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and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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Extension of the upward movement apparent a month ago in the fourth district was evident in reports received covering the entire month of August and the first three weeks of September, although toward the end of the period there seemed to be a disposition to postpone commitments in some lines. It was reported that incoming orders had slowed down somewhat. There was moderate improvement in employment conditions in nearly every city in August, and further gains were indicated in September by scattered reports in various lines. The increase in payrolls was more pronounced, reflecting more hours for those employed. In Ohio, all manufacturing payrolls were up 10.8 percent in August over July, while the number of employees was up 3.5 percent in the same period. In Pennsylvania, payrolls increased nine percent in August over July, while employment was up nearly four percent. These changes were contraseasonal and the estimated number of jobless in principal areas declined slightly in August.

Gains were quite general in August over July in various lines, and in a few instances output was reported ahead of last year at this time. This was true of shoes, cement, molded glass, and the construction industries. Total construction contracts awarded in this district in August were the largest for any month since May 1931. Residential building was better than since early 1930. In both residential and non-residential work, however, employment of private capital lags in this area. The recent gains have been almost entirely in publicly-financed construction. In August, privately-financed building in this district constituted 44 percent of all contracts awarded. While contemplated building reported in August was on a par with July, and nearly twice what it was a year ago, actual awards in the first half of September were below the August level, but ahead of 1937. Reflecting the improvement in public works construction, cement plants in this district reported a slightly larger output in August than a year ago, following a similar increase in July, the first gains over the previous year since early 1937.

Barring the holiday interruption, steel operations increased steadily to the highest level in eleven months, and, with the exception of Pittsburgh, all local steel centers were operating at or above the national average of 48 percent of capacity. Iron and steel production rose about 30 percent in August over July, and further gains were

indicated for September. Several additional blast furnaces have been placed in operation.

Some of the difficulties usually encountered in the transition period from one model year to another kept auto assemblies in the first three weeks of September at approximately the low level of August. In the week ended September 24, however, a gain was reported, but only 20,000 cars were turned out. Reports from auto parts manufacturers reveal improvement in recent operations over the low level of the summer months, although releases have been received for only limited quantities of materials, as yet. From an inventory standpoint the auto industry is in better position than for some time. Despite the fact that stocks were incomplete, August sales in principal counties of this district held at about the level of July.

Machine tool makers reported a gain in August over July, and further improvement in September, but a greater share of the increase came from foreign countries than domestic sources. Shoe and clothing plants expanded August operations somewhat more than seasonally in response to greater demand from retailers. The tire industry showed conflicting trends; rubber consumption in August expanded, but employment and payrolls were down from July. Tire output was in excess of last year. Production of electric power in this area showed a somewhat smaller decline from last year in the latest month than was reported for the season to date.

While the gain in retail trade in August over July was slightly less than estimated seasonal, narrowing of the spread between current sales and last year continued in August and the first half of September. Since the decline in retail trade did not set in until last November, the smaller losses from last year might be favorably regarded, although the contraction in sales in this district continued to exceed those reported in other Federal reserve districts.

Lake shipping improved moderately in August, both ore and coal loadings being larger than in July. Other freight movement also increased.

Debits to individual accounts at banks in leading cities of the district were 21 percent smaller in the four weeks ended September 21 than in the corresponding period of 1937. This was slightly less than the decrease for the year to date. Life insurance sales in this area in August were 25 percent smaller than a year ago at that time.

FINANCIAL

The contraction in total loans made by weekly reporting member banks in this district, which had been almost continuous since last October, apparently came to a halt in September, after slackening its pace in August. During the three weeks ended September 21, there was little net change in any of the various types of loans made.

Investments of all types continued their steady expansion. The most marked increase occurred in holdings of Government securities during the third week in September, when the effect of the recent large Federal borrowing program was apparent. Investments in Government securities by the reporting banks have now been restored to the level of last December.

Reserve Bank Credit At the Federal reserve bank, developments similarly reflected Treasury operations. The sale of new securities by the Government increased its working balance with the Cleveland reserve bank from \$32,000,000 to \$97,000,000. Bonds purchased by member banks were paid for in part by drawing upon their balances with the reserve bank. These balances were also reduced as the Government collected checks drawn against demand deposits of member banks in payment for securities and in satisfaction of quarterly income tax assessments. These operations reduced member bank reserves in this district to the lowest level since March. However, on September 20, when most of these transactions had been completed, member bank reserves in this district were still estimated to be 48 percent in excess of requirements.

The Government's deposit account was also increased by issuance of additional gold certificates by the U. S. Treasury. During the last few months heavy gold imports have been paid for by the Treasury out of its working balance with the reserve banks. During the week ended September 21, some of this balance was restored by depositing gold certificates with the various Federal reserve banks. This operation in addition to interdistrict settlements, raised the gold certificate holdings of the Cleveland bank to the highest level on record.

Other changes in condition figures were of little importance. Rediscounts on September 21 were nearly twice what they were a month earlier, but were still only \$820,000. Industrial advances continued their decline through August, but came almost to a halt in the first three weeks of September. Other earning assets have remained unchanged for three months.

Federal reserve note circulation of the Cleveland bank showed its usual pre-Labor Day increase. However, contrary to the experience of some years, it exhibited no tendency to contract in weeks immediately following the holiday.

