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Many fourth district industries have advanced operations further in recent weeks, largely because of pressure for delivery of parts and materials to automobile assembly plants. That industry expanded operations in November to the highest rate in more than a year in an effort to stock dealers, following an apparent underestimation of public interest in and demand for new cars. Other local industries have shown improvement, but they have been more moderate, and the total gain, while causing a substantial rise in employment, has not been sufficient to restore it to levels prevailing a year ago. This present sharp upward movement, however, is in decided contrast to the contraction which was well under way last year at this time.

Steel mill operations in local producing areas rose quite sharply between the third weeks of October and November, and were somewhat above the national average. It is reported that sheet and strip steel rollings, against large commitments made in mid-October when price concessions were available, are the most important factors in current ingot output. Production facilities for these types are large in this district, which accounts for the fact local plant operations, excluding Pittsburgh, have been above the national rate since early in October. Pittsburgh is a large producer of heavy steels, and while gains have occurred there in recent weeks, demand for this product has lagged. In the week ended November 26, steel operations in Cleveland, Pittsburgh, and southwestern Ohio receded slightly, but such a fluctuation after so long a period of increasing operations is not unusual. Reports, however, indicate that steel has been stocked in recent weeks, the rate of ingot operations being in excess of actual finished steel consumption. Nevertheless, scrap steel prices have advanced, and the largest number of blast furnaces was placed in operation in October since April 1936.

Automobile assemblies rose sharply to 96,700 in the week ended November 19, but declined in the following period because of the holiday. This was well in excess of 1937 production which turned down in mid-October, whereas this year gains have been recorded each week since mid-September. Reports from the industry regarding sales, unfilled orders, and limited inventories, have been favorable, but at the current rate of assemblies a large supply of cars can be built up rapidly. Companies sup-

plying the assembly plants have been pressed for parts deliveries recently. Toledo employment in the third week of November was seven percent under last year, whereas in October the decrease was over 30 percent. Plate glass production was stepped up, but the larger shipments reported were partly from stock. Tire plant operations, which had been showing improvement since early summer as a result of a better replacement tire situation, increased further in October because of greater demand from the auto industry. Tire production in the latest month was seven percent in excess of last year at this time.

New machine tool orders received in October were about the same as in the preceding month. In the recent recovery period, however, new domestic machine tool and foundry equipment purchases have lagged, and those plants not doing a foreign business continue to operate at rather low levels. Shoe production in October, though down seasonally, was 23 percent greater than last year, and only exceeded in one October since 1929.

Retail trade in this area was irregular. Department and wearing apparel store sales increased less than seasonally in October, though improvement was indicated by weekly reports in November. Other lines of trade showed moderate gains. Conservative inventory policies are still being followed, for despite the less-than-seasonal rise in sales, stocks on hand were little changed in the latest month, after allowing for seasonal variations.

The construction industry has presented a favorable picture this fall. With one special exception, total contracts awarded in the three latest months were larger than in any similar period since 1931. However, except in the residential field the bulk of the increase in awards has been for contracts under the Public Works' program. In the first ten months of this year, total contracts awarded in the fourth district were 16 percent under the same period of 1937, but in the three latest months a gain of 34 percent was recorded.

FINANCIAL

Total loans and investments of weekly reporting member banks in leading cities of the fourth district, after experiencing a steady rise from May through October, declined slightly in the first three weeks of November. Investments in securities other than United States Govern-

ment obligations have been kept at a constant level for over two months following continued moderate expansion in this type of asset during the summer. The decline in total credit extended this month is traceable to the first substantial drop in Government securities since last April, and to a continuation of the slow liquidation of commercial and miscellaneous loans. Deposits showed little change.

The recent drop in total loans and investments has not been large enough, nor has it extended over a sufficient period, to demonstrate reversal of the upward trend. Excess reserves of member banks are still rising, thus adding to the banks' incentive to expand investment portfolios as long as demand for loans remains at a low level. In the middle of November, reserves held by all member banks in the fourth district were estimated to be 53 percent in excess of requirements, a gain of two points over the figure reported last month. In amount, they were approximately \$170,000,000.

The results of a recent special study of interest rates charged on new commercial loans made by banks in Cleveland, Cincinnati, and Pittsburgh during a 15-day period, are shown on the accompanying chart. The study reveals that the plethora of bank funds seeking investment has resulted in very low rates being charged large borrowers. During this two-week period, the banks included in the survey made 1,624 new commercial loans aggregating \$11,949,000, an average of \$7,400 per loan. This excludes renewals of loans. Interest rates charged covered a rather wide range, one bank reporting some loans at less than one percent and another bank charging several borrowers seven percent. The largest number of loans was made at relatively high rates, 26.5 percent of the total number carrying five percent and 51 percent being made at six percent. Dollar volume of these loans was small, for the five percent loans averaged only \$2,500, and the six percent loans only \$1,500. Together they accounted for 20 percent of the money loaned during the period. Only nine percent of the total number of loans was made at three percent or less, but they accounted for over 66 percent of the total funds loaned. Fourteen loans were made at rates below two percent, but higher than one percent; they accounted for 30.8 percent of the total funds loaned in the period by these large banks.

Developments at the Federal reserve bank during the past month were again of minor significance. Holdings of Government securities are being kept at a constant level, and rediscounting is in small volume. Industrial advances continue to decline. Interdistrict transfers during the past three months have resulted in little net change in gold certificate holdings or total reserves. Although total money in circulation in the entire country on November 16 was \$200,000,000 in excess of the amount outstanding a year earlier, Federal reserve notes issued by the Cleveland bank were nearly \$14,000,000 under a year ago.

