

# MONTHLY BUSINESS REVIEW

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and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

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In the second and third weeks of October there was a further extension of the upward business movement evident in September in the fourth district, and, since this improvement was more closely allied with the automobile industry than the gains experienced in the late summer and early fall, the rise has been particularly beneficial to local industries, many of which are greatly dependent on this field. Reports of increasing employment, larger payroll gains, and in a few instances restoration of pay cuts, have been received, and operating rates have risen in several important lines.

The spirit of caution which was so apparent in the first three quarters in most fields is still evident locally, though it has been less noticeable in recent weeks. Conditions responsible for inventory accumulation on a broad scale in early 1937 have not appeared in most lines, and buying is still chiefly for immediate needs. Department store stocks are smaller than since mid-1936. Reports from all sections of the district indicate that the small general manufacturing plants, as well as the durable goods lines, have experienced a pickup in recent weeks, and in some cases they are operating at higher levels than a year ago. Also the upward trend is occurring at a time when the contraction last year was becoming pronounced.

In some fields which were most depressed until recently, such as coal, sizable gains have been shown. Cement production in this district in September was ahead of last year, and electric power output showed a smaller decrease from 1937 than in recent months. Shoe production also was better by two percent than a year ago.

A favorable factor in the latest upturn locally is the broader base upon which it has been built. Activity in the construction field in August and September was at the best level since 1930, and maintenance of a fair rate of operations for some time to come is indicated by figures for construction work contemplated, and allocation of Government funds to the building industry. Some encouragement can be found in the fact that privately-financed construction contracts awarded in September gained in this district. In the latest month they were 54 percent of total, compared with 44 percent in August. Private residential building financed through aid of F. H. A. insured loans, and public works construction have exhibited gains, but privately-financed non-residential work has shown little improvement.

If data concerning the automobile industry received from sources usually reliable are correct, a less cautious policy is now being adhered to than was evident a short time ago. The changeover period has been long this year; some models have not yet been announced, despite the fact the production low point was in mid-August. This enabled the new-car inventory situation to be further strengthened, but now dealers apparently are requesting cars in quantities surpassing earlier expectations. Schedules have been stepped up, although they are still behind last year by about 25 percent. In the week ended October 27, output was reported at 73,000 cars, the high point of the year to date. Parts makers in this area report greater demand and a speeding up of releases recently, but they still are not equal to last year at this time.

Steel mill operations in this district are reflecting the greater activity in the auto field. Cleveland plants have expanded production to 74 percent of capacity, the best rate in a year, and a gain of over 20 points in the three latest weeks. Youngstown mills are at 61 percent, Southwestern Ohio 70 percent, and Wheeling 59 percent. Pittsburgh has shown only a little improvement recently, being more dependent on the heavy lines.

September retail trade figures have improved as a result of the increase in employment and payrolls in most centers. The seasonally adjusted index of department store sales rose eight points over August, but unusually warm weather in October was a retarding factor in retail circles; in the four latest weeks sales in the fourth district were still 16 percent behind last year.

Demand for credit is still limited; in leading cities of this district new commercial loans were being made in smaller volume than those maturing or being paid off; in some smaller centers stock feeder and tobacco carrying loans are in demand and F. H. A. loans are increasing, but these are for relatively small amounts in relation to volume of loanable funds available.

## FINANCIAL

Total loans and investments of weekly reporting member banks in leading cities of this district continued to expand during September and the first three weeks of October. They were \$1,841 millions on October 19, an amount 6.5 percent above the low of last May, but still

slightly under a year ago. While expansion from May through September was due to increased holdings of all types of investments, the October rise was solely due to larger portfolios of United States Government obligations. Investments in other securities and total loans remained at the level attained in September, while commercial loans continued the decline started a year ago, although at a slower rate. Increases in other loans were slight.

Adjusted demand deposits, after experiencing a temporary set-back in the week ended September 21, resumed their upward trend in October. The decline had been due, in part, to tax collections and payments for new Federal security issues, but these funds now are being returned to the public in the form of Government expenditures. On October 19, adjusted demand deposits in the weekly reporting banks of the district amounted to \$1,108 millions, only \$42 millions below the all-time high reached in December 1936. In spite of this extremely high level of deposits, reserves of member banks in this district were estimated to be 51 percent in excess of requirements in mid-October.

A movement on the part of banks in this district to reduce interest rates on time deposits is becoming noticeable, particularly among country banks. The maximum rate of  $2\frac{1}{2}$  percent now permitted by the Board of Governors of the Federal Reserve System for member banks, and the F. D. I. C. for insured non-member banks, is the exception, and many are paying  $1\frac{1}{2}$  percent or less. A few banks pay no interest on deposits. These reductions in interest rates may be partly responsible for the fact that expansion of time deposits, experienced during the five years 1933 to 1937, has not continued in 1938, although the decrease in employment and the consequent need for funds was probably a more important factor. The accompanying chart demonstrates this development in the case of forty of the larger banks in Ohio and Pennsylvania. Some bankers look upon the recent decline in savings deposits with favor, for they have a plethora of funds on hand and on deposit with correspondent banks. Other banks, however, do not like to see their savings deposits decline, for they now report relatively good demand for mortgage loans, particularly those insured by the Federal Housing Administration. Since the amount of mortgage loans which a national bank may hold is limited to 60 percent of its time and savings deposits, some banks find that loss of these deposits is affecting their ability to make mortgage loans. As yet, this situa-

tion has not become widespread, but it is growing in importance.

