of approximately 21 cents a pound. This includes resales and some types other than burley, but marketings indicate that the December 1 report of the *Department of Agriculture*, 367,000,000 pounds, probably will be revised upward. The accompanying chart shows burley tobacco produced and the annual average price received since 1927, with this year's figures preliminary. Despite the lower price this season than the record high price last season, the 1937 crop was worth somewhat more than last year's small crop.

Burley tobacco on hand on October 1, before the selling season began, totaled 572,000,000 pounds, a drop of 2.5 percent from the previous year's figure, and the smallest carry-over since 1931. The total supply at the beginning of the current selling season was only slightly larger than a year previous, while on January 1, dealers' stocks were 46½ million pounds smaller than on January 1, 1937. In the twelve months ended September 30, 1937, use of burley tobacco increased for the fourth consecutive season. The expansion is reported to be due to the use of larger quantities in the manufacture of cigarettes in the United States.

**Prices** The renewed decline in wholesale prices has been largely due to weakness in farm prices, and the ratio of these to non-agricultural prices in early February was 82



percent of the pre-war level, compared with 102 a year ago. Prices received by farmers in January were lower than since 1934, and down 22 percent from last year. Continued farm price weakness, in contrast with only very moderate or no declines in prices of goods farmers buy, has reduced sharply the exchange value of farm products in trade.

### Fourth District Business Statistics

(000 Omitted)

Fourth District Unless Otherwise Specified	January 1938	January 1937	% change from 1937
Bank Debits—24 cities.....\$	2,165,000	2,599,000	— 16.7
Savings Deposits—end of month:			
40 banks, O. and W. Pa.....\$	776,351	742,506	+ 4.6
Life Insurance Sales:			
Ohio and Pa.....\$	70,757	83,045	— 14.8
Retail Sales:			
Dept. Stores—51 firms.....\$	14,828	15,248	— 2.8
Wearing Apparel—13 firms.....\$	714	712	+ 0.2
Furniture—41 firms.....\$	528	701	—24.6
Building Contracts—Total.....\$	19,379	28,648	—32.4
—Residential.....\$	3,736	11,241	—66.8
Commercial Failures—Liabilities.....\$	965	449	+114.9
—Number.....	89 <sup>2</sup>	46 <sup>2</sup>	+93.5
Production:			
Pig Iron—U. S.....tons	1,439	3,220	—55.3
Steel Ingot—U. S.....tons	1,732	4,725	—63.3
Auto—Passenger Car—U. S.....	156,387 <sup>2</sup>	309,637 <sup>2</sup>	—49.5
—Trucks—U. S.....	54,063 <sup>2</sup>	70,418 <sup>2</sup>	—23.2
Bituminous Coal, O., W. Pa., E. Ky.....	10,681	15,109	—29.3
Cement—O., W. Pa., W. Va.....bbls.	261	393	—33.6
Elec. Power, O., Pa., Ky.....Thous.	1,621 <sup>2</sup>	1,742 <sup>2</sup>	—6.9
Petroleum—O., Pa., Ky.....k.w.h.	2,362 <sup>2</sup>	2,348 <sup>2</sup>	+ 0.6
Shoes.....pairs	4	4	+11.0

<sup>1</sup>Not available  
<sup>2</sup>Actual number

\*December  
\*Confidential

### Debits to Individual Accounts

(Thousands of Dollars)

	5 Weeks ended Feb. 23, 1938	% change from 1937	Year to date Dec. 30, 1937 to Feb. 23, 1938	Year to date Dec. 31, 1936 to Feb. 24, 1937	% change from 1937
Akron.....\$	59,595	—18.2	\$ 104,132	\$ 121,925	—14.6
Butler.....	8,809	—18.3	16,684	18,292	— 8.8
Canton.....	31,227	—21.9	53,596	67,850	—18.1
Cincinnati.....	329,797	— 7.7	563,266	622,574	— 9.5
Cleveland.....	516,524	—21.1	901,770	1,102,150	—18.2
Columbus.....	163,828	—15.3	283,263	342,037	—17.2
Dayton.....	66,054	—14.1	116,542	130,039	—10.4
Erie.....	28,310	—17.4	49,056	57,278	—14.4
Franklin.....	3,128	—27.2	5,394	6,822	—20.9
Greensburg.....	7,160	+12.0	12,227	12,176	+ 0.4
Hamilton.....	11,523	—13.7	18,717	21,712	—13.8
Homestead.....	3,115	— 4.4	5,320	5,712	— 6.9
Lexington.....	37,296	+ 6.7	70,477	76,875	— 8.3
Lima.....	15,076	— 1.9	25,800	25,357	+ 1.7
Lorain.....	4,856	— 9.4	8,273	8,894	— 7.0
Middletown.....	9,164	—11.2	15,158	17,826	—15.0
Oil City.....	10,962	— 9.8	18,460	20,736	—11.0
Pittsburgh.....	674,489	—22.2	1,159,432	1,469,329	—21.1
Sharon.....	8,637	—14.0	14,605	16,522	—11.6
Springfield.....	17,983	— 3.8	31,445	32,484	— 3.2
Steubenville.....	8,552	—23.6	14,880	18,543	—19.8
Toledo.....	112,831	—20.5	199,766	241,351	—17.2
Warren.....	7,950	—27.7	13,905	18,283	—23.9
Wheeling.....	27,149	—22.4	50,007	63,114	—20.8
Youngstown.....	40,106	—26.1	71,125	93,104	—23.6
Zanesville.....	7,847	— 3.6	13,430	14,672	— 8.5
Total.....\$	2,211,768	—18.2	\$3,838,730	\$4,625,657	—17.0