MANUFACTURING, MINING

Iron and Steel

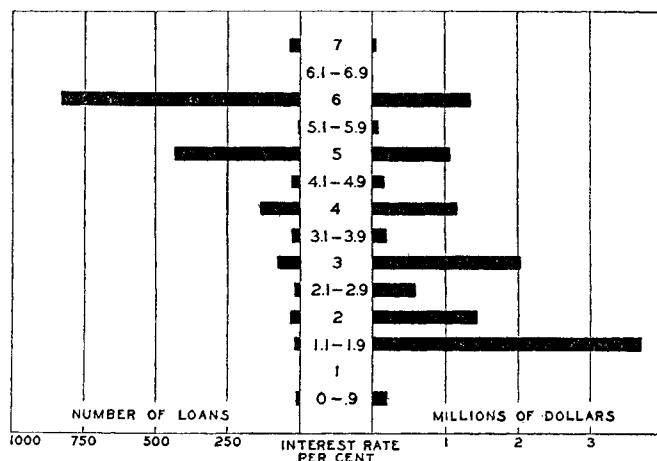
Steel mill operations for the entire country rose at a faster rate in the first three weeks of November than in October. The national rate, which crossed 50 percent of capacity in mid-October, continued upward to 63 percent in the week ended November 19, the best in over a year. Since that date the rate has declined slightly, partly on account of the

holiday, but also because production of some grades of steel recently, as a result of the heavy ordering in October, has been reported in excess of actual consumption. Steel producers stipulated that lower quotations prevailed only on steel delivered prior to the year end. With much of this lower-priced sheet and strip steel ordered being produced on continuous mills in the fourth district, operating rates at local centers advanced quite sharply prior to November 19. In the four weeks preceding that date the rate at Cleveland-Lorain mills rose over 15 points to 79.5 percent of capacity, the best rate since August 1937. In the following week it dropped back two points. At Youngstown the rate rose to 66 percent from 57 in the third week of October, but receded six points toward the month end. Southwestern Ohio mills advanced their rate five points to 75 percent, remained at that level for three weeks in November, but dropped five points toward the month end. Pittsburgh mills, which are more dependent on heavy steel requirements than other local areas, stepped up production from 39 to 52 percent of capacity prior to November 19, but dropped back two points in the succeeding week, while Wheeling plants advanced production to 66 percent in the period under review. Most local centers were operating at better than the national rate in recent weeks.

Steel prices appear to have steadied after the flurry in mid-October and are subject to only occasional minor shading of negligible proportions. Announcement was made of a reduction of \$7 per ton on tin plate, from \$5.35 to \$5.00 per base box. Buying of this product had been held back pending announcement of prices for the first quarter, but has been slow appearing since the reduction. Scrap steel prices have shown strength recently, heavy melting steel at Pittsburgh being marked up to \$15.50 a ton, the highest in over a year.

Automobile production is one of the chief supports of the steel industry, but this is being augmented by demand from other sources, Government work, and construction projects furthered by Federal aid. Railroads are taking slightly more steel than recently, though they still are held back by lack of funds. Routine purchases of rails for maintenance work are being delayed; they usually are large at this season. Some necessary car buying has added to current demand. Freight car awards in October totaled 2,537, compared with 1,355 a year ago. For ten months they were

NEW COMMERCIAL LOANS AND RATES CHARGED
Fifteen banks in Cleveland-Pittsburgh-Cincinnati
15-day period



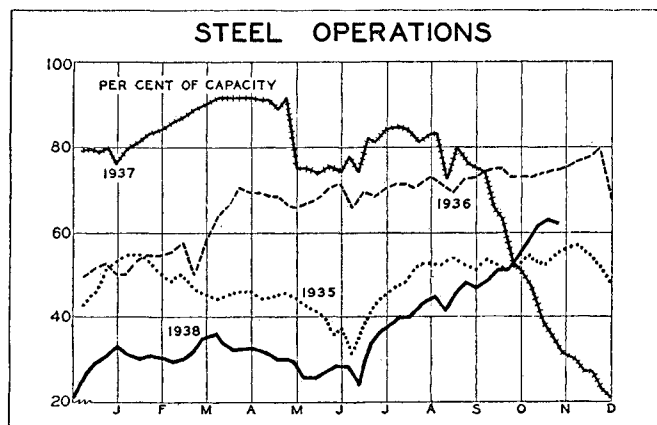
only 12,520, contrasted with 51,061 in the same period of 1937.

Steel ingot production in October amounted to 3,117,934 gross tons, 17.3 percent more than in September. This was the first month in a year that output exceeded 3,000,000 tons, but it was still eight percent under last year. The ten months' total this year was 21,123,872 tons, 54 percent less than 45,875,521 tons produced in the same period of 1937.

October pig iron production totaled 2,067,499 gross tons, a gain of 22.8 percent over September, and the largest since October 1937, with 2,891,026 tons. Pig iron output for the first ten months this year totaled 14,390,284 tons, against 33,198,634 tons in the 1937 period, a decrease of 56.7 percent, and well below the 24,601,570 tons for 1936. Seventeen blast furnaces resumed production last month, the largest addition in any month since April 1936, when the same increase was reported. Active furnaces at the end of October totaled 114, the largest number since November 1937.

Iron ore consumption in October totaled 2,780,585 tons, an increase of 466,720 tons over September. Stocks on hand at lower lake docks and furnaces November 1 were 38,593,569 tons, approximately 4,700,000 tons less than on the same date last year, but sufficient for nearly 14 months at the current rate of consumption. Total ore shipments so far this season have been 71 percent smaller than in 1937.