MANUFACTURING, MINING

Iron and Steel Steel ingot production continued its steady rise during September, moving from 43.5 percent of capacity in the final week of August to 48.5 percent in the last week of September. The slight setback in some centers caused by Labor Day suspensions was made up in the following fortnight. The recent rise in operating rates represented chiefly adjustment of production to the rate of consumption, although latest reports indicate sales increasing at a slower rate than production. For some time until recently steel consumption has been in excess of output.

In the Cleveland district the increase in operating rate was from 41 to 48.5 percent, and in the Pittsburgh district from 32 to 38 percent. Wheeling district made a gain of two points to 56 percent, and Youngstown five points to 48 percent. Southwestern Ohio held its rate of 65 percent after declining over the holiday. The national rate was the highest since November, last year.

Announcement late in September that prices for fourth quarter would be unchanged on most rolled steel products removed one uncertainty which was reported as having a retarding effect on buying. Standard steel rails were reduced \$2.50 per ton to \$40, the level during 1933. At the same time other rail material prices were lowered \$2 to \$5 a ton, but prices on these products were not changed when the more general price reduction was made earlier in the year.

Effective September 27, the price of pig iron was advanced \$1 per ton. Scrap steel prices have held at a fairly steady level in absence of tonnage buying. Purchase of additional tonnage for export to Europe has aided the situation in the East.

Regarding sources of orders, automotive needs are furnishing some added tonnage, but assemblies of new models are slow in getting under way. Railroads are furnishing little support, although scattered buying of rolling stock and some steel tonnage for repair work on cars and locomotives is apparent.

Construction work is providing considerable tonnage, largely through Government support, but, a large privately-financed housing project in New York furnished the largest booking of the month, 50,000 tons.

Shipments of finished steel products are reported to have increased in August, one large company experiencing a gain of more than 25 percent over July. August shipments were approximately half what they were in August last year, but the recent improvement has been rather sharp and general.

Steel ingot output in August, 2,546,988 gross tons, was nearly 30 percent larger than in July and exceeded every month since October 1937. In August last year 4,877,826 tons were produced. Tonnage last month was equal to 42.85 percent of capacity, compared with 33.42 percent in July, and 83.83 percent in August 1937. For eight months this year cumulative production was 15,348,190 tons, against 38,193,090 tons in the corresponding period of 1937.

Pig iron output in August was 1,495,245 tons, 23.3 percent over July in both daily average and total tonnage. Average daily production was 48,234 tons, compared with 39,131 tons in July and 116,676 tons in August 1937. The net gain in active blast furnace stacks was 11 during August, following an increase of 10 in July.

Exports of iron and steel products (excluding scrap) in July totaled 137,276 gross tons, slightly under June. For seven months exports aggregated 1,254,642 tons, compared with 1,834,750 tons in the same period last year, also excluding scrap.

Increased activity at steel mills has led to only moderate expansion in movement of iron ore from producing areas to lower lake ports. In August, however, more ore was received than consumed, and ore on hand at furnaces and Lake Erie docks rose to 37,050,338 tons, a record high for this time of year. Ore shipments for the season to date were less than a quarter of last year.

Coal

Preparations for the season of greater domestic coal consumption were partly responsible for the moderate gains in mine activity in this section in August and the first half of September, although there also was a slightly better demand for industrial sizes. Little change was apparent in coal inventories in July, but there were reports to the effect that in August large fuel users were again adding to their supplies. Low prices and improving business are prompting the replenishment of coal supplies in anticipation of the reestablishment of prices under the Bituminous Coal Act. It was reported in some fields that inquiries in the first part of September were better than at any time in the past year.

Fourth district mines reported an increase in production of 22 percent in August over July, but compared with last year output was down approximately 20 percent. This, however, represents a narrowing of the spread between current output and 1937, for the decrease in production in the first eight months of this year was 35 percent, and a year ago at this time mine activity was holding up fairly well. Operations at beehive ovens have declined further, while by-product plant activity has expanded.

Shipments of coal from Lake Erie ports in August increased seasonally, and in the month were within 14 percent of last year. For the entire season such shipments were behind 1937 by 35 percent.

Coal prices have advanced a little, partly seasonal, and average slightly above last year.

Automobiles

With nearly all automobile companies effecting model changes earlier than in other recent years, assemblies of new cars dropped to an unusually low level in August. According to the *Department of Commerce*, total output in the month receded to 90,484 cars and trucks. This was the smallest monthly figure since September 1935, the first year new models were introduced in the fall. Changeovers in 1937 resulted in September being the month of smallest production, but in that period nearly twice as many cars and trucks were made as in August this year. Comparison of August with the same month of 1937 shows a decrease of 77 percent in total output, passenger car production being down 81 percent and truck output 62 percent. The 36 percent contraction from July to August was about equal to the change resulting from model shifts in other recent years.

This drastic curtailment in auto assemblies, which has

been evident during most of the past twelve months, has placed the industry in a more favorable position, from an inventory standpoint, than has been apparent for some time. In each month since February, factory output has been exceeded by retail domestic sales, resulting in an increasingly improved inventory situation. The *Automobile Manufacturers' Association* estimated that dealer inventories on July 31 were reduced to 207,167 passenger cars, or less than an average of five cars per dealer. The accompanying chart shows monthly passenger car production for the domestic market, monthly retail sales, and estimated dealer inventories at the end of each month since 1937. Inventories on July 31 were approximately half what they were at the beginning of the year. Based on the sharp decrease in August production, and reports to the effect that sales were holding up well, further inventory reduction occurred in the month.