### Fourth District Business Indexes

(1923-25=100)

	Jan. 1938	Jan. 1937	Jan. 1936	Jan. 1935	Jan. 1934
Bank Debits (24 cities).....	80	96	79	68	57
Commercial Failures (Number).....	61	32	43	71	70
(Liabilities).....	22	10	16	27	42
Sales—Life Insurance (O. and Pa.).....	73	86	87	120	88
—Department Stores (49 firms).....	67	69	58	60	52
—Wholesale Drugs (6 firms).....	111	117	100	97	100
—Dry Goods (10 firms).....	32	46	38	39	37
—Groceries (29 firms).....	69	70	70	70	61
—Hardware (11 firms).....	53	75	55	49	50
—All (56 firms).....	63	72	65	64	59
—Chain Drugs (4 firms)**.....	91	95	86	77	73
Building Contracts (Total).....	41	60	38	24	69
(Residential).....	22	65	23	11	6
Production—Coal (O., W. Pa., E. Ky.).....	59	84	77	74	68
—Cement (O., W. Pa., E. Ky.).....	22	33	12	5	6
—Elec. Power (O., Pa., Ky.)*.....	193	207	175	152	139
—Petroleum (O., Pa., Ky.)*.....	128	127	108	106	97
—Shoes.....	109	98	124	98	68

\*December.

\*\*Per individual unit operated.

### Wholesale and Retail Trade

(1938 compared with 1937)

	SALES January 1938	Percentage Increase or Decrease January 1938	COL- LECTIONS January 1938
DEPARTMENT STORES (50)			
Akron.....	—20.4	— 2.8	—13.7
Cincinnati.....	+32.4	+ 4.6	+27.4
Cleveland.....	—10.3	— 1.2	+ 0.3
Columbus.....	— 3.2	— 6.0	+ 5.1
Pittsburgh.....	— 1.1	+ 3.4	+ 2.2
Toledo.....	—12.9	+ 9.3	— 1.0
Wheeling.....	— 9.0	— 5.0	— 3.4
Other Cities.....	— 3.2	— 0.1	— 1.8
District.....	— 2.8	+ 0.7	+ 3.2
WEARING APPAREL (13)			
Cincinnati.....	+19.1	+ 3.4	+12.3
Cleveland.....	— 6.2	— 3.3	— 3.8
Pittsburgh.....	— 2.3	+14.4	— 5.8
Other Cities.....	— 8.1	— 5.6	+ 1.1
District.....	+ 0.2	+ 2.0	— 0.2
FURNITURE (41)			
Cincinnati.....	+20.1		+16.5
Cleveland.....	—32.6		—14.8
Columbus.....	—10.1		— 0.06
Dayton.....	— 4.4		—26.3
Toledo.....	—35.6		—23.7
Other Cities.....	—37.2		—13.4
District.....	—24.6		—12.9
CHAIN STORES*			
Drugs—District (4).....	— 4.2		
Groceries—District (4).....	— 9.5		
WHOLESALE TRADE**			
Drugs (6).....	— 5.3	+ 5.1	— 3.5
Dry Goods (10).....	—30.5	—12.0	—14.3
Electrical Goods (19).....	—28.8	+ 1.1	—24.9
Groceries (29).....	— 0.8	— 0.7	+ 0.06
Total Hardware Group (31).....	—27.5	— 6.1	—21.4
General Hardware (11).....	—29.3	— 7.0	—24.5
Industrial Supplies (11).....	—26.1	+ 0.2	—17.5
Plumbing & Heating Supplies (9).....	—21.2	— 7.5	—17.4
Leather & Shoe Findings (3).....	—15.6		— 7.7
Lumber & Building Materials (3).....	—25.0		
Miscellaneous (12).....	— 4.9	+27.0	—40.3
District—All lines (113).....	—14.5	— 1.9	—14.1

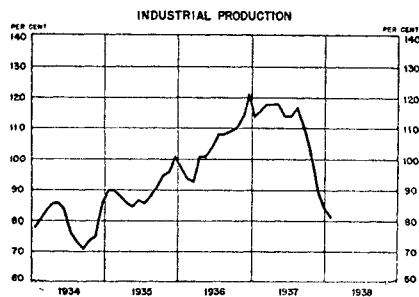
\*Per individual unit operated.