Changes in condition figures of the Federal reserve bank during the last four weeks were of minor significance. Total reserves declined somewhat as funds were transferred to other parts of the country. This bank's holdings of Government securities increased as the result of reallocation of Open Market Committee purchases. Total Government securities held by the entire System remained unchanged so the rise in this bank's Government portfolio does not represent a change in credit policy. Bills discounted for member banks were reduced, but that item is so small that it has lost much of its former significance. Industrial advances continued to decline as repayments exceeded new loans. Federal reserve note circulation has been fluctuating around \$411 millions, the level reached during Labor Day week end. This amount is about \$22 millions less than last year at this time, but is more than in either 1935 or 1936.

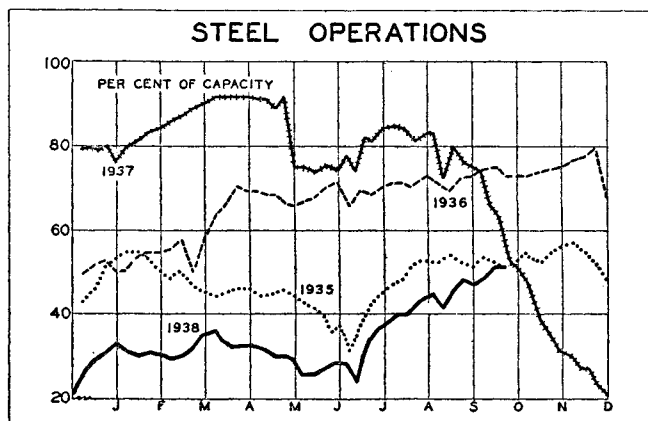
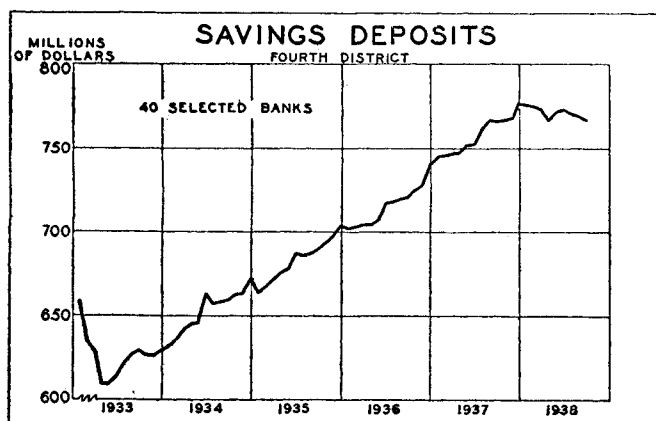
### MANUFACTURING, MINING

#### Iron and Steel

Steel ingot production in October continued to rise, though rather more slowly than in September. Averaging about 45.5 percent in September, it rose to 51.5 by mid-October and continued at that level in the third week, but the rate advanced to above 54 percent in the fourth week, the highest of the year, and the first time a gain was shown over a year ago. In the first half of October orders for steel products at prices below those announced for fourth quarter were reported in rather large volume, but prices were later restored to former levels.

Steel mill operations in this district are reflecting chiefly the greater activity in the auto field. Cleveland plants have expanded production from 48.5 percent to 74 percent of capacity, the best rate in a year, and a gain of 23 points in the three latest weeks. Youngstown mills rose from 48 to 61 percent, Southwestern Ohio from 43 to 70 percent, while Wheeling rose to 57 percent. Pittsburgh has shown only a little improvement recently, being more dependent on the heavy lines, although a gain of 3 points occurred in the latest week. Need for replenishing stocks of semifinished steel in some areas, such as Cincinnati, was a factor in the advance.

Announcement by important producers of a reduction of \$4 per ton in practically all grades of sheets and strip, meeting cuts in price reported to have been made for



some time by smaller interests, was followed about a week later by resumption of former prices. The total reduction in automotive sheets was about \$9 per ton since May, including dropping of certain extras and establishments of new basing points. Present higher prices represent a drop of about \$5 per ton since May.

Although the auto industry now is in the limelight so far as steel is concerned, requirements of other users are well sustained, and it should be recalled that, according to reports, the rise in steel operations, until recently, occurred with only limited support from the automobile plants. Public works still are the most important element in the building and construction field, and while recent awards of fabricated plates and shapes have been relatively small, fair business in heavy products is pending and in prospect. About 45,000 tons, mostly plates, will be required for cargo vessels on which the Maritime Commission opened bids two weeks ago. Railroads continue to buy steel sparingly. Although orders for repair materials have increased slightly recently, total rail orders are small in comparison with the improved requirements of other leading steel consumers. Can makers are reported out of the market at present, but agricultural implement companies have expanded operations and purchases slightly.

Steel ingot production in September increased 4.3 percent over August, but was 38 percent less than a year ago. It was the largest in eleven months. Output last month was 2,657,748 gross tons, or 46.28 percent of capacity, compared with 2,546,748 tons in August and 4,289,507 tons in September 1937. For the first nine months this year, production was 18,005,938 tons, which was 57.6 percent behind the 42,482,597 tons produced in the corresponding 1937 period.

Pig iron production in September was the largest since November last year. Total was 1,683,097 gross tons, a gain of 187,583 tons, 12.5 percent over August. Average daily output in September was 56,103 tons, compared with 48,242 tons daily in August. For nine months this year aggregate pig iron production was 12,322,785 tons, compared with 30,307,608 tons for the corresponding period of 1937. Nine more blast furnaces were active at the end of September than in August, and resumption of operations at several additional points was reported in the first three weeks of October. Iron ore continued to come down the Lakes at a rate which exceeded consumption in September. There was on hand on October 1, at fur-

naces and Lake Erie docks, 37,874,000 tons, sufficient to last over 16 months at the rate ore was consumed in September. At the rate of consumption last year it would have lasted over seven months. The total amount on hand was slightly under last year on the corresponding date.