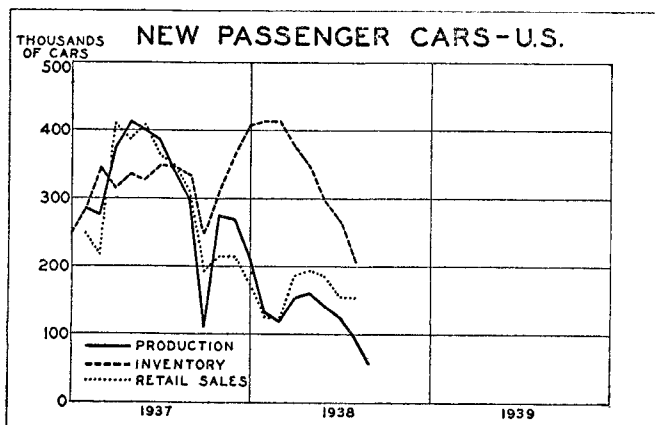
Retail sales in leading counties of this district in August were little changed from July, but registrations in the latest month and the year to date were down about two-thirds from comparable periods of 1937.

September weekly production figures through the 24th revealed little tendency to increase over August. Closing of plants for changeovers was scattered over several weeks, and the entire industry is not expected to be in production on 1939 models for some time. In the four weeks ended September 24, according to *Ward's* reports, approximately 76,000 cars were produced. This was only slightly above the preceding four-week period. Total September 1937 production was 171,213 cars and trucks.

It is estimated that dealers will require about 300,000 new cars for stock, plus additional production for retail sales. To produce these cars, assembly plants will need to purchase materials. Parts manufacturers in this district have received some orders, but they report buying on a quite conservative scale. Percentage improvement in August over July was not great, although gains were apparent in September. In relation to last year, releases were running behind by approximately 50 percent. The index of employment at Ohio auto plants in mid-August was 12 percent less than in July, and down 62 percent from last year. Payrolls also were off 12 percent from July to August.

Rubber, Tires

Improvement in replacement tire sales, which started in June, was still evident in mid-September, according to reports received from tire manufacturers in this district. In past years September has registered a decline in replacement sales. Coupled with the fact that original equipment demand has expanded moderately as assemblies of new auto models were stepped up, the industry feels that prospects for the remainder of the year have brightened somewhat. Replacement demand, which failed to develop as expected in the first half of the year, has been appearing in better-than-seasonal volume recently. As a result those companies doing only a replacement business are operating at very satisfactory rates. One plant reported August sales and production larger than in any month on record. Manufacturers partly dependent on the original equipment market and demand for mechanical goods for orders, have not shown the improvement reported by others in the industry, although gains were evident in this field as well. The month of August was the best of the current year, tire output being reported at 4,093,234 casings by the *Rubber Manufac-*



urers Association. This was a gain of 22 percent over July and a slight increase over last year. Approximately all tires were shipped to dealers and inventories were down 23 percent from last year.

Employment at Ohio rubber factories, however, receded slightly in August from July and payrolls were down five percent in the period. Compared with a year ago, August employment in this section was still down 31 percent from August 1937.

Developments in the crude rubber situation in recent weeks reflect, to a degree, changing tension in foreign circles. Orderly movements of rubber from producing areas might easily be disturbed by actual hostilities and with rubber exports so sharply curtailed as in recent months, crude rubber prices have advanced to about 17 cents a pound, only one cent below last year at this time, and the highest level so far in 1938. Extension of the 45 percent rubber export quota for the fourth quarter in the face of increasing rubber consumption, pointed to a further reduction in domestic rubber inventories. In August, crude rubber stocks dropped over 7,000 tons to 277,463 tons at the month end. This, however, compared with 174,195 long tons on hand a year ago, and at the rate of consumption in August constituted nearly six months' supply.

August crude rubber consumption by the entire industry amounted to 38,170 long tons, a gain of 18.5 percent over July, and only eight percent under August last year.

Clothing

Expansion in the clothing manufacturing industry of this district was rather marked in August, particularly in the men's clothing field. Payrolls increased 17 percent over July, following a gain of 15 percent in July over June, and actual number employed was up over seven percent, following a similar rise in the preceding month. In mid-August, employment at men's clothing plants in the fourth district was within eight percent of a year ago at that time.

A rather unexpected volume of orders was received in August, and shipments were up more than seasonally. This resulted in part from the fact that the season's opening was later than usual, but there also is a better feeling in retail circles. In this district men's clothing stocks at retail stores at the end of August were 19 percent smaller than a year ago, whereas sales in the month were down 23 percent. According to reports, the rather large inventories of men's clothing reported earlier in the year have been worked down to more manageable levels. There was evidence in early September of greater consumer interest, so far as clothing was concerned.

This was demonstrated by the success of the recent display of Cleveland-made women's apparel attended by buyers from all parts of the country. Sales are reported to have surpassed expectations of most manufacturers cooperating in this new concerted marketing program. Retail stocks of women's apparel at local stores on August 31 were 17 percent smaller than a year ago, while sales were down about 20 percent.

Wool textile plants are between seasons at present and employment is down. Showing of spring lines was expected to take place around October 1.