Coal Bituminous coal production has been approximately 8,000,000 tons a week recently, compared with approximately 9,000,000 tons a year ago, but then a decline was under way whereas this fall up to mid-November the gains made from the summer's low point have been maintained. Some of the increased output has gone into inventories which usually are built up at this season of the year, although on October 1 total coal above ground was 20 percent less than a year ago. The rise in the third quarter was ten percent, but because of the increase in coal consumption, these larger actual inventories, in terms of days' supply, were 12 percent smaller than in mid-year, and only one percent above last year at this time. Practically all of the contraction in coal stocks was in industrial supplies, but total coal on upper lake docks on October 1 was 13 percent less than a year ago. Shipments of coal from Lake Erie ports in October were within eight percent of last year, although for the season to November 1 they were off 27.5 percent.



Local dealers and producers reported a slightly better demand and higher prices for industrial grades of coal in recent weeks, but lagging sales of domestic grades because of the extended period of mild weather. Fourth district mines produced 13,197,000 tons of soft coal in October, a reduction of 14.5 percent from last year. This compares with a decrease of 31 percent reported for the first ten months.

Automobiles October automobile assemblies, as reported by the *Department of Commerce*, failed to come up to preliminary trade production estimates, output for the month being given at 209,522 cars and trucks. This was a sharp, considerably more than seasonal, gain over the low level of September, but was still 37 percent below October 1937, despite the fact that new models were introduced four to six weeks earlier this year than last.

Reports emanating from the auto industry regarding both sales and production have been quite optimistic in recent weeks, a characteristic of this season of the year, and yet it would appear that the industry so far has not been able to step up production schedules fast enough to keep up with the recent demand for new cars. Evidence that new car sales are much improved was found in the fact that sales to consumers of one large company in October were the best, on a seasonally adjusted basis, since October 1937, despite the fact that volume production of one of that company's principal models did not occur until mid-month. New passenger car registrations in leading counties of this district in October were up somewhat more than seasonally, despite the fact that new models of several producers were not available for volume delivery. The decline from last year was smaller than in earlier months of this year, although about half as many new cars were registered as in October 1937.

As the new model sales year gets into full swing there are several factors favorable to the industry that were not present a year ago. As of October 1, inventory of new passenger cars was estimated at 107,000. This compared with 249,000 last year at that time, and a high total of over 400,000 early in 1937. Used car inventories are also down quite sharply from last year, though not so drastically as new car stocks. Moderate price reductions have been announced. A preliminary survey places them at less than five percent, but this does not take into consideration certain accessories included as regular equipment for the first time. In addition, the new models, at least outwardly, reveal more changes from the preceding year than was true of the 1937 models. Other important factors are that business has been improving for several months, more persons are being employed, and sentiment is better generally.

As a result of the favorable acceptance of new models, dealer reports of larger sales, and reputedly increasing backlog of orders, the auto industry has stepped up weekly assembly schedules quite sharply recently with consequent gains in employment, increased hours (with the greater part of the industry now operating five days a week for the first time this year) and larger orders for parts and materials. This latter is particularly important to the fourth district. Employment at Ohio auto parts plants in October was 29 percent greater than in September, but it was still under a year ago. Recent reports indicate that this

discrepancy was materially lessened in November, for in the second week of the month estimated auto production rose above the corresponding period of 1937, and still all models were not yet in full production. Local parts companies reported considerable improvement in new inquiries, orders, and actual shipments in the last half of October, with further gains in November. Large steel orders were placed in October when price concessions prevailed, but releases on other materials and parts in like amounts have not appeared, according to reports, although it is indicated that more advance releases have been made recently than for many months.

Rubber, Tires

The rise in rubber consumption which set in last May was further extended in October, and a gain of four percent over last year was recorded. This was the first increase over the corresponding month of the previous year since May 1937, and the first month in more than a year when consumption exceeded 40,000 tons. The improvement in the rubber industry developed first as a result of greater replacement tire demand. September sales were reported up 30 percent more than seasonal over August. Continuation of good weather in October and the first three weeks of November was also reflected in retail sales. This was further augmented by greater-than-expected increases in auto assembly schedules for November. As a result, the tire industry stepped up operations to nearer capacity levels than for some time. October production, according to the *Rubber Manufacturers' Association*, was 4,276,000 casings. This was a gain of eight percent over September and seven percent over 1937. Shipments in the month again were slightly in excess of output, and manufacturers' inventories were 27 percent smaller on October 31 than a year previous.

In addition to gains in employment at rubber factories, evidence of the improvement was to be found in the restoration of pay reductions ranging from 10 to 20 percent among salaried rubber workers effective November 16.

As a result of increased crude rubber consumption in the face of curtailed shipments from producing centers, raw rubber inventories in this country have been reduced by more than 30,000 tons since April. They are now at the level of the beginning of the year, although still 35 percent above last year at this time when they were accumulating rapidly. At the current rate of consumption there is sufficient rubber on hand to last nearly seven months, compared with a six-month supply which is considered normal by the industry. With imports showing the full effect of the 55 percent curtailment in exports from producing centers, tire production expanding, and other uses of rubber increasing, the *International Rubber Regulation Committee* in mid-November fixed the export quota for the first quarter of 1939 at 50 percent of the basic quota instead of 45 percent as at present. This rise in permissible exports from cartel countries is slight, but at the same time the basic tonnages of export areas, against which quotas are computed, go up on January 1 by about 13 percent. The combination of these two factors will permit a rise in rubber exports for the first quarter of about 25 percent over the prevailing level. These figures do not include rubber to be exported from areas not covered by the restriction plan, constituting about 10,000 tons a month, or about one-sixth of the larger amount which will

be shipped from control countries in the first quarter of 1939.

The immediate effect of announcing the larger rubber quota for the first quarter was a reduction in domestic prices to slightly below 16 cents a pound for ribbed smoke sheets in New York, compared with a recent high of 17.08 cents early in November.