### Coal

Fourth district coal mines reported a ten percent increase in September output compared with August, despite the shorter month, and additional gains were apparent in the first three weeks of October. The expansion due to better demand for domestic heating coals was seasonal, but in addition there was an increase in orders for industrial grades. Part of the latter resulted from the improved business situation, but there also was some buying for inventory purposes in anticipation of further gains, seasonal or otherwise.

Industrial coal stocks on September 1 were 1.7 percent larger than a month previous, but because of the gain in coal consumption, in terms of days' supply, inventories were down 6.7 percent. They still constituted 42 days' supply, however, the same as a year ago, although coal above ground actually was approximately 9,000,000 tons less than at that time in 1937.

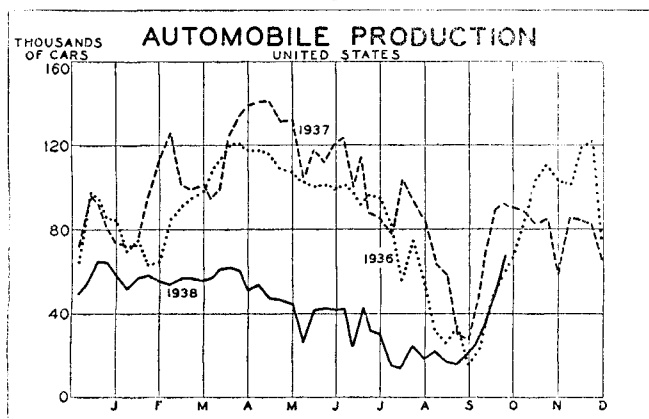
There has been an increase in coke production in recent weeks, chiefly at by-product ovens, but in relation to last year, output is still quite small. Very few beehive ovens are in production.

As a result of this improved situation some coal communities which were shipping 100 cars a week this summer have stepped up production until possibly 300 cars are being dispatched. A share of this coal is moving to Lake Erie ports for shipment to the upper Lakes. In September these shipments were behind 1937 by only eight percent, whereas for the entire season they were down 31 percent.

### Automobiles

The model changeover period for the automobile industry has taken longer than in other recent years. In view of the low production level in August, it was expected that September would show some increase. Actually, however, output receded further by 7.7 percent to 83,534 cars and trucks, and expansion of the production rate to any extent did not occur until the second week of October, at which time output was estimated by *Ward's* reports at slightly above 50,000 units. In the following week it rose to 68,360 units, but one major producer still was assembling only a small number of cars and was not expected to get into volume production until early November. A year ago at this time, even though the third week of September proved to be the low point of the year 1937, by the week ended October 22, output had approximately tripled, rising to 92,000 units. This year's low point was in the first half of August, but assemblies remained at low levels for about two months.

Until all models have appeared and prices are definitely established, the retail field probably will not reveal its true condition. Reports have been received that response to new model showings has been encouraging and dealer orders to assembly plants have been in such volume that future assembly schedules have been raised for ensuing weeks. There is no way of knowing, however, what proportion of these dealer requests represent actual signed



customer orders, or merely orders in anticipation of expected retail sales. In this connection dealers' inventories were reduced further by approximately 70,000 units in August, and preliminary reports indicate that sales exceeded the limited output of September so that further contraction occurred in the latest month. As the new model season gets under way dealer inventories are less than half what they were at this time last year. One estimate places them at around 100,000 passenger cars, of both 1938 and 1939 models, compared with approximately 250,000 cars a year ago. This would be the smallest number on hand since fall introduction of new models was begun in 1934. Used car inventories also have been reduced in recent weeks, although they still are not small.

Reports in the third week of October, to the effect that assembly lines were to expand operations, and that proposed schedules for the remainder of the year were being revised upward, over what they had been estimated at 30 to 60 days previous, in response chiefly to this change in the retail field, had favorable repercussions in several areas of this district where parts and material production are important. Employment at Ohio parts plants in mid-September was 16 percent higher than in August, and further gains have occurred since that time. Shipments of parts and accessories increased rather sharply in September over the low level of August, but buying has been on a conservative basis in most cases and smaller than a year ago. General lowering of sheet and strip steel prices below the published level in mid-October by up to \$6 a ton brought out some large tonnage orders, but because of the nature of the concessions, which prevailed for only a short time, no real estimate of the amount of auto business placed was available.

#### **Rubber, Tires**

On a daily average basis, both tire production and factory shipments in September were larger than in August, though monthly totals were down. The drop in total shipments was reported somewhat less than seasonal and, compared with last year at this time, a gain of 12 percent was apparent. Replacement tire demand, which exceeded last year in the months of June through August, fell off in September, according to reports, but sales for use by auto assembly plants apparently increased. Reports indicate that, despite the drop in replacement sales, they continued better than in any comparable month since 1930.

According to figures compiled by the *Rubber Manufacturers' Association*, total September tire production was 3,970,397 casings. This was still nine percent under September 1937, but it was the second largest figure reported this year, and the decrease compares with a reduction of 38.5 percent for the first nine months of 1938. Output was a little in excess of September shipments, but manufacturers' inventories rose only 75,000 casings. This was stated to be chiefly seasonal and followed a similar rise in August. Compared with last year, manufacturers had on hand 2,800,000 fewer tires, a drop of about 28 percent.