Other

Manufacturing

Most of those engaged in small manufacturing in this district were more optimistic in their August reports than at

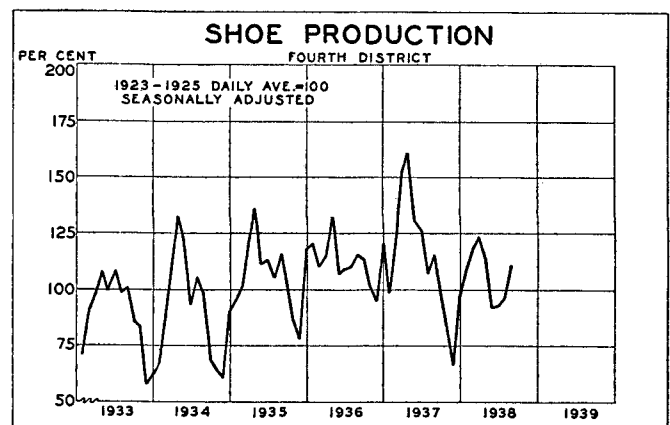
any time so far this year. Gains were moderate, and chiefly seasonal in most cases, but reversal of the general downward movement created a better feeling in most circles. The international situation and price movements were disturbing in some lines.

China and pottery plants reported a sizable increase in new orders, particularly for dinnerware since mid-August. While this was partly seasonal, it was considerably greater than in corresponding periods of other recent years.

Plate glass production in August was 38 percent greater than in July, but output was still less than half what it was a year ago. In the first eight months of 1938, less than one-third as much plate glass was made as in the comparable period of 1937. Sales in August showed a moderate increase, and further gains were reported in September. The principal gain in demand was from automobile manufacturers who are now purchasing requirements for 1939 models in conservative quantities, but there also were larger orders from the furniture and construction industries. It was reported that the gain in sales surpassed the rise in production, but large inventories still exist. Window glass shipments rose 30 percent in August over July, and manufacturers' stocks were reduced about 15 percent. This was only partly seasonal, but fires were lighted in a number of furnaces, the bulk of which did not go into production until September. Increased activity in slum clearance construction and one- and two-family residential work has aided the window glass industry. Makers of molded glass also have experienced more-than-seasonal gains in sales and production. August output surpassed last year by seven percent, and operations were near capacity. Some inventory accumulation occurred, but this was reported as seasonal.

The machine tool industry reported a rather sharp gain in new orders in August, and further improvement in September. The combined index of domestic and foreign sales rose about 30 percent over July to the highest level of the year to date. Orders received in the month were 25 percent in excess of the average monthly total in the five years 1933-37. Increases were reported from both domestic and foreign sources, but the gain in foreign buying exceeded that in the domestic field, and total foreign orders were reported to account for somewhat more than half of all new orders placed in the month. Foundry equipment sales advanced by a lesser amount, and new orders were exceeded by shipments. Employment was up in August over July.

Employment at electrical equipment plants in this area



increased slightly in August over July, and payrolls advanced more than seven percent, indicating additional hours worked. Moderate gains in orders were reported, but comparison with a year ago, when the industry was operating at peak levels, was unfavorable. Inventories, both of raw materials and finished goods, were smaller than a year ago. Other metal-working plants, including hardware, screw machine products, small tools, and engineering specialties, also reported gains in August over July, only part of which was seasonal.

Paint manufacturers have shown less pronounced swings in sales and production than many other industries, and payrolls and output recently have held up fairly well. The contraction experienced has been greatest in industrial paints. In other fields sales in the latest month were within six percent of last year.

Shoe factories in this district reported August production 2.5 percent ahead of last year, the first gain since January. For the year to September 1, output was down 14 percent from the comparable period of 1937. Both comparisons were slightly better than for the entire country. Employment and payrolls also increased in August over July in this area by 1.4 and 6.5 percent, respectively. Manufacturers report a fair fall season, although retailers bought very conservatively, early in the year. Shoe inventories at fourth district department stores were 15 percent smaller than a year ago on August 31.

Paper and boxboard plant operations, particularly the latter, picked up in August over July, the national average rising to around 69 percent of capacity, compared with 62-64 percent in July, but a moderate reaction developed late in the month and early September. Makers of fine papers reported operations holding up fairly well in relation to boxboard output.

TRADE

Retail

Department store sales in the fourth district increased in August over July, but the gain was a little less than usual. As a result, the seasonally adjusted index failed to maintain the advance shown in the previous two months. The adjusted index for August was 77.5 percent of the 1923-25 average, the same level as in June, but 3.5 points higher than the recession low reached in May.

Comparisons with last year showed improvement. Sales in the district were only 15.3 percent lower in August than they were in the corresponding month last year, while the decline shown from July to July was 19.3 percent.

Weekly reporting stores indicate that this narrowing of the spread between the two years continued into September. Since the large drop in department store sales last year was not felt until November, this development indicates current improvement rather than falling activity a year ago.

Retail furniture and wearing apparel stores also report a narrowing of the spread between last year and this, although they are still quite depressed. Chain grocery stores experienced a small increase in August sales over the same month last year.

Credit sales constituted a slightly greater proportion of total sales than they did in July. The increase, confined to the installment field, was seasonal; other credit sales declined in relative importance in August from July.

Collections on regular charge accounts were a little poorer throughout the district than they had been in July. However, installment payments during August showed a small improvement over the preceding month. Collections during August on accounts outstanding at the beginning of the month were a little better than last year. Cleveland and Cincinnati showed the largest gains.

Reports last month, that buyers were purchasing merchandise in slightly better volume in anticipation of a possible upswing in retail business this fall, seem to be borne out by inventory figures now available. Throughout the district, department store stocks were built up in August, averaging nearly five percent more at the end of the month than at the beginning. This increase was more than the usual gain. Hence the seasonally adjusted index for department store stocks showed the first rise over a preceding month that has been experienced since last summer. However, this July-August gain was smaller than in 1937, and inventories at department stores in this district were 16.5 percent smaller at the end of August than they were on the same date in 1937, while in July they were 13.7 percent less than July 1937. The increase in inventories during the month of August was more than balanced by the pick-up in sales. As a result, the rate of inventory turnover was slightly higher than in July and equaled the rate for August 1937.