Clothing, Textiles

While conditions in the clothing and textile field of this district continue to show improvement basically, both wholesale and retail branches of the industry were adversely affected by the unusually fine weather this fall. In some cases this represents merely a temporary postponement of purchases, but in the case of strictly seasonal merchandise it is lost so far as this season is concerned. In the local retail field, October sales of men's wear, women's clothing, particularly coats and suits, and furs were from 25 to 40 percent smaller than a year ago. Sales of dresses and men's furnishings were down less than 15 percent, and the decrease in total department store sales was 16.6 percent in this district. Comparison of department store clothing stocks with last year revealed little change at the month end from September; inventories of men's clothing being down 24 percent, and women's wear 15 percent from last year. Clothing buyers were conservative regarding advance purchases of fall and winter clothing, and the effect of the retarded retail buying was reflected largely in less-than-usual repeat orders from manufacturers. They in turn had prepared for only a fair winter season, buying limited quantities from textile mills last spring so that, despite the slow season, manufacturers' inventories are smaller than a year ago.

Textile firms report buying of spring goods in satisfactory volume with sufficient orders booked to keep plants in operation well into next year. Prices have also improved and employment has increased. In the men's clothing industry, advance orders for spring delivery are reported substantially ahead of last year. Plants are just starting production on these orders and should be at capacity levels early in December.

Other Manufacturing

Barring seasonal movements, most of the smaller industries of the district reported improvement in October. In some instances the gains were sufficient to raise the level of operations above last year when declines were becoming pronounced.

Shoe production at fourth district factories declined less than seasonally in October from September, despite complaints about the retarding effect the fine fall weather had on shoe sales. Output in the month was reported to have been 23 percent in excess of last year and, excluding 1936, it was the best October since 1929. Retail shoe sales at department stores were from 11 to 13 percent smaller in October than a year ago, but some improvement was reported in November as more seasonable weather developed. Shipments from manufacturers showed up similarly. Solicitation of orders for spring delivery is now under way, and it is reported that the industry has passed its seasonal low point, for advance orders are encouraging. Raw material prices were firm until mid-November when weakness appeared, although they remained higher than at mid-year. Some raw material accumulation in excess of current requirements has occurred recently, but inventories are still much smaller than a year ago.

The foreign situation slowed up purchases of machine tools in this country in October, according to reports, but a moderate gain in new domestic orders caused a slight rise in the combined index over September. The index of the *National Machine Tool Builders' Association* has shown little change for three months, but has been at approximately the highest level of the year, although well below 1937. Purchases of new machine tools by domestic users have not turned upward in parallel with the rise in the steel or automobile industries, although some moderate gains have developed. Foundry equipment orders expanded ten percent in October over September, but remained less than half what they were last year at this time, and shipments in the month exceeded new orders.

Buying of small tools, such as drills, etc., also was up in October over September, but remained under last year by about 25 percent. Employment was behind by a slightly larger amount, and some of the recent gain in production represented replenishment of finished inventories at a moderate rate. Makers of engineering supplies also experienced a slight increase in demand in October.

China and pottery producers reported a more-than-seasonal gain in both sales and production in recent weeks, and October sales were said to be ten percent ahead of last year. Inventories have been further reduced, for holiday buying has exceeded expectations. There is little complaint regarding foreign competition. Plate glass production increased quite sharply, chiefly because of rather unexpected heavy demand from the auto industry, but it still remained about half what it was a year ago when, because of special conditions, production remained at a high rate. Large inventories then on hand have been considerably reduced. Employment in the glass industry in October was 6 percent greater than in September, but still 8 percent under last year. Glass container and molded glassware branches of the industry also have experienced an improvement.

Paper and boxboard industry operations receded in mid-November after attaining a level of 83 percent of capacity, which was about 11 percent above last year at that time. The recent contraction was partly seasonal, but the usual inventory accumulation in preparation for holiday demand did not materialize this fall, partly, it was felt, because prices were weak in some grades, but also because of the slowness in retail trade circles.

Unusually fine weather this fall benefited the paint industry so far as household demand was concerned, but industrial maintenance sales have lagged. Better general business conditions, however, are also resulting in improved

industrial paint demand. Raw material inventories are down from last year despite a rise in tung oil and other supplies which come from foreign countries.

As result of increased power production and some talk of expanding facilities of that industry, as well as better retail sales of electrical goods, the situation in the electrical apparatus and supply industries has improved somewhat. Actual incoming orders in October were up more than seasonally, and more buying is for future delivery than has been noticeable for some time. October employment in this field was up 8 percent over September in Ohio, but was still somewhat below last year. Pre-Christmas ordering of electrical appliances by retailers has been heavy.

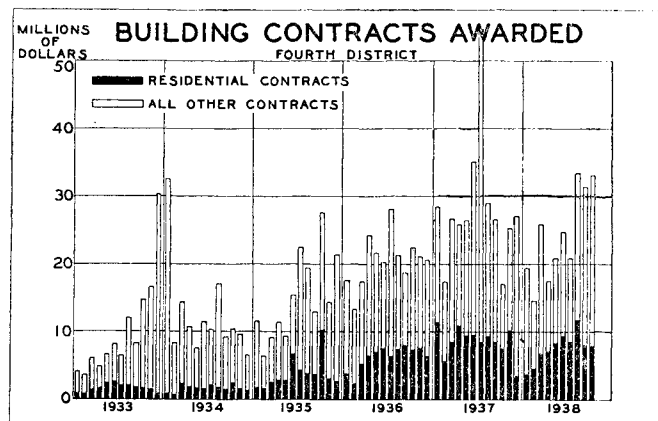
CONSTRUCTION

As shown by the chart, the construction industry in the fourth district continues to present a favorable picture. Figures compiled by the *F. W. Dodge Corporation* reveal that, except for the period in 1937 when contracts for a large steel plant were let, projects started during August, September, and October were larger than in any other three-month period since 1931. Contracts awarded in October were 93 percent higher than in the same month last year, but this favorable comparison is due to an unusually low month in 1937 rather than to any recent large gain. Data for the first half of November indicate that November totals will be only slightly under October, but contemplated construction reported during October was much less than that noted during July, August, or September.