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

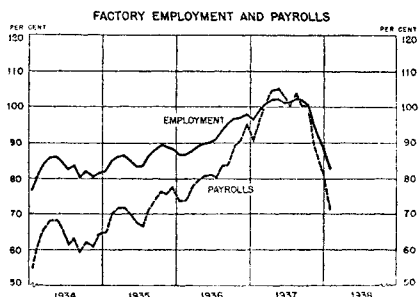


## Summary of National Business Conditions

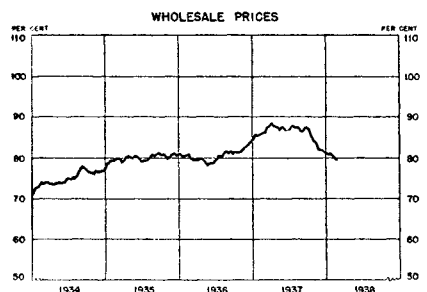
By the Board of Governors of the Federal Reserve System



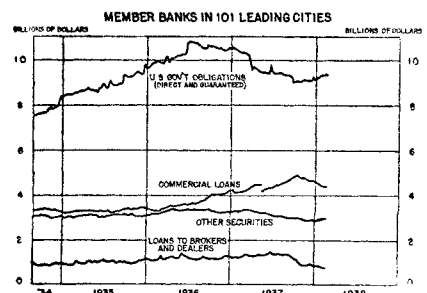
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to January 1938. Latest figure 81.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-25 average = 100. By months, January 1934 to January 1938. Indexes compiled by the United States Bureau of Labor Statistics.



Index compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending February 19, 1938.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to February 16, 1938. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "other loans" as then reported.

The decline in business activity, which had been rapid during the last quarter of 1937, continued in January, but at a slower rate.

### Production

Volume of industrial production, as measured by the Board's seasonally adjusted index, was at 81 percent of the 1923-1925 average in January as compared with 84 percent in December. Output of durable goods continued to decline, reflecting chiefly considerable decreases in production of automobiles and plate glass and a further decline in output of lumber. Steel ingot production increased somewhat, the output for January averaging 30 percent of capacity. In the first three weeks of February, activity at steel mills showed little change at about 31 percent of capacity, while production of automobiles was at a lower rate than in January.

In the textile industries, activity at silk and rayon mills in January showed a sharp rise from the low levels reached in December. At cotton mills, however, there was less than the usual seasonal increase and output of woolen products continued in small volume. Shoe production, which also had been at a low rate in December, increased considerably in January, and activity at meat-packing establishments rose somewhat further. Output of tobacco products remained at a high level, while sugar meltings declined. At mines, bituminous coal production was considerably smaller than in December, and there was also a reduction in output of nonferrous metals. Petroleum production continued at the high level of other recent months.

Value of construction contracts awarded in January was smaller than in December and somewhat below the level maintained during the last four months of 1937, according to figures of the F. W. Dodge Corporation. Contracts awarded for public projects increased somewhat further, while awards for private work continued to decline, reflecting a further decrease in residential building and a sharp reduction in awards for factory construction. In the first half of February awards for private projects were at about the same rate as in January, while those for public work showed a sharp decline.

### Employment

Factory employment and payrolls declined substantially further between the middle of December and the middle of January. In the durable goods industries, decreases in employment were general and were particularly large at factories producing automobiles, steel, and machinery. Employment in nondurable goods industries showed a somewhat smaller decline than in previous months. There was some increase in the number employed at shoe factories and little change in the food industries as a group, but in other nondurable goods industries employment continued to decrease. Employment on the railroads, in mining, and in the construction industry also declined.

### Distribution

Department stores sales showed a seasonal decrease from December to January, while sales at variety stores and mail order sales declined by more than the usual seasonal amount.

Freight-car loadings continued to decline in January, reflecting principally a reduction in shipments of coal.

### Commodity Prices

Prices of steel scrap and nonferrous metals declined from the middle of January to the third week of February, following some advance in December and the early part of January. There were further decreases in some other basic commodities, while prices of cotton and silk advanced. Livestock products continued downward and a number of finished industrial products declined further. Prices of pig iron and most finished steel products have been reaffirmed for second quarter delivery.

### Bank Credit

During the first three weeks of February excess reserves of member banks were little changed from the level of \$1,400,000,000 reached at the end of January following the post-holiday return of currency from circulation.

During January there were substantial reductions in commercial loans and brokers' loans and moderate increases in investments at reporting member banks in 101 leading cities. In the first three weeks of February loans and investments of these banks showed little change.

### Money Rates

Rates on Treasury bills and yields on Treasury notes and bonds continued in February at the low levels reached in the latter part of January.