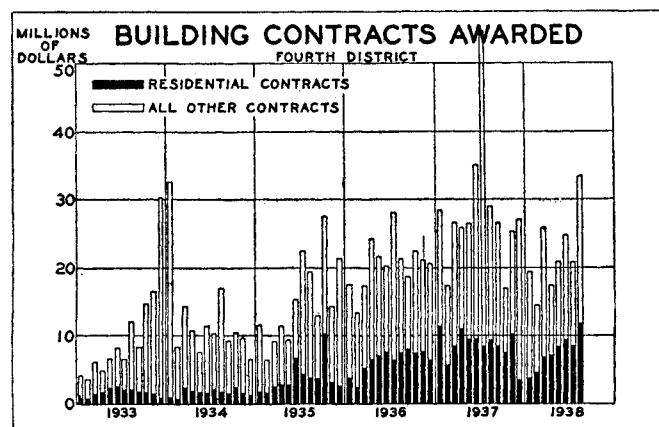
Wholesale

There was an increase in wholesale sales in this district in August, the 12 percent gain over July being fairly well distributed throughout leading cities of the district. Compared with last year, sales of 196 reporting firms were still behind by 23 percent, but the July decrease was 29 percent, and sales for the first eight months were behind 1937 by 26 percent. In the various branches, comparison of August sales with last year revealed considerable spread, so far as declines were concerned. Wholesale drug and automotive supply sales were within eight percent of last year in August, while hardware, electrical goods, and jewelry firms reported sales off from 30 to 35 percent.

Inventories of wholesale firms increased slightly in August over July, but at the month end they were still 17 percent smaller than a year ago. Collections during August were off approximately the same percentage as July sales. In some lines they were quite slow.

CONSTRUCTION

The construction industry, as a whole, presents one of the favorable aspects of the current recovery movement. For the 37 eastern States covered by the *F. W. Dodge Corporation*, total construction contracts awarded in Au-



gust amounted to \$313,141,000. This was 30 percent more than July, and 12 percent higher than August last year. Residential construction continued the steady upward growth it has been experiencing since the first of the year, and reached a total of \$99,732,000, an amount 13 percent higher than July and 36 percent above August of last year. This increase appeared to be continuing into September.

The Federal Housing Administration announced that its residential mortgage insurance business reached an all-time high in the week ended September 17, and that new residential construction accounted for an unusually large percentage of the record-breaking activity.

Failure of private capital to enter the construction field is still an unfavorable factor in the situation. All of the advance over July was due to publicly-financed building. Privately-financed construction has shown no expansion in the last three months, and the August figure was 20 percent below that of August 1937. The new Federal public works' program accounted for much of the increase in total construction. Contracts for public works and utilities amounted to \$126,093,000 in August, 60 percent ahead of July and 20 percent over August last year.

As shown by the chart, figures for the fourth Federal reserve district give the same favorable first impression as those for the entire country. Except for June and July of last year when contracts for a large steel plant were let, the total of construction contracts awarded in this district was larger than in any month since May 1931. It was the highest August since 1930. Residential contracts were larger in August than they had been in any month since May 1930, and were higher than any other August since 1929. The large total for residential construction in the whole fourth district is due primarily to apartment building in Columbus, and construction of barracks by the Federal Government at Ft. Knox and Dayton. The large August figure brings the total for residential awards in the three summer months, June, July and August, to a level eight percent above the corresponding months last year, although the total for the year to date is still 17.5 percent behind the first eight months of 1937.

When figures are broken down into some of their constituent elements, the situation does not appear so favorable. Home building by owners has been decreasing almost steadily in Pittsburgh since last May. In northern Ohio such building held fairly stable from May through July, but fell markedly in August. In southern Ohio and Kentucky this type of building doubled from July to August, but is still no better than May. This recent improvement in the Cincinnati area is reflected in a similar betterment in speculative sentiment. Construction of houses for sale or rent increased in that territory while they declined in western Pennsylvania.

Prices recently have been more favorable to building than they were last year. The *Department of Labor's* weekly index for building materials stood at 89.3 throughout the month of August, compared with an average of 96.3 for the month of August last year. Dealers in the district are expecting some increase in lumber prices when the wage-hour provisions go into effect in southern producing areas. Other costs have shown little change from last year.

AGRICULTURE

Crop conditions in the fourth district continued good

during the month of August. Dry weather late in August and early September reduced expected yields somewhat, but the year has been unusually favorable to production. On September 1, pastures were better than average for that time of year, and rains in mid-September promise to make forage conditions good far into the fall. Dairy-men and feeders are well supplied with hay and feed grains for the coming winter.

The price situation still presents a less favorable picture. The *Department of Agriculture* reports that the general level of prices received by farmers in mid-September was at about the same low level as it was in mid-August. Lower prices for wheat, cotton, and some meat animals were offset by higher prices for feed grains, hogs and eggs. The relatively low level of prices resulted in an estimated reduction in gross and cash farm income of more than 12 percent for the entire year 1938 compared with 1937. The decline in cash farm income has been only partially offset by lower prices for articles purchased by farmers. Hence, their purchasing power is about nine percent lower than it was in 1937.