Total residential construction, which showed such marked gains early in the year, has failed to maintain the high level reached in August. Some slackening in this field is to be expected as winter approaches, but the decline from August is due largely to a drop in Federally-financed miscellaneous projects included in the residential category. In August, 26 percent of residential contracts were publicly financed, and in September, 6 percent. In October they were practically all attributable to private activity. This seems to indicate continued strength in private home building in this district. An encouraging factor is that building of one and two family houses in northern Ohio and western Pennsylvania increased somewhat in October over September, thus re-establishing the level of activity experienced during the summer months.

Building costs have continued to be more favorable to new construction than they were last year, but there is a slight tendency toward higher material prices, particularly lumber. The average value of homes being built in central Ohio is about nine percent smaller than last year. Since there appears to be no marked change in the type of buildings erected, this decrease approximates the year-to-year reduction in total costs.

Wholesale lumber dealers in the district report that their October and early November shipments were slightly larger than last year, but that dollar volume is less. This is partly due to movement of lower grade material, but relatively low prices are probably more important. Anticipation of higher prices due to the Wages and Hours Law caused some increase in orders during October and the first half of November, but retailers in general are still buying on a hand-to-mouth basis. The orders booked were for future delivery, so they have not yet been reflected in shipments. In southern producing areas many mills have shut down until the effect of the new law on prices can be more accurately determined. Dealers report that prices



have not yet been affected much except on some scarce items, although southern pine has advanced over the levels maintained this summer. In several instances West Coast woods appear to be replacing yellow pine.

TRADE

Retail

Retail trade in the fourth district during October was rather uneven. Department store sales were only slightly larger than they had been in September, although there were more shopping days in October, and fall buying customarily results in sales expansion. Hence, the seasonally adjusted index of department store sales fell to 81.8 percent of the 1923-25 average, losing nearly half of its eight-point gain from August to September. This relatively smaller volume is attributed by retailers to unusually warm weather which prevailed throughout October. Returns from weekly reporting stores indicate that more seasonable weather helped sales in the first three weeks of November, for in the four latest weeks they were within 7.5 percent of the corresponding period in 1937.

A poor showing is also revealed by year-to-year comparisons for the wearing apparel trade. September sales for reporting firms in the district were 14.7 percent below the corresponding month last year, while in October they were 18.3 percent below October 1937.

The experience of other retailers in the district was quite different from that of department and apparel stores. Ten percent more groceries were sold by reporting chain stores in October than in September, and chain drug companies made a seven percent gain. To a large extent both of these changes are seasonal, but spreads between this year and 1937 are being narrowed. Sales by chain grocery stores in October were only 0.9 percent below those of a year ago, while the ten-month cumulative from January through October is still 3.7 percent less than last year. Chain drug sales were 6.9 percent above last year, while the ten-month cumulative is 6.4 percent below 1937. Retail furniture dealers sold 19.6 percent less in October than in the same month last year, although their sales for the year so far were 36.7 percent smaller than in the same period of 1937.

Available data on inventories reveal that retailers are still pursuing a conservative policy. Although department store sales failed to make their usual advance in October, this development did not result in a piling up of inventories. On a seasonally adjusted basis, department store stocks at the end of the month were 66.5 percent of the 1923-25 average, only a half point above the September level, and 16.4 points under the same date in 1937.

Regular charge sales accounted for 53.6 percent of October total sales reported by department stores in this district. This was a seasonal decrease from September, but the general trend still appears slightly upward. Conditions vary widely between cities. In Pittsburgh, 61.4 percent of all sales were charged to customers' regular accounts, while in Columbus only 43.6 percent were so handled. October collections were better in all cities of the district than in the previous month. They amounted to 46.4 percent of accounts receivable at the beginning of the month, while the corresponding figure for September was 41.1 percent. Collections on installment accounts also improved.

Wholesale

According to the *Department of Commerce*, total sales by reporting wholesale firms in the fourth Federal reserve dis-

trict dropped about 2.5 percent in October from the previous month. Although sales of retail drug and grocery chains picked up during October, wholesalers handling these articles suffered the largest declines. Dealers in automotive supplies, hardware, and lumber, reported substantial gains. The dip in total sales was a little less than in the same month last year, so the spread between the two years continued to narrow. October sales were 17 per cent behind last year, instead of 19 percent recorded in September. On a city basis, firms located in Pittsburgh and Cleveland continue to report the least favorable comparison with last year. In Pittsburgh, sales were 26 percent under 1937, and in Cleveland 21.6 percent. Lexington, Kentucky, was only 0.8 percent below a year ago.

Wholesalers' inventories increased a very small amount during October. Collections were a little better than in the preceding month.

AGRICULTURE

Although price movements are still generally unfavorable to farmers in this district, the *Department of Agriculture* reports that cash farm income from both marketings and Government payments will probably be higher in 1939 than in 1938. Increased income from marketings is expected to follow improved consumer demand resulting from better industrial activity, although business recovery thus far experienced this fall has merely served to maintain the general level of agricultural prices at a fairly constant average. Total cash farm income for 1938 is now estimated at \$7,500,000,000, a decline of 13 percent from 1937 and 6 percent from 1936, but larger than in any other year since 1929. In this district, heavier feeding operations and a good price outlook for tobacco are expected to increase local farm income this fall and winter.