The tire situation was further affected by a rise of two to five percent in tire prices in mid-October, although all sizes were not advanced. This was in part an adjustment to the higher level of raw material prices which now prevails, and a reduction of the large stocks of both

finished tires and raw rubber which were built up a year ago. Domestic crude rubber stocks are still large in relation to last year, but crude rubber consumption recently has been somewhat in excess of imports, and the trend has been downward since last April. With the rubber export quota from producing centers having been extended at 45 percent to the end of this year, and domestic consumption prospects pointing to further gains, crude rubber prices have risen to above 17 cents a pound from a low of 10.3 cents in April. They now are at about the level of last year.

Crude rubber consumption in September was 37,823 tons, a gain over August on a daily average basis, but a decrease of 13.9 percent from last year. Less rubber was imported than consumed and total arriving from producing areas was off 33 percent from last year at this time. Employment in the entire industry so far as Ohio was concerned, was little changed from August to September, but payrolls were up 11 percent.

#### **Clothing Textiles**

Extension of the improvement evident in the clothing industry since May occurred in September and the first half of October. Employment at textile plants of Ohio, which rose from 73 percent of the 1926 average in May to 90 in August, showed a slight further gain in September, but payrolls were up over 20 percent. While this increase was chiefly in the men's clothing field, production and distribution of women's wear has advanced in recent months, although retailers in this area were still buying in limited quantities in an endeavor to keep stocks down.

In comparison with last year at this time women's apparel sales at fourth district stores were down about 18 percent, the smallest decline since April. The increase in September over August was about the same as last year, but somewhat greater than in preceding periods. Men's clothing sales increased sharply in September over August, but were still 25 percent behind last year, a slightly greater decline than in the two preceding months. Despite the fact that wearing apparel stocks are low in comparison with last year, being down from 16 to 20 percent, they have been expanded recently with more caution than in other years at this season.

Activity in the production field has been held back by reported slowness in material deliveries, which resulted from the fact that manufacturers failed last spring to place advance orders in sufficient volume to enable textile plants to acquire raw materials. General efforts to keep inventories down this year in contrast to the opposite situation a year ago are reported to have had a retarding effect on some fall and winter lines. In addition it has had a stimulating effect on spring textile lines, just opened. More advance buying has occurred in recent weeks, and the local textile plants have secured sufficient orders to carry through until early next year.

Raw wool prices have firmed slightly recently; they are at the highest level since early in the year. At 71 cents a pound, however, fine territory wool compared with 96 cents a year ago at this time.

#### **Other Manufacturing**

The glass, china, and clay products industries reported varying degrees of improvement in September, and further gains in the first half of October. Sales and pro-

duction of china and pottery increased approximately 20 percent in September over August, according to reports, and while this was partly seasonal, the gain was greater than in the same period last year. Window glass sales increased quite sharply following the New England hurricane, and shipments to dealers have risen each month since May; the September gain over August was 22 percent and manufacturers stocks are 20 percent smaller than a year ago. Inventories in jobbers' and distributors' hands are very low; as a result, most orders request immediate shipment. September plate glass sales were 25 percent above August and October volume has exceeded September. The gain is largely seasonal and comes chiefly from the auto industry, although demand from furniture and building trades also has expanded. Production rose 15 percent over August, but was still 46 percent under a year ago.

Shoe factories in this district reported a two percent gain in September over last year, but a seasonal contraction from August. From mid-September to November is the dull period between the winter and summer seasons. Inventories are reported lower than usual, and prices of both sole and upper leathers are firm. Heavy hides are now 14 cents a pound, compared with a recent low in June of nine cents. Employment and payrolls were off seasonally from August.

Boxboard plants in this district and the entire country reported operations above 70 percent in September and early October, and increased demand recently has provided the industry with a little backlog of orders on hand. The gain was more than seasonal. Paper production at present is at 83 percent of capacity, the highest rate since early 1937. Paperboard prices were increased in early October, but they are still below last year. Fine grades are rather weak, although low prices are reported to be causing some buying in excess of current needs.

New machine tool orders received in September were slightly smaller than in August, reflecting uncertainties in the world situation, but reports received from the trade indicate some improvement in October, from both domestic and foreign sources. Inquiries are reported large, and the volume of domestic business recently has been encouraging, although still behind last year. Foundry equipment orders also were down in September from August and about one-third of a year ago at this time. A considerable volume of machinery sales is traceable to Government orders for armament work, but there is also

more diversification than recently. Small tool sales did not show the expected seasonal increase in September.

Conditions in the electrical apparatus and supply industry also improved in September. Ohio factories reported an increase of seven percent in employment, and 18 percent in payrolls over August. In Pennsylvania the increases were not so great, and large declines from last year were still apparent. Stocks of both raw and finished materials are down from a year ago, reflecting larger increases in sales than in production or material purchases.

Heavy hardware and screw machine products, other than for the automobile trade, were taken in about the same volume in September as in August, but slight gains have occurred since that time. The same was true of engineering appliances. Can companies are down seasonally, so far as food containers are concerned, but other lines have improved.

### TRADE

#### Retail

As shown by the accompanying chart, department store sales in the fourth district increased sharply during September. The seasonally adjusted index rose eight points from August to 85.5 percent of the 1923-25 average. This gain was larger than that experienced during the same period in other districts, but year-to-year comparisons still reveal rather large declines, the drop in September in this district being 14 percent. With department store sales in this area considerably above the national level in 1937, the larger-than-average percentage decline from last year reflects more the relatively good volume of business then, rather than a small volume now.