Corn Continuation of favorable July weather conditions into the month of August resulted in a further increase in the *Department of Agriculture's* estimate for 1938 corn production in this district. As of September 1, the revised estimate was 194,159,000 bushels, only six percent below the exceptionally high level of last year. However, drought and grasshopper infestation in the western part of the corn belt reduced the estimate for the country as a whole to 2,454,526,000 bushels, seven percent below last year. This decline in estimated corn production reduced the prospective supply of feed grains to approximately the 1928-32 average, although the supply per grain-consuming animal is larger than in any of the last twelve years, with the exception of 1937.

This relatively large supply of grains, combined with the low level of industrial production and consumer demand, has resulted in continued low prices for agricultural products. Corn prices have declined more than hog prices so that the corn-hog ratio is more favorable to feeders than it was last year. The *Department of Agriculture* reports for the North Central States that in mid-August 18.1 bushels of corn were equivalent in value to 100 pounds of live hog, while last year the equivalent was 11.9 bushels. Abundant feed supplies have also increased the demand for feeder cattle. Prices of such cattle have averaged only slightly less than a year ago, although prices of finished, grain-fed cattle have averaged approximately 25 to 30 percent below corresponding months last year. Some country banks in this district report that the increased feeding activity is resulting in a greater demand for feeder loans.

Wheat In mid-August, wheat was selling at the lowest price since 1933. It recovered only temporarily following announcement of additional agricultural adjustment payments to growers who cooperate in reducing acreage, and of Government interest in stimulating exports. Recently the dominant influence in the market has been the day-to-day change in war prospects.

In this district interest is now centering upon plans for fall seeding. Government allotments have not yet been made, but apparently farmers are planning to plant as much wheat as weather conditions permit. Thus far the

weather has been quite unfavorable, being too dry for successful plowing late in August and early September, and too wet since the middle of September.

Tobacco Burley tobacco matured exceptionally early this year, and the indications are that marketing will probably get under way earlier than usual. By September 1, approximately 70 percent of the crop was already cut and housed. Warm dry weather throughout August and early September was favorable to curing. If the wet weather of the middle of September does not continue too long, an unusually high quality tobacco with large percentages of thin colory styles suitable for cigarette and smoking manufacturers is expected. The prospective production shows very little change from last year, despite the smaller acreage harvested.

Potatoes The September 1 estimate for potatoes shows little change from that for a month earlier. Production in this district is still expected to be more than 20,700,000 bushels, a little greater than last year and slightly above the ten-year average. Yield per acre in Ohio is expected to average 110 bushels, while the yield was only 85 bushels last year. Late developments may reduce these yields. Hot, dry weather late in August and early September resulted in some late blight. Rains in mid-September may have come too late to do much good. Potato prices have been weakening lately, but the decline is mostly seasonal.

Wholesale and Retail Trade

(1938 compared with 1937)

	Percentage Increase or Decrease		
	SALES August 1938	SALES first 8 months 1938	STOCKS August 1938
DEPARTMENT STORES (53)			
Akron	-18.4	-24.2	-23.3
Cincinnati	-9.0	-9.4	-17.4
Cleveland	-16.2	-16.0	-20.0
Columbus	-6.1	-9.4	-17.8
Dayton	-13.8	-20.3	-11.9
Pittsburgh	-17.5	-16.4	-12.6
Toledo	-14.5	-19.5	-17.6
Wheeling	-14.2	-14.8	-13.8
Other Cities	-22.4	-18.8	-14.7
District	-15.3	-16.0	-16.5
WEARING APPAREL (12)			
Cincinnati	-18.7	-21.5	-17.7
Cleveland	-14.9	-16.0	-23.7
Pittsburgh	-18.4	-15.9	-11.4
District	-15.2	-16.5	-17.0
FURNITURE (40)			
Cincinnati	-26.8	-44.7	
Cleveland	-26.9	-39.4	
Columbus	-9.7	-19.2	
Dayton	-45.3	-41.0	
Toledo	-40.7	-47.2	
Other Cities	-46.9	-48.8	
District	-30.6	-39.8	
CHAIN STORES*			
Drugs—District (4)	-6.6	-7.6	
Groceries—District (4)	+ 1.1	-4.1	
WHOLESALE TRADE**			
Automotive Supplies (7)	-8.3	1	-7.2
Drugs (5)	-7.0	-10.4	1
Dry Goods (8)	-26.9	-28.6	-30.3
Electrical Goods (18)	-35.6	-43.5	-23.3
Groceries (59)	-16.5	-15.1	-11.4
Total Hardware Group (39)	-33.3	-34.9	1
General Hardware (12)	-27.8	-29.3	-21.6
Industrial Supplies (17)	-46.6	-48.9	-16.6
Plumbing & Heating Supplies (10)	-25.0	-29.0	-5.5
Jewelry & Optical Goods (8)	-32.8	1	-12.8
Leather & Shoe Findings (3)	-24.4	-16.7	1
Lumber & Building Materials (4)	-25.0	1	1
Paper and its Products (7)	-1.8	1	+24.8
Tobacco and its Products (26)	+ 2.0	1	-8.3
Miscellaneous (12)	-45.4	-43.6	+ 4.6
District—All Lines (196)	-23.0	-25.7	-17.1

*Per Individual Unit Operated.