Tobacco Burley tobacco harvested in the fourth district this year appears to be light in weight, but of exceptionally fine quality. In spite of this lightness, production of all types of tobacco in the district was estimated by the *Department of Agriculture* on November 1 at 122,727,000 pounds, less than seven percent under last year, and only five percent below the ten-year average. This amount is much in excess of this year's marketing quotas set by the Government. In Kentucky alone, the burley crop is variously estimated at from 30,000,000 to 35,000,000 pounds in excess of the Government's quota. Total burley acreage planted in 1938 was slightly greater than that planted in 1937 in spite of the Federal crop-reduction program. Just what effect the marketing quotas announced this spring will have on the selling of this year's crop is not yet known, but in areas producing flue-cured varieties it appears that most of the tobacco has moved to market in spite of the penalties imposed. These penalties amount to 50 percent of the selling price of tobacco marketed in excess of each producer's quota. In spite of the large crop and a heavy carry-over from last year, tobacco men expect prices to hold at about last year's levels.

Preparation of the crop for market was hampered by weather conditions in October and the first half of November. Dryness retarded stripping, but some growers brought their tobacco into condition artificially. In the third week of November, rainfall was sufficient to bring the tobacco into shape, and since that time stripping has proceeded rapidly. There is no indication that weather conditions have retarded market openings, which are announced for December 5.

Wheat Wheat prices during October and the first three weeks of November continued to fluctuate in a very narrow range. Since there has been no marked increase in prices, farmers in this district are reported to be feeding a considerable amount of their wheat to livestock and poultry.

For the coming crop year, weather conditions have been quite unfavorable to production. Successive periods of drought and too much moisture prevented seedings from being as large as last year even though individual restrictive allotments under the Government's program are yet to be announced. Acreage reduction from last year is estimated to be 11 percent in Ohio and 8 percent in Pennsylvania. In addition to keeping planting down, the weather prevented normal development during the fall growing season. Lack of moisture in October and early November resulted in undersized plants. Rains during the middle of November improved conditions somewhat, but in most areas the crop is entering winter in a less favorable condition than is desirable for a good harvest next year.

Potatoes Estimates of potato production in this district have been changed very little from those made early in the summer. The latest calculation places output at 20,677,000 bushels, 11 percent above last year and three percent higher than the ten-year average. Yields vary widely, but in Ohio are still estimated as averaging 110 bushels per acre.

Wholesale and Retail Trade

(1938 compared with 1937)

	SALES October 1938	Percentage Increase or Decrease SALES first 10 months October 1938	STOCKS October 1938
DEPARTMENT STORES (54)			
Akron.....	-18.0	-22.1	-20.7
Cincinnati.....	-13.3	-10.2	-17.3
Cleveland.....	-17.6	-16.0	-20.2
Columbus.....	-9.6	-9.1	-15.7
Dayton.....	-16.6	-18.9	-16.8
Pittsburgh.....	-17.6	-16.6	-18.4
Toledo.....	-18.1	-18.5	-17.7
Wheeling.....	-14.8	-15.5	-14.1
Other Cities.....	-20.7	-18.2	-17.8
District.....	-16.6	-15.8	-18.5
WEARING APPAREL (12)			
Cincinnati.....	-25.6	-22.2	-10.2
Cleveland.....	-17.2	-16.1	-12.6
Pittsburgh.....	-17.0	-16.5	-19.9
District.....	-18.3	-16.5	-13.4
FURNITURE (40)			
Cincinnati.....	-35.4	-42.7	-
Cleveland.....	-15.9	-35.4	-
Columbus.....	-5.3	-17.2	-
Dayton.....	-14.2	-38.0	-
Toledo.....	-32.9	-45.3	-
Other Cities.....	-28.5	-47.1	-
District.....	-19.6	-36.7	-
CHAIN STORES*			
Drugs—District (4).....	+ 3.9	- 6.4	-
Groceries—District (4).....	- 0.9	- 3.7	-
WHOLESALE TRADE**			
Automotive Supplies (10).....	-17.6	-14.0	-14.0
Drugs (6).....	-4.8	-10.3	-12.6
Dry Goods (8).....	-15.7	-26.9	-25.9
Electrical Goods (12).....	-36.7	-43.7	-30.7
Farm Products (Consumer Goods) (3).....	-11.0	1	1
Groceries (59).....	-11.4	-15.0	-13.2
Total Hardware Group (36).....	-24.2	1	1
General Hardware (13).....	-21.0	-27.7	-23.3
Industrial Supplies (12).....	-37.5	-47.6	-20.0
Plumbing & Heating Supplies (11).....	-19.2	-28.6	- 6.6
Jewelry & Optical Goods (7).....	-30.7	-38.4	-21.6
Leather & Shoe Findings (3).....	- 2.5	1	1
Lumber & Building Materials (5).....	-25.8	1	1
Meats & Meat Products (5).....	-17.3	1	+ 5.5
Paints & Varnishes (3).....	-17.4	1	1
Paper & Its Products (8).....	-10.1	1	1
Tobacco & Its Products (25).....	- 4.7	+ 6.2	+ 3.1
Miscellaneous (15).....	-27.1	-37.1	+ 0.3
District—All Lines (208).....	-17.2	-25.1	-17.9

*Per individual unit operated.