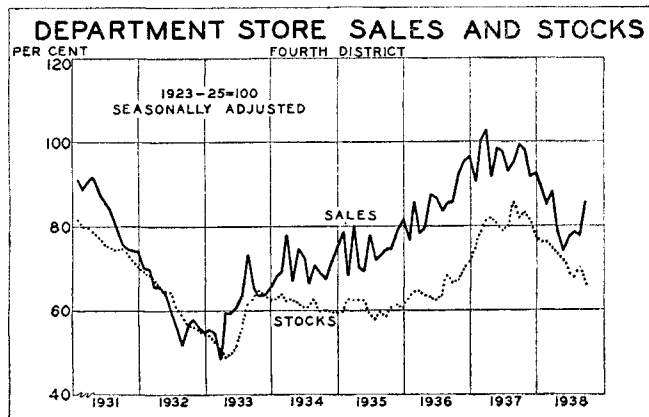
The chart also portrays the August pick-up in department store buying, which was noted last month. Inventories were expanded a little more than seasonally in August in anticipation of better fall sales, but large September consumer purchases prevented these inventories from continuing their greater-than-seasonal expansion. Despite the fact that department store stocks were eight percent higher at the end of September than they had been in August, the seasonally adjusted index fell from 70.2 percent of the 1923-25 average to 65.9 percent for September. This is the lowest point reached by the index since July 1936. The dollar value of inventories is 18.2 percent below September of last year.

These changes in sales and inventory data from August to September apparently were not affected by price movements. *Fairchild's* retail price index showed no change from August 1 to October 1.

The proportion of total sales at department stores in this district representing regular 30-day charge purchases increased in September over August, while installment sales declined in relative importance. These movements appear to be a customary seasonal development, but during the last year there has been a slight upward trend in the relative importance of sales made through regular charge accounts and a decline in installment sales. September collections on all accounts receivable outstanding at the beginning of the month showed very little change from previous months, although the collection ratio is down slightly from most months of last year.

#### Wholesale

Sales of over 200 wholesale firms in all lines reporting to the *Department of Commerce* were slightly larger in Sep-



tember than in August, but in relation to last year a decrease of 19 percent was evident. Gains over the preceding month were fairly well distributed, but electrical goods, industrial hardware, paint, and tobacco wholesalers reported smaller sales in September than in August. The decline in total sales in the latest month was smaller than the 26 percent reduction reported for the first nine months, but figures in the table on page 7 reveal that buying from wholesalers continued in limited volume in the latest period, although considerable variation is evident in the separate fields.

Wholesalers in this district reported little change in inventories during the latest month, and on September 30 they were 17.5 percent smaller than a year previous. Collections were a little slow in most lines in this area.

### CONSTRUCTION

According to the *F. W. Dodge Corporation*, the value of construction contracts awarded in the fourth district during September was \$31,274,000. This amount is slightly lower than in August, but on a daily average basis is somewhat higher. The September total was the largest for that month since 1930. Residential construction was \$8,023,000, a decline of 31.9 percent from the large August figure, but still much better than earlier in the year.

Even more encouraging than the maintenance of a fairly high level of activity, was the fact that privately-financed construction gained both absolutely and relatively in many fields. In the area included by the *Dodge Corporation* in its three districts, Pittsburgh, Cleveland and Cincinnati, privately-financed construction gained from \$17,254,000 in August to \$18,905,000 in September. The August figure amounted to only 44 percent of total construction in the three districts, while the September amount was 54 percent of the total.

This gain in private construction is accounted for by a small increase in the residential field in Cincinnati, and by a substantial improvement in private utility construction in Northern Ohio. The latter type of building amounted to over \$5,000,000, slightly more than half of the total public works and utilities contracted for in the Cleveland territory. This was the first time in many months that private funds going into this type of construction exceeded those spent by the Government. The situation in Northern Ohio is outstanding in this district, for public funds accounted for 74 percent of the activity in the public works and utility field in the Cincinnati territory, and 80 percent in Western Pennsylvania. Public money was to pay for 98 percent of this type of work contracted for in August in the three areas.

The gain in private residential construction in Cincinnati was contrary to experience of the other two territories. Even in the Cincinnati district, total residential contracts fell away from the August level. That month was unusually high because of awards made by the Federal Government for construction of barracks at Fort Knox and Dayton. Hence, public funds accounted for 56 percent of the residential construction in the Cincinnati territory during August. Other declines of importance were experienced in the field of private non-residential construction in all three districts.

Published data concerning the relatively favorable showing made by residential construction in Cincinnati are

confirmed by lumber dealers in that district. They experienced some hesitancy during the war scare in September, but report improvement in October. This improvement in demand does not appear to be the result of building up of inventories by retailers, but rather increased consumption. Retail inventories are expected to be kept at a low level throughout the winter, in spite of a general feeling by dealers that home building will increase.

### AGRICULTURE

With crops in this district nearly all harvested, interest now centers chiefly upon the demand and price situation, and the position of feeder livestock. The *Department of Agriculture* reports that prices received by farmers improved slightly from mid-August to mid-September, but showed little net change in the month ended October 15. During the latter period small increases in prices of dairy products, eggs, fruits, and cotton were offset by declines in hogs, cattle, corn, and poultry. Farmers in this district did not fare quite as well as the general average.