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

1 Not available.

Fourth District Business Statistics

(000 Omitted)

Fourth District Unless Otherwise Specified	August 1938	% change from 1937	Jan.-Aug. 1938	% change from 1937
Bank Debts—24 cities	\$1,905,000	-23.9	\$15,808,000	-22.8
Savings Deposits—End of month				
40 banks, O. and W. Pa.	\$ 769,682	+ 0.4	1	
Life Insurance Sales:				
Ohio and Pa.	\$ 59,759	-24.0	540,175	-25.9
Retail Sales:				
Dept. Stores—53 firms	\$ 16,661	-15.3	141,253	-16.0
Wearing Apparel—12 firms	681	-15.2	5,731	-16.5
Furniture—40 firms	772	-30.6	5,302	-39.8
Building Contracts—Total	\$ 33,282	+14.9	176,686	-27.5
" Residential	11,783	+25.6	59,940	-17.5
Commercial Failures—Liabilities	\$ 815	+59.2	8,141	+43.8
" Number	78 ²	+69.6	653 ²	+55.8
Production:				
Pig Iron—U. S.	1,495	-58.7	10,639	-60.4
Steel Ingot—U. S.	2,546	-47.8	15,348	-59.8
Auto—Passenger Car—U. S.	58,624 ²	-81.2	1,101,982 ²	-62.8
Auto—Trucks—U. S.	31,860 ²	-61.6	333,813 ²	-49.6
Bituminous Coal, O., W. Pa., E. Ky.	10,845	-20.1	75,140	-35.5
Cement—O., W. Pa., W. Va.	1,246	+ 2.2	5,765	-16.3
Elec. Power, O., Pa., Ky.				
" thous k.w.h.	1,410 ³	-11.3	9,113 ⁴	-19.7
Petroleum—O., Pa., Ky.	2,157 ³	-13.4	15,588 ⁴	-3.9
Shoes	5	+ 2.5	8	-14.0
Tires—U. S.	4,093	+ 2.8	23,822	-41.7
Bituminous Coal Shipments:				
L. E. Ports	5,000	-14.1	19,512	-34.7

¹ not available
² actual number
³ July
⁴ Jan.-July.
⁵ confidential

Debits to Individual Accounts

(Thousands of Dollars)

	4 weeks ended Sept. 21, 1938	% change from 1937	Year to Date to Dec. 30, 1937	Year to Date to Sept. 22, 1938	% change from 1937
Akron	\$ 50,137	-19.3	\$485,025	\$603,262	-19.6
Butler	7,080	-30.6	72,266	93,323	-22.6
Canton	27,819	-24.9	255,974	352,886	-27.5
Cincinnati	270,406	-16.4	2,597,382	3,146,563	-17.5
Cleveland	446,639	-25.1	4,245,414	5,548,581	-23.5
Columbus	146,135	-11.4	1,391,749	1,640,846	-15.2
Dayton	56,210	-21.9	525,376	666,695	-21.2
Erie	22,514	-25.6	215,670	294,079	-26.7
Franklin	2,729	-21.3	24,592	31,801	-22.7
Greensburg	5,350	-21.9	57,322	65,613	-12.6
Hamilton	9,623	-26.0	88,989	115,347	-22.9
Homestead	2,419	-26.6	25,196	30,382	-17.1
Lexington	18,279	+ 0.8	201,229	220,028	-8.5
Lima	11,747	-15.6	120,217	125,992	-4.6
Lorain	4,687	-19.2	39,198	48,147	-17.1
Middletown	8,005	-26.8	74,451	96,683	-23.0
Oil City	8,061	-26.7	81,930	100,475	-18.5
Pittsburgh	575,851	-18.3	5,175,988	6,879,979	-25.0
Sharon	6,587	-25.7	63,034	82,508	-23.6
Springfield	14,385	-21.6	140,937	167,966	-16.1
Steubenville	7,906	-30.2	72,717	99,314	-26.8
Toledo	97,926	-29.4	921,266	1,228,481	-25.0
Warren	7,068	-25.6	68,251	92,837	-26.5
Wheeling	25,317	-15.2	235,328	310,774	-24.9
Youngstown	35,819	-29.2	330,551	475,423	-30.5
Zanesville	6,811	-10.0	63,955	73,977	-13.5
Total	\$1,875,511	-20.6	\$17,572,897	\$22,609,962	-22.3

Fourth District Business Indexes

(1923-25=100)

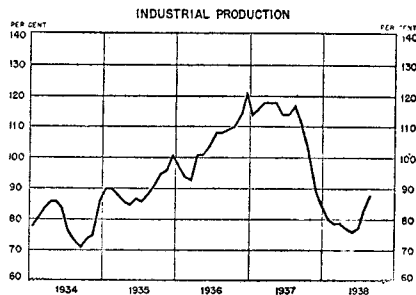
	Aug. 1938	Aug. 1937	Aug. 1936	Aug. 1935	Aug. 1934
Bank debits (24 cities)	70	92	81	71	59
Commercial Failures (Number)	53	32	30	49	45
" (Liabilities)	19	12	9	40	43
Sales—Life Insurance (O. and Pa.)	63	83	80	85	87
" —Department Stores (48 firms)	65	80	72	61	63
" —Wholesale Drugs (5 firms)	102	110	94	86	80
" " Dry Goods (8 firms)	40	55	54	46	50
" " Groceries (59 firms)	72	87	80	74	72
" " Hardware (12 firms)	64	88	78	63	59
" " All (84 firms)	67	84	77	68	66
" —Chain Drugs (4 firms)**	89	96	87	82	71
Building Contracts (Total)	70	61	44	41	36
" (Residential)	69	55	44	23	10
Production—Coal (O., W. Pa., E. Ky.)	60	75	75	58	62
" —Cement (O., W. Pa., E. Ky.)	104	101	114	68	78
" —Elec. Power (O., Pa., Ky.)*	168	189	179	153	131
" —Petroleum (O., Pa., Ky.)*	117	135	125	119	111
" —Shoes	139	136	140	145	124

*July.