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

1 Not available.

Fourth District Business Statistics

(000 omitted)

	October 1938	% change from 1937	Jan.-Oct. 1938	% change from 1937
Fourth District Unless Otherwise Specified.....	\$2,170,000	-17.8	\$19,981,000	-22.1
Bank Debits—(24 cities).....	773,241	+ 0.3	1	
Savings Deposits—end of month				
40 banks, O. and W. Pa.	773,241	+ 0.3	1	
Life Insurance Sales:				
Ohio and Pa.	65,934	-19.4	663,938	-31.3
Retail Sales:				
Dept. Stores—54 firms.....	21,484	-16.6	184,322	-15.8
Wearing Apparel—12 firms.....	947	-18.3	7,569	-16.5
Furniture—40 firms.....	787	-19.6	6,817	-36.7
Building Contracts—Total.....	33,089	+93.1	241,049	-16.1
—Residential.....	7,891	+ 4.5	75,855	-14.5
Commercial Failures—Liabilities.....	948	-39.1	10,076	+27.3
—Number.....	83 ²	+25.8	802 ²	+50.8
Production:				
Pig Iron—U. S. tons	2,067	-28.5	14,390	-56.7
Steel Ingot—U. S. tons	3,118	- 8.1	21,124	-54.0
Auto—Passenger Car—U. S.	187,494 ²	-37.2	1,354,635 ²	-59.9
Auto—Trucks—U. S.	22,028 ²	-29.4	374,216 ²	-49.9
Bituminous Coal, O., W. Pa., E. Ky. tons	13,197	-14.5	100,312	-31.4
Cement—O., W. Pa., W. Va. bbls.	1,197	+ 5.5	8,081	-11.0
Elec. Power, O., Pa., Ky.				
Thous. k.w.h.	1,516 ³	- 5.2	12,159 ⁴	-16.6
Petroleum—O., Pa., Ky. bbls.	2,201 ³	-10.5	20,103 ⁴	- 5.0
Shoes pairs	8	+23.4	8	- 9.5
Tires, U. S. casings	4,276	+ 7.7	32,069	-34.8
Bituminous Coal Shipments:				
L. E. ports tons	5,247	- 8.0	29,723	-27.5

1. not available

2. actual number.

3. September.

4. Jan.-September.

5. Confidential

Debits to Individual Accounts

(Thousands of Dollars)

	5 weeks ended Nov. 23, 1938	% change from 1937	Year to Date Dec. 30, 1937 to Nov. 23, 1938	Year to Date Dec. 31, 1936 to Nov. 24, 1937	% change from 1937
Akron.....	\$ 68,831	-19.7	\$ 616,117	\$ 762,909	-19.2
Butler.....	9,393	-20.7	89,774	115,594	-22.3
Canton.....	37,111	-20.1	321,553	437,416	-26.5
Cincinnati.....	363,261	- 9.3	3,244,032	3,888,984	-16.6
Cleveland.....	636,953	- 6.2	5,401,794	6,841,623	-21.0
Columbus.....	190,830	-10.4	1,744,940	2,300,063	-14.0
Dayton.....	71,147	-19.3	651,534	828,042	-21.3
Eric.....	29,853	-16.5	268,466	360,369	-25.5
Franklin.....	3,268	-19.0	30,611	39,327	-22.2
Greensburg.....	7,338	-22.0	71,936	82,866	-13.2
Hamilton.....	12,488	- 6.9	111,612	141,290	-21.0
Homestead.....	3,286	-19.4	30,852	37,834	-18.5
Lexington.....	23,656	+ 5.2	243,999	260,791	- 6.4
Lima.....	14,951	- 9.9	148,188	157,191	- 5.7
Lorain.....	5,122	-21.5	49,346	60,137	-17.9
Middletown.....	11,247	-14.3	93,980	121,023	-22.3
Oil City.....	11,043	-17.5	101,501	124,634	-18.6
Pittsburgh.....	673,557	-20.8	6,379,300	8,448,980	-24.5
Sharon.....	9,103	-18.8	79,636	103,933	-23.4
Springfield.....	18,542	-19.8	173,546	208,647	-16.8
Steubenville.....	10,257	-22.4	91,337	124,532	-26.7
Toledo.....	144,457	- 5.0	1,173,857	1,511,147	-22.3
Warren.....	10,054	-13.2	87,047	115,370	-24.5
Wheeling.....	31,572	-12.5	290,092	378,910	-23.4
Youngstown.....	48,379	-11.0	422,159	583,816	-27.7
Zanesville.....	9,118	- 4.0	80,011	91,807	-12.8
Total.....	\$2,454,817	-13.1	\$21,997,220	\$27,857,235	-21.0

Fourth District Business Indexes

(1923-25 = 100)

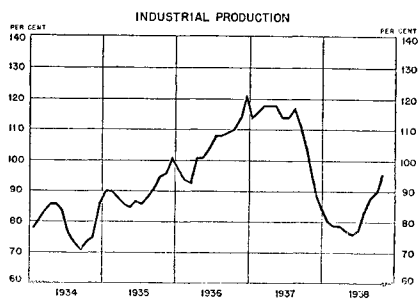
	Oct. 1938	Oct. 1937	Oct. 1936	Oct. 1935	Oct. 1934
Bank debits (24 cities).....	80	97	94	77	64
Commercial Failures (Number).....	57	45	31	53	43
—(Liabilities).....	22	35	15	31	25
Sales—Life Insurance (O. and Pa.).....	69	89	90	92	90
—Department Stores (48 firms).....	87	104	98	79	72
—Wholesale Drugs (6 firms).....	114	119	113	94	85
—Dry Goods (8 firms).....	52	62	69	61	50
—Groceries (59 firms).....	71	80	84	82	74
—Hardware (13 firms).....	80	102	106	80	69
—All (86 firms).....	74	86	89	79	70
—Chain Drugs (4 firms)**.....	98	94	98	86	74
Building Contracts (Total).....	69	36	47	58	22
—(Residential).....	46	44	44	59	14
Production—Coal (O., W. Pa., E. Ky.).....	73	85	98	77	68
—Cement (O., W. Pa., E. Ky.).....	100	94	109	74	59
—Elec. Power (O., Pa., Ky.)*.....	181	190	180	154	132
—Petroleum (O., Pa., Ky.)*.....	119	133	125	110	106
—Shoes.....	112	90	118	98	74

*September.