For the country as a whole, stocks of old corn on farms October 1 were the highest for that date in the 13 years of record. The large new crop of feed grains, combined with this carry-over, has resulted in a supply of such grains which is four percent greater than in 1937, and slightly more than the 1928-32 average. Supplies per grain-consuming animal are a little smaller than a year ago, about the same as in 1932, and larger than in any other year since 1925. This supply situation continues to keep prices of all agricultural products low in spite of recent improvement in consumer incomes, for this rise has not yet been reflected in increased consumer demand for agricultural products, according to the *Bureau of Agricultural Economics*.

**Corn and Feeding** The *Department of Agriculture's* estimate of corn production in this district has been revised upward again. As of October 1, it stood at 196,084,000 bushels, only five percent under the extraordinarily high level of 1937. Dry weather during the first part of September cut the yield of late-planted corn somewhat, but helped it to ripen. Hence, a very high percentage of corn was sufficiently matured prior to killing frosts early in October.

The large corn and hay crops in this district, together with prevailing low prices for such products, is resulting in a large amount of feeding being done. Prices of finished animals are low, but hay and grain prices are lower, so many farmers are taking advantage of this margin to expand feeding operations. This movement seems to be general throughout the country, but the *Department of Agriculture* reports that feeding of cattle will probably be no more than last year and feeding of lambs may be less. This is because many feeder cattle in the corn belt last year at this time had been carried over from 1936, while heavy marketing during the last six months indicates only a small number of 1937 cattle on farms at the present time. The expected decline in lamb feeding is traced to unprofitable experience last year.

In Kentucky, it is reported that a shortage of livestock exists as a result of poor feed crops of the last two or three years. Large crops this year have encouraged farmers to restore the number of their livestock to normal. To

do so, they are borrowing from local banks. Demand for these loans, as well as for financing the heavy marketing of tobacco, has resulted in a larger-than-seasonal increase in loans to farmers. This also has been the experience of Ohio banks located in feeding areas.

**Tobacco** Reports from tobacco regions of the district continue to indicate an unusually good crop of high quality. Wet weather in September caused some darkening of the leaf, but damage was not severe. Very dry weather immediately following the wet spell hindered stripping and therefore delayed the expected early opening of the market. Some growers have brought their crops into order artificially, but very little stripping had been done prior to mid-October.

### Fourth District Business Statistics

	(000 omitted)			
	September 1938	% change from 1937	Jan.-Sept. 1938	% change from 1937
Fourth District unless Otherwise Specified				
Bank Debits—24 cities.....	\$2,003,000	—20.5	\$17,811,000	—22.6
Savings Deposits—end of month				
40 banks, O. and W. Pa.....	\$ 767,172	+ 0.1	1	
Life Insurance Sales:				
Ohio and Pa.....	\$ 57,819	+18.3	597,994	—25.2
Retail Sales:				
Dept. Stores—54 firms.....	\$ 21,049	—14.3	162,493	—15.7
Wearing Apparel—12 firms.....	\$ 890	—14.7	6,622	—16.2
Furniture—40 firms.....	\$ 728	—26.0	6,030	—38.4
Building Contracts—Total.....	\$ 31,274	+17.4	207,960	—23.1
—Residential.....	\$ 8,024	— 6.4	67,964	—16.3
Commercial Failures—Liabilities.....	\$ 987	+36.9	9,128	+43.5
—Number.....	76 <sup>3</sup>	+58.3	719 <sup>2</sup>	+54.3
Production:				
Pig Iron—U. S.....Tons	1,683	—50.8	12,323	—59.4
Steel Ingot—U. S.....Tons	2,658	—38.0	18,006	—57.6
Auto—Passenger Car—U. S.....	65,159 <sup>2</sup>	—45.1	1,167,141 <sup>2</sup>	—62.1
—Trucks—U. S.....	18,375 <sup>2</sup>	—65.0	352,158 <sup>2</sup>	—50.8
Bituminous Coal, O., W. Pa., E. Ky.....Tons	11,975	—16.7	87,115	—33.4
Cement—O., W. Pa., W. Va. Bbls.	1,119	+ 5.7	6,884	—13.4
Elec. Power, O., Pa., Ky.....				
Thous. k.w.h.....	1,530 <sup>3</sup>	— 5.9	10,643 <sup>4</sup>	—18.0
Petroleum—O., Pa., Ky.....Bbls.	2,314 <sup>3</sup>	— 7.0	17,902 <sup>4</sup>	— 4.3
Shoes.....pairs	8	+ 2.1	8	—12.2
Tires, U. S.....casings	3,970	— 9.4	27,793	—38.5
Bituminous Coal Shipments:				
L. E. Ports.....Tons	4,965	— 8.6	24,477	—30.7

<sup>1</sup> not available  
<sup>2</sup> actual number  
<sup>3</sup> August

### Fourth District Business Indexes

(1923-25=100)

	Sept. 1938	Sept. 1937	Sept. 1936	Sept. 1935	Sept. 1934
Bank debits (24 cities).....	74	93	82	71	58
Commercial Failures (Number).....	52	32	27	43	40
—(Liabilities).....	22	16	19	24	33
Sales—Life Insurance (O. and Pa.).....	61	74	77	76	72
—Department Stores (48 firms).....	89	103	89	78	72
—Wholesale Drugs (7 firms).....	113	124	106	90	80
—Dry Goods (8 firms).....	55	71	66	54	53
—Groceries (56 firms).....	77	91	86	80	70
—Hardware (13 firms).....	78	99	90	70	59
—All (84 firms).....	77	93	86	75	66
—Chain Drugs (4 firms)**.....	91	98	89	79	70
Building Contracts (Total).....	66	56	39	27	20
—(Residential).....	47	50	47	22	8
Production—Coal (O., W. Pa., E. Ky.).....	66	80	82	53	58
—Cement (O., W. Pa., E. Ky.).....	93	88	109	81	63
—Elec. Power (O. Pa., Ky.)*.....	182	194	180	159	135
—Petroleum (O., Pa., Ky.)*.....	125	135	123	112	113
—Shoes.....	118	115	135	116	78

\*August  
 \*\*Per individual unit operated.