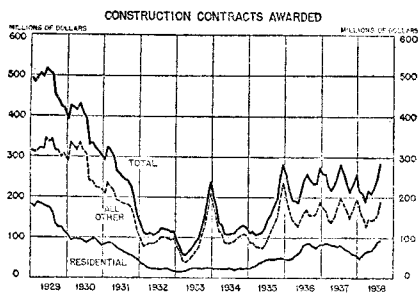
**Per individual unit operated.

Summary of National Business Conditions

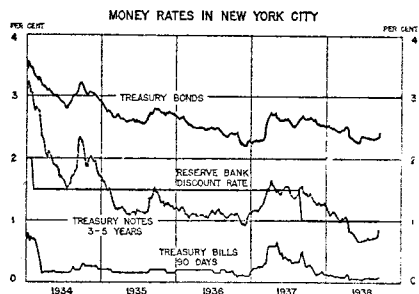
By the Board of Governors of the Federal Reserve System



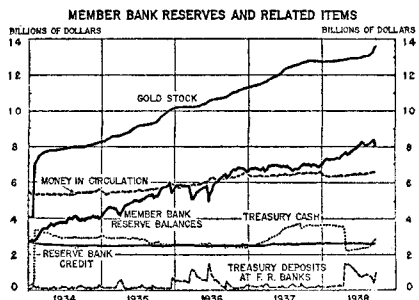
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to August 1938. Latest figure August 88.



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



Discount rate of Federal Reserve Bank; weekly averages of daily yields on 3- to 5-year Treasury notes and on Treasury bonds callable after eight years, and weekly average of daily dealers' quotations on 90-day Treasury bills or rate on new bills offered in week. For weeks ending January 6, 1934, to September 17, 1938.



Wednesday figures, January 3, 1934 to September 21, 1938.

Industrial activity increased considerably in August and advanced further in September. Factory employment and payrolls also showed a substantial rise in August, and distribution of commodities to consumers increased seasonally.

Production

Volume of industrial production showed a further considerable increase in August, and the Board's seasonally adjusted index rose from 83 to 88 percent of the 1923-1925 average. In manufacturing, increases in output were general except in the automobile industry where there was a sharp seasonal decline as plants were closed for inventory taking and for preparation for the shift to new model production. At steel mills, where activity had risen considerably in July, there was a further advance in August and production was at an average rate of 42 percent of capacity as compared with 35 percent in the previous month. Output of lumber and plate glass also increased. In the textile industry the sharp advance that had been under way since early summer continued. Mill consumption of wool and cotton increased further, and deliveries of rayon were maintained at the high level reached in July. Shoe production showed a further increase and activity at meat-packing establishments showed less than the usual seasonal decline. Production of bituminous coal and crude petroleum increased somewhat further.

In the first three weeks of September steel ingot production continued to increase, while automobile production remained at the low level reached in August. Output of crude petroleum was reduced.

Value of construction contracts awarded in 37 Eastern States increased considerably in August, according to figures of the F. W. Dodge Corporation. The increase was in publicly-financed projects and reflected partly the expansion of the Public Works Administration program and the award of the first contract for the slum clearance projects of the United States Housing Authority. Awards for private residential building continued at about the same rate as in July and were close to the level reached in the spring of 1937.

Employment

Factory employment and payrolls showed a marked rise from the middle of July to the middle of August, while in nonmanufacturing industries employment showed little change. The number employed at factories producing durable goods increased for the first time since the summer of 1937 and in the nondurable goods industries, where employment had increased in July, there was a further rise. Most leading industries reported increases in the number of workers.

Distribution

Distribution of commodities to consumers increased seasonally from July to August. Department store sales showed about the usual rise and mail order sales increased, while variety store sales declined. In the first half of September sales at department stores increased more than seasonally.

Freight-car loadings increased somewhat further in August, reflecting chiefly larger shipments of miscellaneous freight.

Commodity Prices

Prices of silk and rubber showed some advance from the middle of August to the third week of September and there were also increases at the end of the period in nonferrous metals. Wheat prices fluctuated considerably but showed little net change in this period. Prices of cotton and wool declined somewhat, and there were further decreases in prices of some finished industrial products.

Bank Credit

A heavy inflow of gold from abroad during the five weeks ending September 21 resulted in an increase of over \$500,000,000 in the monetary gold stock. Member bank reserves were increased by Treasury payments for gold acquired but were sharply reduced in the last week of the period by payments to the Treasury for cash purchases of new securities and quarterly income tax collections. As a consequence of these transactions, excess reserves, which had increased to \$3,130,000,000, were reduced to \$2,740,000,000 on September 21.

Total loans and investments of reporting member banks in leading cities increased sharply during August and the first three weeks of September, reflecting chiefly an increase in holdings of United States Government obligations. Balances held in New York City for foreign banks showed a substantial increase.

Money Rates and Bond Yields

The average yield on long-term Treasury bonds increased in September from the low point reached at the end of August. The average rate on new issues of Treasury bills increased to 0.11 percent, compared with 0.05 percent. Yields on high-grade corporate bonds increased.