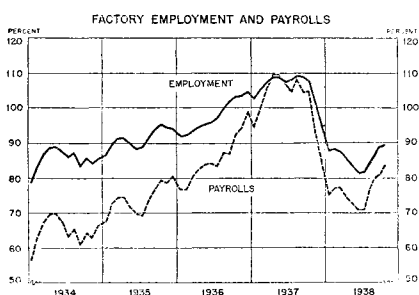
**Per individual unit operated.

Summary of National Business Conditions

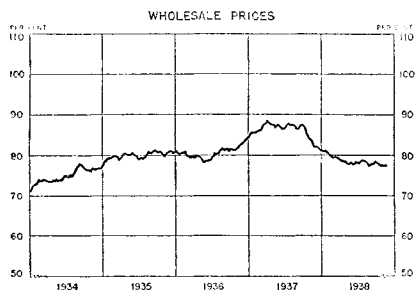
By the Board of Governors of the Federal Reserve System



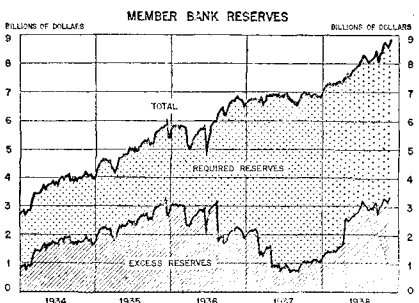
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to October 1938. Latest figure October 96.



Revised indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-25 average = 100. By months, January 1934 to October 1938. Indexes compiled by the United States Bureau of Labor Statistics. Latest figure Employment 89.5, Payrolls 83.7.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending November 10, 1938. Latest figure 77.3.



Wednesday figures of total member bank reserve balances at Federal reserve banks, with estimates of required and excess reserves. January 3, 1934 to November 23, 1938.

Industrial production continued to increase sharply in October and the first three weeks of November, reflecting principally larger output of steel and automobiles. Wholesale commodity prices showed little change in this period. Volume of employment and national income increased in October.

Production

In October the Board's seasonally adjusted index of industrial production was at 96 percent of the 1923-1925 average, as compared with 90 percent in September. Steel ingot production increased considerably, averaging 53 percent of capacity in October, and in the first three weeks of November there was a further substantial advance. In the automobile industry output was increased rapidly during October and the first three weeks of November both to stock dealers with new model cars and to meet the increased volume of retail demand accompanying the introduction of new models. Production, which in the first nine months of 1938 had been at a considerably lower level, was at nearly the same rate as in the corresponding period in other recent years. Output of plate glass also increased sharply further in October. Cement production showed a considerable increase, while lumber production declined slightly.

Activity at textile mills, which had risen sharply during the summer, continued at about the August and September rate, although usually there is an increase at this time of the year. Shoe production declined somewhat further in October, and there was a decrease in output of tobacco products, while in most other industries manufacturing nondurable goods changes in output were largely seasonal in character. Mineral production showed a further moderate rise, reflecting in large part increased output of crude petroleum and nonferrous metals. Lake shipments of iron ore also were in larger volume, although a decrease is usual in October. Coal production increased seasonally.

Value of construction contracts awarded in 37 Eastern States increased considerably in October, according to figures of the F. W. Dodge Corporation, reflecting chiefly a sharp rise in awards for public projects. Contracts for hospital, educational, and other public buildings included in the Public Works Administration program were in large volume, and there was a further increase in contracts awarded for slum clearance projects of the United States Housing Authority.

Employment

Employment and payrolls increased somewhat further between the middle of September and the middle of October. At automobile factories employment continued to rise sharply and there were further moderate increases in most other durable goods industries. The number employed at canning establishments declined and in other nondurable goods industries showed little change. Employment increased somewhat at mines, on the railroads, and in the construction industry, while in trade the rise was less than seasonal.

Distribution

Sales at department and variety stores and by mail order houses showed less than the usual seasonal increase in October, partly because consumer buying of winter merchandise was retarded by unseasonably warm weather during most of the month. In the first two weeks of November department store sales increased moderately.

Freight-car loadings rose considerably further in October, owing largely to increased shipments of grains, coal, and miscellaneous freight. In the first half of November loadings showed a seasonal decline.

Commodity Prices

Wholesale commodity prices generally showed little change from the middle of October to the third week of November. Prices of steel scrap and leather advanced. Tin plate prices, on the other hand, were reduced, and there were also decreases in zinc, hides, and rubber. Prices of farm products and foods showed small fluctuations in this period.

Bank Credit

Total loans and investments at reporting member banks in 101 leading cities declined by about \$150,000,000 during the first half of November following a substantial increase during October. The decline in November was almost entirely at New York City banks and reflected the retirement of State and local government obligations held by these banks. Adjusted demand deposits, which reached an all-time peak of \$16,000,000,000 at reporting banks in the last week in October, also decreased somewhat in the first half of November. Member bank reserves in the middle of November were at about the high level reached a month earlier.

Money Rates and Bond Yields

The prevailing rate on open-market commercial paper declined slightly in November to $\frac{1}{8}$ of 1 percent, a new low level. Other short-term open-market rates were unchanged. Yields on U. S. Government securities and on high-grade corporate bonds showed only small changes during November, continuing close to the low levels reached in October.