### Wholesale and Retail Trade

(1938 compared with 1937)

	SALES September 1938	Percentage Increase or Decrease SALES first 9 months	STOCKS September 1938
DEPARTMENT STORES (54)			
Akron.....	—10.4	—22.6	—23.7
Cincinnati.....	—12.3	— 9.8	—19.0
Cleveland.....	—15.1	—15.8	—19.7
Columbus.....	— 6.1	— 9.0	—16.3
Dayton.....	—11.5	—19.3	—16.2
Pittsburgh.....	—17.3	—16.5	—16.7
Toledo.....	—12.3	—18.6	—21.6
Wheeling.....	—20.7	—15.6	—13.1
Other Cities.....	—16.5	—18.4	—13.9
District.....	—14.3	—15.7	—18.2
WEARING APPAREL (12)			
Cincinnati.....	—23.8	—21.8	—12.4
Cleveland.....	—15.4	—15.9	—14.8
Pittsburgh.....	—20.2	—16.4	—11.0
District.....	—14.7	—16.2	—14.0
FURNITURE (40)			
Cincinnati.....	—28.4	—43.4	
Cleveland.....	—18.9	—37.4	
Columbus.....	—12.8	—18.4	
Dayton.....	—29.5	—39.9	
Toledo.....	—44.9	—46.9	
Other Cities.....	—48.9	—48.8	
District.....	—26.0	—38.4	
CHAIN STORES*			
Drugs—District (4).....	— 6.9	— 7.5	
Groceries—District (4).....	— 3.2	— 4.0	
WHOLESALE TRADE**			
Automotive Supplies (8).....	— 5.8	—13.3	— 8.8
Drugs (7).....	— 8.8	—10.9	—10.9
Dry Goods (8).....	—21.8	—28.3	—30.1
Electrical Goods (21).....	—32.9	—44.1	—31.3
Groceries (56).....	—15.4	—15.5	— 6.6
Total Hardware Group (36).....	—28.1	1	1
General Hardware (13).....	—20.9	—28.5	—26.4
Industrial Supplies (13).....	—43.3	—48.5	— 4.0
Plumbing & Heating Supplies (10).....	—30.6	—30.4	— 8.0
Jewelry & Optical Goods (7).....	—38.7	—39.9	—16.4
Lumber & Building Materials (5).....	—21.6	1	1
Meats & Meat Products (4).....	—27.8	1	+4.6
Metals (3).....	—32.1	1	1
Paints & Varnishes (3).....	—21.4	1	1
Paper and its Products (4).....	—12.6	1	1
Tobacco & its Products (26).....	— 1.0	+ 9.9	+ 7.9
Miscellaneous (15).....	—35.0	—38.2	+22.0
District—All Lines (203).....	—19.3	—26.2	—17.5

\*Per individual unit operated.

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

<sup>1</sup>Not available.

### Debits to Individual Accounts

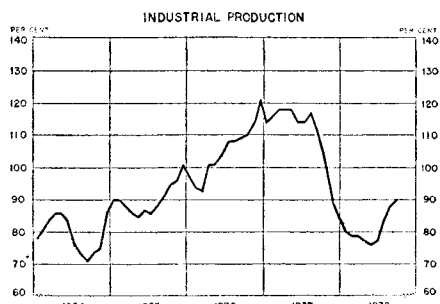
(Thousands of Dollars)

	4 Weeks ended Oct. 19, 1938	% change from 1937	Year to Date Dec. 30, 1937 to Oct. 19, 1938	Year to Date Dec. 31, 1936 to Oct. 20, 1937	% change from 1937
Akron.....	\$ 62,261	—15.7	\$ 547,286	\$ 677,159	—19.2
Butler.....	8,115	—22.2	80,381	103,754	—22.5
Canton.....	28,468	—25.2	284,442	390,949	—27.2
Cincinnati.....	283,389	—17.1	2,880,771	3,488,357	—17.4
Cleveland.....	519,427	—15.4	4,764,841	6,132,376	—22.7
Columbus.....	162,361	— 7.9	1,554,110	1,817,071	—14.5
Dayton.....	55,011	—24.8	580,387	739,333	—21.6
Erie.....	22,943	—24.9	238,613	324,633	—26.5
Franklin.....	2,751	—21.2	27,343	35,292	—22.5
Greensburg.....	7,276	— 7.2	64,598	73,453	—12.1
Hamilton.....	10,135	—19.1	99,124	127,878	—22.5
Homestead.....	2,370	—29.8	27,566	33,757	—18.3
Lexington.....	19,114	+ 4.6	220,343	238,307	— 7.5
Lima.....	13,020	—10.9	133,237	140,597	— 5.2
Lorain.....	4,306	—21.3	44,224	53,615	—17.5
Middletown.....	8,282	—26.1	82,733	107,897	—23.3
Oil City.....	8,528	—20.8	90,458	111,241	—18.7
Pittsburgh.....	529,755	—24.4	5,705,743	7,598,517	—24.9
Sharon.....	7,499	—26.6	70,533	92,722	—23.9
Springfield.....	14,067	—19.9	155,004	185,535	—16.5
Steubenville.....	8,363	—30.3	81,080	111,308	—27.2
Toledo.....	108,134	—17.2	1,029,400	1,359,135	—24.3
Warren.....	8,742	—20.2	76,993	103,789	—25.8
Wheeling.....	25,022	—21.9	258,520	342,809	—24.6
Youngstown.....	43,229	—20.0	373,780	529,482	—29.4
Zanesville.....	6,938	—16.8	70,893	82,312	—13.9
Total.....	\$1,969,506	—18.7	\$19,542,403	\$25,032,338	—21.9

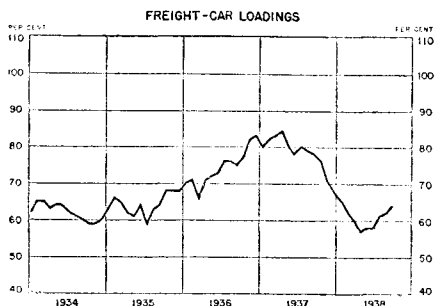


## Summary of National Business Conditions

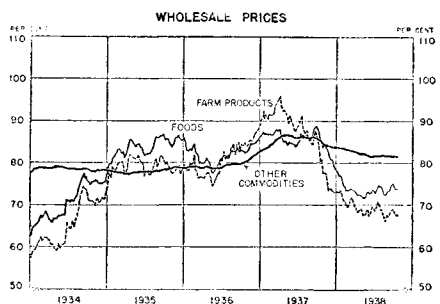
By the Board of Governors of the Federal Reserve System



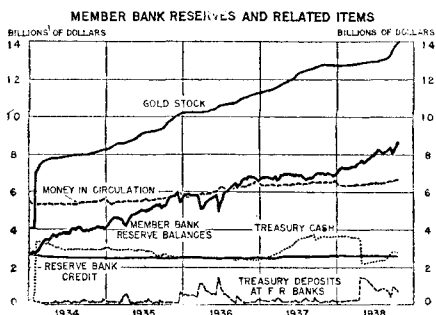
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to September 1938. Latest figure September 90.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to September 1938. Latest figure 64.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending October 15, 1938. Latest figures, farm products 67.4; foods 71.6; all others 81.6.



Wednesday figures, January 3, 1934 to October 19, 1938.

In September industrial production and employment continued to advance, and there was also an increase in the volume of retail trade. Building activity continued at the increased level reached in August, reflecting a large volume of awards for publicly-financed projects.

### Production

Volume of industrial production increased further in September and the Board's seasonally adjusted index advanced to 90 percent of the 1923-1925 average as compared with 88 percent in August. There was a substantial rise in pig iron production and output of steel ingots continued to increase, averaging 45 percent of capacity. In the first three weeks of October activity at steel mills showed a further increase and was at a rate of about 50 percent of capacity. Plate glass production continued to advance rapidly in September. Output of lumber and cement was maintained, although at this season activity in these industries usually declines. Automobile production in September remained at about the same low rate as in August; in October, however, output increased rapidly as most manufacturers began the assembly of new model cars. In the nondurable goods industries there were substantial increases in activity at meat-packing establishments, sugar refineries, and tire factories. Output of shoes declined somewhat. Textile production, which had been rising sharply since spring, showed little change in September, although an increase is usual. Activity increased further at silk mills but at woolen mills there was a decline, and at cotton mills output did not show the usual seasonal rise.

At mines, coal production increased considerably in September and there was also an increase in output of copper. Crude petroleum output declined as wells in Texas were shut down on both Saturdays and Sundays whereas in August only Sunday shutdowns had been in effect.

Value of construction contracts awarded, which had increased considerably in August, showed little change in September, according to figures of the F. W. Dodge Corporation. Awards for private residential building continued at the advanced level prevailing since early summer and contracts for public residential projects were also maintained following a rise in the previous month. Other public projects continued in substantial volume.

### Employment

Employment and payrolls increased further between the middle of August and the middle of September, reflecting principally increases at manufacturing concerns. Employment rose sharply at automobile factories and increased moderately in other durable goods industries. At factories producing nondurable goods there was slightly more than the usual seasonal rise in the number employed.

### Distribution

Distribution of commodities to consumers showed a more than seasonal rise in September. There were increases in sales at department and variety stores and mail order sales also increased. Department store sales for the first three weeks of October showed somewhat less than the usual seasonal rise.

Freight-car loadings continued to increase in September and the first half of October, reflecting chiefly a further rise in shipments of coal and miscellaneous freight.

### Commodity Prices

Prices of a number of industrial raw materials, particularly hides and copper, advanced from the middle of September to the third week of October. Crude oil and gasoline prices, on the other hand, were reduced. Livestock and meat prices showed large seasonal declines in this period. In the first half of October there were sales of many finished steel products at prices below those announced for the fourth quarter, but in the third week of the month it was reported that prices had been restored to former levels.

### Bank Credit

During the four weeks ended October 19 there were further substantial increases in the gold stock of this country. As a result largely of these gold acquisitions and of net expenditures by the treasury from its deposits with the reserve banks, excess reserves of member banks increased to a total of \$3,270,000,000 on October 19.

Demand deposits at reporting member banks in 101 leading cities were also increased by the inward gold movement and on October 19 amounted to \$15,750,000,000, the largest volume ever reported by these banks. Following substantial increases during September, reflecting purchases of new issues of United States Government obligations, total loans and investments at reporting banks showed little change during October.

### Money Rates and Bond Yields

The average yield on long-term treasury bonds declined from 2.48 per cent on September 27 to 2.28 on October 21. Yields on treasury notes and treasury bills also declined in the period.